



AMWAL | أمـوال

Amwal International Investment Company









H. H. Sheikh
Sabah Al-Ahmad Al-Jaber Al-Sabah
Amir of the State of Kuwait



H. H. Sheikh
Nawaf Al-Ahmad Al-Jaber Al-Sabah
Crown Prince



H. H. Sheikh
Nasser Mohammed Al-Ahmad Al-Sabah
Prime Minister

Board Members

Bader Fahed Al-Rezaihan	Chairman & MD
Abdulaziz Abdulaziz Almeshal	Vice Chairman & C.E.O
Mansour Salem Al-Nassar	Board Member
Bader Abdulaziz Abul	Board Member
Khalid Abdulrahman Al-Ghanim	Board Member
Ammar Abdulwahid Al-Khudairy	Board Member
Ziyad Fouad Al-Saleh	Board Member

Executive Management

Abdulaziz Abdulaziz Almeshal

Vice Chairman & C.E.O

Yasser Moustapha Dib

Executive Vice President – Investment

Mohamed Abdulwahab Rashid

Chief Financial Officer

Ghadeer Ahmad Al-Omran

Senior Vice President – Support Group



Bader Fahed Al-Rezaihan
Chairman & Managing Director

Chairman Speech

Ladies and Gentlemen, Shareholders of Amwal International Investment Company,

Greetings

Welcome to the General Assembly Meeting of your company for the fiscal year 2010. The members of the Board of Directors and myself have been honored by the trust you have placed in us to lead Amwal International Investment Company during these challenging times.

Our Valued Shareholders,

All of us continue to feel the consequences of the global economic crisis and its ramifications across all sectors. Despite the difficulties and challenges caused by the current crisis, we have all gained valuable lessons in how to deal with such difficulties and avoid them in the future. We as Shareholders, Board of Directors and Executive Management of Amwal International Investment Company continue to navigate the company through this financial crisis to the best of our abilities. I have no doubt that we will emerge from this crisis stronger and more determined than ever.

Our valued Shareholders,

The General Assembly held in July 2009 approved the listing of Amwal International Investment Company on the Kuwait Stock Exchange. We have successfully achieved that goal and Amwal International Investment Company was listed on the Kuwait Stock Exchange on 24 March 2010.

Financial institutions across the world have continued to face challenging times throughout 2010 and Amwal International Investment Company has not been an exception. My fellow Shareholders, your Company owns stable and solid assets; however, the current crisis has had an impact on our investments, and the banking sector reluctances to provide financing has negatively affected the availability of capital. Nevertheless, rest assured that we will continue to do everything in our power to support Amwal and ensure that we emerge stronger than ever.

Our investment in Alshamel International Holding Co. is one of the best performing investments in our portfolio. During 2010, Al Shamel has started implementing a restructuring program that was approved in early 2010 with the assistance of highly qualified global consultants. Through this program Al Shamel has expanded beyond the Middle East and established branches in Central Asia and Africa, redesigned its operational processes, and diversified its customer base. This will enhance Alshamel position in tourism and travel as a leading regional player. Alshamel has achieved healthy operational results during 2010; however, such major restructuring program has reduced the 2010 profits. We are confident that Alshamel will resume its success and achieve more outstanding financial results in the coming years.

With regards to Amwal's 36.75% investment in Al Oula Tower Project in Al Khobar City in the Kingdom of Saudi Arabia, the shareholders decided to halt the development due to lack of financing. We are currently coordinating with our partners in the Kingdom of Saudi Arabia to exit the project with the most favorable results. Currently, the land is being subdivided to be offered for sale. The Saudi real estate market is witnessing a rise due to the unprecedented and ambitious development initiatives launched recently by the Saudi Government. We remain optimistic about this investment and the Saudi market in general.

In the United Arab Emirates, Amwal owns 7.54% stake in the Emirates Float Glass Factory in Abu Dhabi. The factory started production during the first quarter of 2009. The factory is currently operating at full production capacity and selling all of its production. However, Amwal has made a strategic decision to exit the investment if possible.

Furthermore, Amwal continues to hold 4.37% in Dubai Golf City, a land project in Dubai with an area of 55 million square feet. This investment is considered as a long-term investment. The project management team has taken positive steps to increase the value of the project including the completion of some of the infrastructure works, the construction of the sales building, subdivision of the land, and the issuance of the land deed. The management team is currently marketing the project to developers.

Our valued Shareholders,

Although Amwal's 2010 results are consistent with the general performance of most financial institutions, however, they do not reflect the Board of Directors' and the management's ambitions. The majority of the losses in the past year were due to unrealized losses reflecting the Board of Directors' conservative approach in valuing assets and taking additional provisions as precautionary measures. We have always adopted a policy of not inflating Amwal's financial position by revaluing the company's assets, which meant holding the investments at cost. One exception was Al Oula Tower Project, where the board of directors has decided to take additional provision.

As you know, the Company's strategy and policy has always been to focus on long-term investments and avoid risky speculation which has limited the negative impact of this financial crises.

In view of the foregoing, the total assets of Amwal decreased by 23.85% to KD 19,369,679 resulting in a negative return on capital of 37.41%. Moreover, the net shareholders' equity decreased 25.1% in comparison to the previous year to KD 18,654,415.

The net loss of this year is KD 6,754,786 and the return on shareholders' equity is a negative 36.2%. The loss per share reached Kuwaiti Fils 37.41. The Board of Directors recommended not to distribute cash or in-kind profits for the fiscal year 2010.

The Board of Directors of Amwal International Investment Company gave unanimous recommendation to the General Assembly not to distribute remunerations to the Board of Directors for 2010.

Our valued Shareholders,

We realize that the current difficult stage of the market requires critical decisions; however, we are confident that we will overcome such difficulties with our unified efforts as shareholders of Amwal International Investment Company. The Board of Directors has made a decision for the company to stay focused on specialized investments with operational income.

As the Board of Directors and shareholders share keen interest to work hard to achieve the company's goals, we the Board of Directors renew our promise to you to exert our utmost efforts to take Amwal International Investment Company to a bright future.

In closing we thank you for your support and trust.

Bader Fahed Al-Rezaihan
Chairman & Managing Director
AMWAL International Investment Company



Amwal International Investment Company K.S.C.
(Closed) and Subsidiaries
Kuwait

**Independent Auditor's Report
and Consolidated Financial Statements
31 December 2010**



Contents

Page

Independent Auditor's Report	16 - 17
Consolidated Statement of Financial Position	18
Consolidated Statement of Income	19
Consolidated Statement of Comprehensive Income	20
Consolidated Statement of Changes in Shareholders' Equity	21
Consolidated Statement of Cash Flows	23
Notes to the Consolidated Financial Statements	24 - 46



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Amwal International Investment Company K.S.C. (Closed) **Kuwait**

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Amwal International Investment Company K.S.C. (Closed) ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

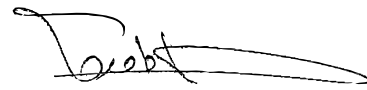
Report on Other Legal and Regulatory Requirements

Furthermore in our opinion, proper books of account have been kept by the Company and the consolidated financial statements together with the contents of the report of the Board of Directors relating to these consolidated financial statements are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and the consolidated financial statements incorporate all the information that is required by the Commercial Companies Law of 1960, as amended, and by the Company's Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violation of the Commercial Companies Law of 1960, as amended, or of the Articles of Association have occurred during the year ended 31 December 2010 that might have had a material effect on the business of the Group or on its financial position.

We further report that, during the course of our audit we have not become aware of any material violation of the provisions of Law 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organization of banking business, and its related regulations during the year ended 31 December 2010.



Jassim A. Al-Fahad
Licence No. 53A
Deloitte & Touche
Al-Fahad, Al-Wazzan & Co.



Nasser Abdullah Al-Muqait
R.A.A. No. 9A
Al Ahli Bureau
Certified Accountants

Kuwait 06 April 2011

Consolidated Statement of Financial Position

As at 31 December 2010

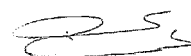
	Note	Kuwaiti Dinars	
		2010	2009
ASSETS			
Current assets			
Cash and bank balances	4	380,192	1,179,186
Investments at fair value through profit or loss	5	26,950	22,200
Trade and other receivables	6	48,425	181,357
Due from related parties	7	-	167,213
		<u>455,567</u>	<u>1,549,956</u>
Non-current assets			
Investments available for sale	8	7,294,549	7,059,648
Investments in associates	9	11,576,691	16,769,144
Equipment		6,872	13,854
Intangible asset	10	36,000	42,000
		<u>18,914,112</u>	<u>23,884,646</u>
TOTAL ASSETS		<u>19,369,679</u>	<u>25,434,602</u>
LIABILITIES AND EQUITY			
LIABILITIES			
Current liabilities			
Trade and other payables	11	416,488	168,521
Non-current liabilities			
Post employment benefits		298,669	356,611
		<u>298,669</u>	<u>356,611</u>
EQUITY			
Equity attributable to owners of the Parent Company			
Share capital	12	18,055,125	18,055,125
Share premium	12	1,500,000	1,500,000
Legal reserve	12	680,359	680,359
Foreign currency translation reserve		(42,097)	264,882
Investment fair valuation reserve		(854,856)	(1,661,727)
Share based compensation reserve	13	-	77,586
(Accumulated deficit)/ Retained earnings	12	(684,116)	5,993,084
		<u>18,654,415</u>	<u>24,909,309</u>
Non – controlling interests		107	161
Total Equity		<u>18,654,522</u>	<u>24,909,470</u>
TOTAL LIABILITIES AND EQUITY		<u>19,369,679</u>	<u>25,434,602</u>

The accompanying notes from 1 to 24 form an integral part of these consolidated financial statements.



BADER F. AL REZAIHAN

Chairman & MD



ABDULAZIZ ABDULAZIZ AL MESHAL

Vice Chairman & CEO

Consolidated Statement of Income

For the year ended 31 December 2010

	Note	Kuwaiti Dinars	
		2010	2009
Income			
Realised gain from investments at fair value through profit or loss		-	546,402
Unrealised gain/ (loss) from investments at fair value through profit or loss		4,750	(20,050)
Impairment in value of an investment available for sale		(481,490)	(43,260)
Share of (loss)/ profit from associates	9	(4,617,452)	813,002
Management fees and other income		113,293	14,496
Dividend income		-	49,646
Interest income		7,994	18,113
(Loss)/ gain on foreign exchange revaluation		(210)	110,210
		<u>(4,973,115)</u>	<u>1,488,559</u>
Expense			
Staff costs		(632,468)	(722,650)
General and administrative expenses	14	(304,714)	(294,651)
Provision for doubtful debts		(479,190)	(276,598)
Provision for impairment of investments		(352,374)	-
Depreciation and amortization		(12,979)	(29,563)
Finance cost		-	(21,008)
		<u>(1,781,725)</u>	<u>(1,344,470)</u>
(Loss) / profit for the year		<u>(6,754,840)</u>	<u>144,089</u>
Attributable to:			
Owners of the Parent Company		(6,754,786)	144,107
Non – controlling interests		(54)	(18)
		<u>(6,754,840)</u>	<u>144,089</u>
(Loss) / Earnings per share			
Basic and diluted earnings per share (Fils)	15	<u>(37.41)</u>	<u>0.8</u>

The accompanying notes from 1 to 24 form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Note	Kuwaiti Dinars	
		2010	2009
(Loss) / profit for the year		(6,754,840)	144,089
Other comprehensive income:			
Exchange differences arising from translation of foreign operations		(306,979)	522,275
Available for sale investments			
- Changes in fair value arising during the year		953,952	(386,085)
- Exchange differences		(147,081)	(50,416)
Total other comprehensive income for the year		499,892	85,774
Total comprehensive income for the year		(6,254,948)	229,863
Total comprehensive income attributable to:			
Owners of the Parent Company		(6,254,894)	229,881
Non controlling interests		(54)	(18)
		(6,254,948)	229,863

The accompanying notes from 1 to 24 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in shareholder's Equity

For the year ended 31 December 2010

	Kuwaiti Dinars									
	Equity attributable to owners of the Parent Company									
	Share capital	Share premium	Legal reserve	Foreign currency translation reserve	Investment fair valuation reserve	Share based compensation reserve	Retained earnings	Non – controlling interests	Total	
Balance as at 1 January 2010	18,055,125	1,500,000	680,359	264,882	(1,661,727)	77,586	5,993,084	161	161	24,909,470
Loss for the year	-	-	-	-	-	-	(6,754,786)	(54)	(54)	(6,754,840)
Other comprehensive income										
Exchange differences arising on translation of foreign operations	-	-	-	(306,979)	-	-	-	-	-	(306,979)
Available for sale investments:										
- Changes in fair value	-	-	-	-	953,952	-	-	-	-	953,952
- Exchange differences	-	-	-	-	(147,081)	-	-	-	-	(147,081)
Total comprehensive income for the year	-	-	-	(306,979)	806,871	-	(6,754,786)	(54)	(54)	(6,254,948)
Cancellation of ESOP	-	-	-	-	-	(77,586)	77,586	-	-	-
Balance as at 31 December 2010	<u>18,055,125</u>	<u>1,500,000</u>	<u>680,359</u>	<u>(42,097)</u>	<u>(854,856)</u>	<u>-</u>	<u>(684,116)</u>	<u>107</u>	<u>107</u>	<u>18,654,522</u>

The accompanying notes from 1 to 24 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in shareholder's Equity

For the year ended 31 December 2010

Kuwaiti Dinars

Equity attributable to owners of the Parent Company

	Share capital	Share premium	Legal reserve	Foreign currency translation reserve	Investment fair valuation reserve	Share based compensation reserve	Retained earnings	Non – controlling interests	Total
Balance as at 1 January 2009	18,055,125	1,500,000	665,948	(257,393)	(1,225,226)	77,586	5,863,567	-	24,679,607
Profit for the year	-	-	-	-	-	-	144,107	(18)	144,089
Other comprehensive income									
Exchange differences arising on translation of foreign operations	-	-	-	522,275	-	-	-	-	522,275
Available for sale investments:									
- Changes in fair value	-	-	-	-	(386,085)	-	-	-	(386,085)
- Exchange differences	-	-	-	-	(50,416)	-	-	-	(50,416)
Total comprehensive income for the year	-	-	-	522,275	(436,501)	-	144,107	(18)	229,863
Transfer to legal reserve	-	-	14,411	-	-	-	(14,411)	-	-
Transfer of share in subsidiaries	-	-	-	-	-	-	(179)	179	-
Balance as at 31 December 2009	18,055,125	1,500,000	680,359	264,882	(1,661,727)	77,586	5,993,084	161	24,909,470

The accompanying notes from 1 to 24 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	Note	Kuwaiti Dinars	
		2010	2009
Cash flows from operating activities			
(Loss) / profit for the year		(6,754,840)	144,089
Adjustments:			
Unrealised loss from investments at fair value through profit or loss		-	20,050
Impairment in value of an investment available for sale		481,490	43,260
Share of (loss)/ profit from associates		4,617,452	(813,002)
Interest income		(7,994)	(18,113)
Profit from sale of equipment		-	(1,080)
Depreciation and amortization		12,979	29,563
Finance cost		-	21,008
Provision for post employment benefits		(57,942)	54,775
Operating loss before changes in operating assets and liabilities		(1,708,855)	(519,450)
Changes in operating assets and liabilities			
(Increase)/ decrease in investments at fair value through profit or loss		(4,750)	1,903,542
Decrease in trade and other receivables		132,935	629,347
Decrease in due from related parties		167,213	902,720
Increase/ (decrease) in trade and other payables		247,967	(1,875,856)
Decrease in due to related parties		-	(2,218)
Net cash (used in)/ from operating activities		(1,165,490)	1,038,085
Cash flows from investing activities			
Investments available for sale		90,480	(1,634,248)
Investment in an associate (net)		(144,199)	(23,200)
Proceeds from sale of shares of an associate		10,000	-
Dividend received from an associate		402,221	269,729
Purchase of equipment		-	(10,775)
Proceeds from sale of equipment		-	860
Interest income received		7,994	18,113
Net cash from/ (used in) investing activities		366,496	(1,379,521)
Cash flows from financing activities			
Finance cost paid		-	(21,008)
Net cash used in financing activities		-	(21,008)
Net decrease in cash and cash equivalents		(798,994)	(362,444)
Cash and cash equivalents at beginning of the year		1,179,186	1,541,630
Cash and cash equivalents at end of the year	4	380,192	1,179,186

The accompanying notes from 1 to 24 form an integral part of these financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

1. Incorporation and activities

Amwal International Investment Company K.S.C. Closed (“the Company”) is a closed Kuwaiti shareholding company. The Company is registered as an investment company with the Central Bank of Kuwait. The principal activities of the Company are to own and manage investments for its own account and for clients.

The registered office of the Company is at P.O. Box 3216, Al-Sahab Tower, Safat 13032, Kuwait.

The Company along with the subsidiaries disclosed in note 3 is referred to as “the Group”.

The Company’s shares were listed on the Kuwait Stock Exchange on 24 March 2010.

These consolidated financial statements were approved and authorized for issue by the Board of Directors on 06 April 2011 and are subject to the approval of the shareholders at their forthcoming Annual General Meeting (AGM).

2. Basis of preparation and significant accounting policies

2.1 Basis of presentation

These consolidated financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), under the historical cost basis of measurement except for the measurement at fair value of “investments at fair value through statement of income” and “available for sale investments”.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 22.

The consolidated financial statements are presented in Kuwaiti Dinars (KD) which is the functional currency of the Group.

2.2 Significant accounting policies

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous year except for the adoption of the following new and amended IASB Standards and IFRIC Interpretations that are effective from 1 January 2010:

IFRS 2 (Amended) : Share-based Payment

IFRS 5 (Amended) : Non-current Assets Held for Sale and Discontinued Operations

IFRS 8 (Amended) : Operating Segments

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

- IAS 1 (Amended) : Presentation of Financial Statements
- IAS 7 (Amended) : Statement of Cash Flows
- IAS 17 (Amended) : Leases
- IAS 31 (Amended) : Interests in Joint Ventures
- IAS 36 (Amended) : Impairment of Assets
- IAS 38 (Amended) : Intangible Assets
- IAS 39 (Amended) : Financial Instruments: Recognition and Measurement
- IFRIC 9 (Amended) : Reassessment of Embedded Derivatives
- IFRIC 16 (Amended) : Hedges of a net investment in a foreign operation
- IFRIC 17 : Distributions of Non-cash Assets to Owners
- IFRIC 18 : Transfers of Assets from Customers

The adoption of the above Standards did not have any material impact on the consolidated financial statements of the Group.

Standards and Interpretations issued but not yet effective

The following new and revised IASB Standards and IFRIC Interpretations have been issued but are not yet effective and have not been early adopted by the Group:

For annual periods beginning on or after 1 July 2010

IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments

The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in the statement of income. The adoption of this interpretation will have no material effect on the consolidated financial statements of the Group.

For annual periods beginning on or after 1 January 2011

IAS 24 (Revised) : Related Party Transactions

The revised standard was issued in November 2009 and becomes effective for the financial years beginning on or after 1 January 2011. The revised standard simplifies the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities.

Improvements to IFRS

In May 2010, IASB issued amendments to various standards and interpretations as part of its annual improvements project. These amendments have not been adopted as they become effective for annual periods beginning on or after 1 January 2011:

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

- IFRS 3 : Business combinations
- IFRS 7 : Financial Instruments: Disclosures
- IAS 1 : Presentation of Financial Statements
- IAS 27 : Consolidated and Separate Financial Statements
- IAS 34 : Interim Financial Reporting
- IFRIC 13 : Customer Loyalty Programmes
- IFRIC 14 : Prepayment of a minimum funding requirements

For annual periods beginning on or after 1 February 2010

IAS 32 (Amended) : Financial Instruments: Presentation – Classification of Rights Issues

The definition of a financial liability was amended to classify rights issues for a fixed amount of foreign currency (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment will have no significant impact on the consolidated financial statements of the Group.

For annual periods beginning on or after 1 January 2013

IFRS 9 : Financial Instruments: Classification and Measurement

This Standard will replace IAS 39 upon its effective date. IFRS 9 establishes principles for the financial reporting of financial assets that will present relevant and useful information to users of the financial statements for their assessment of the amounts, timing and uncertainty of the entity's future cash flows.

Although early application of this standard is permitted, the Technical Committee of the Ministry of Commerce and Industry of Kuwait decided in December 2009, to postpone this allowed early application until further notice.

The application of the above standards will be made in the consolidated financial statements when these standards and interpretations become effective and are not expected to have a material impact on the consolidated financial statements of the Group.

2.3 Financial instruments

Recognition and De-Recognition

A financial asset or a financial liability is recognised when the Group becomes a party to the contractual provisions of the instrument. A financial asset (in whole or in part) is de-recognised either when: the rights to receive the cash flows from the asset have expired; the Group has transferred its right to receive cash flows from the assets or has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or the Group has

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expires.

Classification and measurement

The Group classifies its financial assets as "investments at fair value through profit or loss", "loans and receivables", or "available for sale" and its financial liabilities as "financial liabilities other than at fair value through profit or loss". Management determines the appropriate classification of each instrument at the time of acquisition.

All financial assets and liabilities are initially measured at fair value of the consideration given plus transaction costs except for financial assets classified as investments at fair value through profit or loss. Transaction costs on financial assets classified as investments at fair value through profit or loss are recognised immediately in the consolidated statement of income.

Investments at fair value through profit or loss

These are financial assets that are either held for trading or are designated as investments at fair value through profit or loss upon initial recognition. A financial asset is classified in this category only if they are acquired principally for the purpose of generating profit from short-term fluctuations in price or if so designated by the management upon initial recognition if they are managed and their performance is evaluated and reported internally on a fair value basis in accordance with a documented risk management or investment strategy. Financial assets classified as investments at fair value through profit or loss are subsequently measured and carried at fair value. Resultant unrealised gains and losses arising from changes in fair value are included in the consolidated statement of income. This includes all derivative financial instruments, other than those designated as effective hedging instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are carried at amortized cost using effective interest method, less any provision for impairment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

Available for sale

These are non derivative financial assets not included in any of the above classifications and are principally those acquired to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rate or equity prices. These are subsequently measured and carried at fair value and any resultant unrealised gains or losses are recognised as a separate component in equity. When the "available for sale" asset is disposed off or impaired, the related accumulated fair value adjustments in equity are transferred to the consolidated statement of income as realised gains or losses.

Financial liabilities

Financial liabilities are subsequently measured at amortised cost using the effective yield method.

Trade and settlement date accounting

All regular way purchases and sales of financial assets are recognized using settlement date accounting. Changes in fair value between the trade date and settlement date are recognised in the consolidated statement of income or in equity in accordance with the policy applicable to the related instrument. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the market place.

Fair values

For financial instruments traded in organised financial markets, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities. The fair value of investments in mutual funds, unit trusts or similar investment vehicles are based on the last published bid price.

The fair value of interest bearing financial instruments that are not quoted in an active market is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics. The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount payable on demand.

The fair value of forward exchange contract is calculated by reference to forward exchange rates with similar maturities.

For unquoted financial instruments fair value is determined by reference to the market value of a similar investment, or the expected discounted cash flows, other appropriate valuation models or brokers' quotes.

For investments in equity instruments, where a reasonable estimate of fair value cannot be determined, the investment is carried at cost less impairment provisions.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

Impairment of financial assets

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. An assessment is made at each statement of financial position date to determine whether there is objective evidence that a specific financial asset, or a group of financial assets, may be impaired. In the case of financial asset classified as available for sale, a significant or prolonged decline in the fair value of assets below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated statement of income, is removed from equity and recognised in the consolidated statement of income. Impairment losses on equities available for sale recognised in the consolidated statement of income are not reversed through the consolidated statement of income.

Loans and receivables are subject to credit risk provision for loan impairment if there is objective evidence that the Company will not be able to collect all amounts due. The amount of provision is the difference between the carrying amount and the recoverable amount, being the present value of expected future cash flows, including amount recoverable from guarantee and collateral, discounted based on the contractual interest rate. The amount of loss arising from impairment is taken to the consolidated statement of income.

2.4 Consolidation

Subsidiaries are those enterprises, including special purpose entities, controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements on a line-by-line basis, from the date on which control is transferred to the Group until the date that control ceases.

Non-controlling interest in an acquiree is stated at the non-controlling interest's proportion of the net fair value of the identifiable assets, liabilities and contingent liabilities at the date of the original business combination and the non-controlling interest's share of changes in the equity since the date of the combination. Equity and net income attributable to non-controlling interests are shown separately in the consolidated statement of financial position and consolidated statement of income respectively. Non-controlling interest is classified as financial liability to the extent there is an obligation to deliver cash or another financial asset to settle the minority interest.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances based on latest audited financial statements or audited financial information of the subsidiaries. Intra group balances, transactions, income and expenses are eliminated in full. Unrealised losses resulting from inter-company transactions are also eliminated unless cost cannot be recovered.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

2.5 Cash and cash equivalents

Cash and cash equivalents for the purpose of preparing the consolidated statement of cash flows comprise cash on hand and at banks and short term bank deposits with a maturity date not exceeding three months from the date of deposit.

2.6 Investments in associates

Associates are those entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are initially recognised at cost and are subsequently accounted for by the equity method of accounting from the date of significant influence to the date it ceases. Adjustments are made to conform the associate's accounting policies to that of the Group. Under the equity method, the Group recognises in the consolidated statement of income, its share of the associate's post acquisition results of operations and in equity, its share of post acquisition movements in reserves that the associate directly recognises in equity. The cumulative post acquisition adjustments, and any impairment, are directly adjusted against the carrying value of the associate. Appropriate adjustments such as depreciation, amortisation and impairment losses are made to the Group's share of profit or loss after acquisition to account for the effect of fair value adjustments made at the time of acquisition.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivable, the Group does not recognise further losses unless it has incurred obligations or made payments on behalf of the associate.

2.7 Investment properties

Investment properties are initially recorded at cost, being the purchase price and any directly attributable expenditure. Subsequent to initial recognition, investment properties are annually re-measured at fair value on an individual basis based on a valuation by an independent and registered real estate valuer. Changes in fair value are taken to the consolidated statement of income.

2.8 Equipment

Equipment are stated at cost less accumulated depreciation and accumulated impairment loss. Cost of an item of equipment comprises of its acquisition costs and all directly attributable costs of bringing the asset to working condition for its intended use. Depreciation is provided on a straight line basis over the estimated useful lives of the assets as follows.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

	Years
Computers	2 - 5
Furniture & fittings	3
Other equipment	3

The carrying values of equipment are reviewed at each statement of financial position date to determine whether there is any indication of impairment.

If any such indication exists, the assets are written down to its recoverable amount and the impairment loss is recognized in the consolidated statement of income, being the difference between carrying value and the asset's recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Gain or loss on disposals are determined by comparing the proceeds with carrying amount and taken to the consolidated statement of income.

2.9 Intangible asset

Identifiable non-monetary assets from which future benefits are expected to flow are treated as intangible assets. Intangible asset comprise of rights of utilisation.

Intangible asset is stated at cost less impairment loss, if any. Intangible assets with definite useful lives are amortised on a straight line basis over their expected useful lives and are tested annually for impairment. Rights of utilisation are amortised on a straight line basis over a period of 10 years.

Assets are grouped at the lowest levels for which there are separately identifiable cash flows for the purpose of assessing impairment. If there is an indication that the carrying value of an intangible asset is greater than its recoverable amount, it is written down to its recoverable amount and the resultant impairment loss taken to the consolidated statement of income.

2.10 Post employment benefits

The Group is liable to make defined contributions to State Plans and lump sum payments under defined benefit plans, to employees at cessation of employment, in accordance with the laws of Kuwait. The defined benefit plan is unfunded and is based on the liability that would arise on involuntary termination of all employees on the statement of financial position date and approximates the present value of the liability. Payments under state plans and changes in defined benefit plan liabilities are charged to the consolidated statement of income.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

2.11 Accounting for leases

Where the Company is the lessee – operating lease

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the consolidated statement of income on a straight-line basis over the period of the lease.

2.12 Share-based payment transactions

The Company operates an equity share based compensation plan. The cost of these share based transactions is measured at fair value at the date of the grant taking into account the terms and conditions upon which the instruments were granted. The share based payment is measured at intrinsic value if the fair value of the equity instrument granted cannot be reliably estimated. The fair value or intrinsic value of the equity instruments is expensed over the vesting period with recognition of a corresponding adjustment in equity. The fair value or the intrinsic value is initially measured at the date the Company grants the share option under the scheme. The intrinsic value is subsequently measured at each reporting date and at the date of final settlement with any change in intrinsic value recognized in profit or loss. For a grant of share options, the share based payment arrangement is finally settled when the options are exercised, are forfeited or lapse.

2.13 Provisions for liabilities

Provisions for liabilities are recognised, when, as a result of past events it is probable that an outflow of economic resources will be required to settle a present legal or constructive obligation and the amount can be reliably estimated.

2.14 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Dividend income is recognized when the right to receive payment is established. Interest income is recognized on a time proportion basis using the effective yield method.

2.15 Foreign currency transactions

Foreign currency transactions are recorded at the rates of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the consolidated statement of financial position date are translated to Kuwaiti Dinars at the rates of exchange prevailing on that date. Resultant gains and losses are taken to the consolidated statement of income.

Translation differences on non-monetary items, such as equities classified as available for sale

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

financial assets are included in the investment fair valuation reserve in equity. The income and cash flow statements of foreign operations are translated into the Company's reporting currency at average exchange rates for the year and their statement of financial positions are translated at exchange rates ruling at the year-end. Exchange differences arising from the translation of the net investment in foreign operations and of borrowings and other currency instruments designated as hedges of such instruments, are taken to shareholders' equity. When a foreign operation is sold, any resultant exchange differences are recognised in the consolidated statement of income as part of the gain or loss on sale.

2.16 Contingencies

Contingent assets are not recognised as an asset unless realization becomes virtually certain. Contingent liabilities, other than those arising on acquisition of subsidiaries, are not recognized as a liability unless as a result of past events it is probable that an outflow of economic resources will be required to settle a present, legal or constructive obligation; and the amount can be reliably estimated. Contingent liabilities arising in a business combination is recognized only if its fair value can be measured reliably.

2.17 Segment

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenues and incurs costs. The operating segments are used by the management of the Group to allocate resources and assess performance. Operating segments exhibiting similar economic characteristics, product and services, class of customers where appropriate are aggregated and reported as reportable segments.

3. Subsidiaries

The subsidiaries of the Company are listed below:

	% of ownership	
	2010	2009
Al Bareeq International W.L.L., Kuwait	99%	99%
Ampower for Electricity Contracting W.L.L., Kuwait	99%	99%
Al Badiyah International W.L.L., Kuwait	99%	99%

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

4. Cash and bank balances

Cash and bank balances include the following cash and cash equivalents:

	Kuwaiti Dinars	
	2010	2009
Cash on hand and at banks	257,854	177,007
Short-term deposits with banks with original maturities of less than three months	122,338	1,002,179
	<u>380,192</u>	<u>1,179,186</u>

The effective interest rate on short-term deposits as of 31 December 2010 was 1% (31 December 2009: 2.25%) per annum.

5. Investments at fair value through profit or loss

	Kuwaiti Dinars	
	2010	2009
Local listed equities	26,950	22,200
	<u>26,950</u>	<u>22,200</u>

6. Trade and other receivables

	Kuwaiti Dinars	
	2010	2009
Trade receivables	43,588	158,734
Prepayments, advances and deposits	3,310	13,260
Accrued income	307	3,469
Other receivables	1,220	5,894
	<u>48,425</u>	<u>181,357</u>

The carrying value of trade and other receivables approximates its fair value.

Trade receivables comprise the following:

	Kuwaiti Dinars	
	2010	2009
Neither past due nor impaired	37,947	157,575
Past due but not impaired	5,641	1,159
Total	<u>43,588</u>	<u>158,734</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

Past due but not impaired receivables relate to some independent clients for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Kuwaiti Dinars	
	2010	2009
6 – 12 months	5,641	1,159
	<u>5,641</u>	<u>1,159</u>

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	Kuwaiti Dinars	
	2010	2009
Kuwaiti Dinars	43,588	11,718
UAE Dirhams	-	89,363
Saudi Riyals	-	57,653
	<u>43,588</u>	<u>158,734</u>

The other classes within trade and other receivables are neither past due nor impaired. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. Trade receivables include KD Nil (2009: KD 89,363) secured by investments pledged in favour of the Group.

7. Due from related parties

	Kuwaiti Dinars	
	2010	2009
Due from companies	-	166,133
Due from associates	-	917
Due from directors	-	163
Total	<u>-</u>	<u>167,213</u>

The carrying amount of the Group's due from related parties is denominated in the following currencies:

	Kuwaiti Dinars	
	2010	2009
Kuwaiti Dinar	-	2,870
UAE Dirham	-	164,343
	<u>-</u>	<u>167,213</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

8. Investments available for sale

	Kuwaiti Dinars	
	2010	2009
Unquoted	7,776,039	7,102,908
Less: Impairment	(481,490)	(43,260)
	7,294,549	7,059,648

Investment securities are denominated in the following currencies:

	Kuwaiti Dinars	
	2010	2009
Kuwaiti Dinar	7,500	286,440
Qatar Riyal	313,794	322,423
US Dollar	-	80,815
UAE Dirham	6,973,255	6,369,970
	7,294,549	7,059,648

Unquoted investments include KD 4.133 million of equity interest in a special purpose entity that is currently developing a leisure facility in the UAE. In 2009 the Company invested KD 1.664 million for acquiring an additional 20.35% of the real estate project in Dubai, including KD 1.288 million from a related party.

The fair value of these investments cannot be reliably determined as there is no active market for these investments and there have not been any recent transactions that provide evidence of the current fair value.

9. Investments in associates

This represents the Group's share of investments in the following associates accounted for using the equity method.

	2010	2009
Al Shamel International Holding Company KSCC, Kuwait (Al Shamel)	33.25%	33.42%
Burj Al Oula Company Limited, Saudi Arabia (Burj Al Oula)	36.75%	36.75%

The carrying values of the associates are as follows:

	Kuwaiti Dinars	
	2010	2009
Al Shamel	2,989,440	3,233,045
Burj Al Oula	8,587,251	13,536,099
	11,576,691	16,769,144

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

In 2009, KD 2,810,976 (included as a net investment in Burj Al Oula) provided by way of shareholder funds was transferred from 'Due from related parties' to 'Investment in associates', based on the associate's shareholders' resolution to use the funds for increase in share capital.

Movements in investments in associates are as follows:

	Kuwaiti Dinars	
	2010	2009
Opening balance	16,769,144	12,958,833
Capital contribution / acquisition of associates	149,199	11,304
Transfer from due from related parties	-	2,810,976
Goodwill on acquisition of shares of Al Shamel	-	11,896
Sale of shares in an associate	(10,000)	-
Loss on sale of shares in an associate	(5,000)	-
Share of (loss) / profit for the year	(4,617,452)	813,002
Dividend received	(402,221)	(269,729)
Net exchange differences	(306,979)	432,862
Closing balance	11,576,691	16,769,144

The fair value of the Group's investment in the quoted associate (Al Shamel) as at 31 December 2010 is KD 5,586,400 (31 December 2009: KD 6,489,500) based on the last trade on the parallel market of the Kuwait Stock Exchange.

The summarized financial information of associates is as follows:

	Kuwaiti Dinars	
	2010	2009
Assets	37,458,590	51,120,105
Liabilities	5,386,642	4,896,585
Revenue	1,083,555	7,741,929
Net (loss) / profit	(12,493,534)	2,357,468

The Group's share of the equity of Burj Al Oula to the extent of Saudi Riyals 70 million (KD 5.22 million) (31 December 2009: KD 5.33 million) was acquired by contributing real estate in Saudi Arabia.

10. Intangible asset

	Kuwaiti Dinars	
	2010	2009
Rights of utilization	42,000	48,000
Less: amortization	(6,000)	(6,000)
	36,000	42,000

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

11. Trade and other payables

	Kuwaiti Dinars	
	2010	2009
Accounts payable	224,443	58,150
Accrued expenses	84,846	101,116
KFAS Payable	-	9,255
Other payables	107,199	-
	<u>416,488</u>	<u>168,521</u>

12. Share capital and reserves

Share capital

The authorized, issued and paid up share capital of the Company comprises of 180,551,250 (31 December 2009: 180,551,250) shares of 100 fils each.

Share premium is not distributable.

Legal reserve

In accordance with the Commercial Companies Law and the Company's Articles of Association, 10% of the net profit has to be appropriated towards legal reserve. Due to losses during the year, no appropriation was made to the legal reserve. The legal reserve can be utilized only for distribution of a maximum dividend of 5% in years when retained earnings are inadequate for this purpose.

Voluntary reserve

The Company's Articles of Association stipulates that the Board of Directors may propose appropriations to voluntary reserve for shareholders' approval. Due to losses during the year, no appropriation was proposed to the voluntary reserve.

13. Share based compensation reserve

The Company's shareholders approved an Employee Share Option Plan (ESOP) for its senior executive management in the Annual General Assembly meeting of 18 December 2006. The plan was approved by the Ministry of Commerce on 4 June 2008. The plan is equity settled and there are no cash settlement alternatives. The Company has granted 2,586,195 options at an exercise price of 100 fils per share on 1 January 2007. Out of the 2,586,195 options the Company issued 551,250 shares at a par value of 100 fils per share. This was approved by the Extraordinary General meeting of the shareholders held on 12 June 2008 and was subscribed to in 2008.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

The Board of Directors resolved to cancel the plan in 2010 and accordingly the balance in the share compensation reserve was transferred to retained earnings.

The ESOP is not material to the Company and therefore full disclosure of the plan has not been made in the consolidated financial statements.

14. General and administrative expenses

	Kuwaiti Dinars	
	2010	2009
Office rent	44,496	91,584
Office expenses	40,167	17,017
Travel expenses	11,089	4,007
Business development and public relations	40,260	23,158
Others	168,702	158,885
	<u>304,714</u>	<u>294,651</u>

The number of personnel employed by the Company as of 31 December 2010 was 12 (31 December 2009: 21).

15. (Loss) / earnings per share

Loss/ earnings per share is calculated by dividing the profit attributable to the shareholders of the Parent Company for the year by the weighted average number of shares outstanding during the year as follows:

	2010	2009
(Loss) / profit for the year (KD)	(6,754,786)	144,107
Weighted average number of shares (Shares)	180,551,250	180,551,250
Basic and diluted (loss)/ earnings per share (Fils)	(37.41)	0.8

16. Related party transactions

These represent transactions with certain related parties, shareholders, directors, executive officers and key management of the Company and companies of which they are principal owners or over which they are able to exercise significant influence. Pricing policies and terms of these transactions are approved by management.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

	Kuwaiti Dinars	
	2010	2009
Key management compensation		
Salaries and other short term employee benefits	177,692	161,942
Other long term benefits	21,156	44,643

17. Fiduciary assets

The Group manages portfolios on behalf of third parties and maintains securities in fiduciary accounts which are not reflected in the Group's consolidated statement of financial position. Assets under management at 31 December 2010 amounted to KD 1,027,296 (31 December 2009: KD 5,566,493).

18. Segment information

The Group operates in four geographic segments – Kuwait, UAE, Saudi Arabia and others as the Group organizes its operations around these segments.

	Kuwaiti Dinars				
	Kuwait	UAE	Saudi Arabia	Others	Total
2010					
Revenues from investments	208,843	-	(4,804,402)	96,150	(4,499,409)
Interest revenue	7,994	-	-	-	7,994
Interest expense	-	-	-	-	-
Net interest revenue	7,994	-	-	-	7,994
Depreciation and amortization	(12,979)	-	-	-	(12,979)
Reportable segment profit	(1,031,089)	(840,286)	(4,804,402)	(79,063)	(6,754,840)
Reportable segment assets	3,495,379	6,973,255	8,587,251	313,794	19,369,679
Reportable segment liabilities	592,819	-	122,338	-	715,157

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

	Kuwaiti Dinars				
	Kuwait	UAE	Saudi Arabia	Others	Total
2009					
Revenues from investments	609,765	-	793,731	-	1,403,496
Interest revenue	18,113	-	-	-	18,113
Interest expense	(21,008)	-	-	-	(21,008)
Net interest revenue	(2,895)	-	-	-	(2,895)
Depreciation and amortization	(29,563)	-	-	-	(29,563)
Reportable segment profit	(601,882)	(43,260)	789,231	-	144,089
Reportable segment assets	4,918,224	6,615,128	13,578,827	322,423	25,434,602
Reportable segment liabilities	525,132	-	-	-	525,132

19. Financial instruments, risk management and fair values

Financial risk factors

The Group's financial assets have been categorized as follows:

	Kuwaiti Dinars		
	Loans and receivables	Assets at fair value through profit or loss	Available for sale
2010			
Cash and bank balances	380,192	-	-
Trade and other receivables	48,425	-	-
Investment securities	-	26,950	7,294,549
Total	348,177	26,950	7,294,549
2009			
Cash and bank balances	1,179,186	-	-
Trade and other receivables	348,570	-	-
Investment securities	-	22,200	7,059,648
Total	1,527,756	22,200	7,059,648

All financial liabilities as of 31 December 2010 and 31 December 2009 are categorized as 'other than at fair value through profit or loss'. Trade and other receivables include due from related parties.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

The Group's use of financial instruments exposes it to a variety of financial risks such as credit risk, liquidity risk and market risk. The Group continuously reviews its risk exposures and takes measures to limit it to acceptable levels. Risk management is carried out by the Company's Board of Directors in consultation with the Chief Executive Officer (CEO). The CEO identifies and evaluates financial risks in close co-operation with management.

The significant risks that the Group is exposed to are discussed below:

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial assets, which potentially subject the Group to credit risk, consist principally of fixed and short notice bank deposits and trade, joint venture and other receivables. The Group manages credit risk by placing funds with financial institutions of high credit rating and transacting principal business with counter parties of repute.

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group manages liquidity risk by monitoring on a regular basis that sufficient funds are available to meet maturing commitments.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the date of the consolidated statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Kuwaiti Dinars			
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2010				
Trade and other payables	416,488	-	-	-
Letters of guarantee	1,419,826	-	-	-
At 31 December 2009				
Trade and other payables	168,521	-	-	-
Letters of guarantee	1,674,385	-	-	-

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group's primary exposure to market risk is in equity price risk, currency risk and interest rate risk.

(i) Equity price risk

Equity price risk is the risk that the value of a financial instrument will fluctuate as a result of

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

changes in market prices. The Group is exposed to securities price risk because of investments held by the Group and classified in the statement of financial position either as 'available for sale' or at 'fair value through profit or loss'.

To manage the market price risk arising from investments in securities, the Group diversifies its portfolio.

The effect on equity (in the fair value of the equity instruments held as investments available for sale) as at 31 December 2010 due to a reasonable possible change in the equity indices by 5% with all other variables held as constant, is nil (2009: Nil).

(ii) Currency risk

Foreign currency risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The impact on the profit arising from a 10% weakening/ strengthening of the functional currency against the major currencies to which the Group is exposed is KD 57,334

(31 December 2008: KD 241,057).

iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rate.

Interest rate change of 1% does not have any material impact in cash flows.

20. Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group has no external borrowings.

The Group is required to maintain a minimum share capital of KD 15 million as it is registered as an investment company regulated by the Central Bank of Kuwait.

21. Fair value of financial instruments

Fair value is the amount at which an asset, liability or financial instrument could be exchanged or settled between knowledgeable, willing parties in an arm's length transaction. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention, or need, to liquidate, curtail materially the scale of its operations or undertake a transaction on

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

adverse terms.

The estimated fair values of financial assets and liabilities and off balance sheet financial instruments approximated their respective net book values at the consolidated statement of financial position date.

Financial assets carried at fair value are based on quoted market prices except for certain unquoted instruments classified as investments available for sale. The value of such investments, amount to KD 7,294,549 (2009: KD 7,059,648).

22. Significant accounting judgments and estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that may affect amounts reported in these consolidated financial statements, as actual results could differ from those estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Judgments and estimates that are significant to the consolidated financial statements are shown below:

Judgment

Classification of financial instruments

Management has to decide on acquisition of a financial instrument whether it should be classified as at 'fair value through profit or loss', 'available for sale' or as 'loans and advances'. In making the judgment the Group considers the primary purpose for which it is acquired and how it intends to manage and report its performance. Such judgment determines whether it is subsequently measured at cost or at fair value and if changes in fair value of instruments are reported in the consolidated statement of income or in the consolidated statement of comprehensive income.

Classification of real estate property

Management decides on acquisition of a real estate whether it should be classified as trading property held for development or investment property. The Group classifies property as trading property if it is acquired principally for sale in the ordinary course of business. The Group classifies property as property under development if it is acquired with the intention of development. The Group classifies property as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use.

Evidence of impairment in investments

The Group treats available for sale investment securities as impaired when there has been significant or prolonged decline in the fair value below its cost or whether other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

Impairment

At each statement of financial position date, management assesses, whether there is any indication that equipment may be impaired. The determination of impairment requires considerable judgment and involves evaluating factors including, industry and market conditions.

Contingent liabilities

Contingent liabilities are potential liabilities that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Provisions for liabilities are recorded when a loss is considered probable and can be reasonably estimated. The determination of whether or not a provision should be recorded for any potential liabilities is based on management's judgment.

Sources of estimation uncertainty

Unquoted investment securities

The valuation techniques for unquoted investment securities make use of estimates such as future cash flows, discount factors, yield curves, current market prices adjusted for market, credit and model risks and related costs and other valuation techniques commonly used by market participants where appropriate.

Trade and other receivables

The Group estimates an allowance for doubtful receivables based on past collection history and expected cash flows from debts that are overdue.

Tangible and intangible assets

The Group estimates useful lives and residual values of tangible assets and intangible assets with definite useful lives.

Investment property

The Group estimates fair value of investment properties based on valuation reports of registered and approved valuers.

Impairment and useful lives of equipment

The Group tests annually whether equipment has suffered impairment in accordance with accounting policy stated in Note 2.8. The recoverable amount of an asset is determined based on "value in use method". This method uses estimated cash flow projection over the estimated useful life of the asset discounted using the market rate. The Group's management determines the estimated useful lives and related depreciation charge for its equipment. It could change significantly as a result of change in technology. Management will increase the depreciation charge where useful lives are less than previously estimated lives.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

Impairment of associates

After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss on the Group's investment in its associated companies, at each statement of financial position sheet date based on existence of any objective evidence that the investment in associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the impairment loss in the consolidated statement of income.

Any changes in these estimates and assumptions as well as the use of different, but equally reasonable estimates and assumptions may have an impact on the carrying value of the above assets.

23. Commitments and contingencies

	Kuwaiti Dinars	
	2010	2009
Letters of guarantee	1,419,826	1,674,385
Letters of guarantee (share of associate)	1,021,360	1,022,101
Letters of credit (share of associate)	29,910	-
Capital commitments (share of associate)	24,557	157,622

24. Comparatives

Certain comparative figures have been reclassified to conform to current period presentation, with no effect on previously reported profit or equity.