ANNUAL REPORT **2010**

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Crown Prince

His Highness
Sheikh Nasser Al-Mohamad Al-Ahmad Al-Sabah
Prime Minister

Mohammad Abdullatif Al-Shaya
Chairman

Faisal Fahad Al-Shaya
Vice Chairman

Mohammad Ibrahim Al-Farhan
Managing Director

Khaled AbdulMohsen Al-Saqer
Board Member

Mohamed Abdul Hameed Almarzook
Board Member

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CHAIRMAN'S MESSAGE

Dear Shareholders,

I have pleasure in extending to you, on behalf of my fellow members of the board and the management, our sincere gratitude for your valuable participation and to present to you the annual report of Injazzat Real Estate Development Co. including the results of activities for the fiscal year ending on 31st December 2010.

This year the company, while continuing its various activities, sold its entire share in Dhow Tower. In addition to the investment options available in the market, the company adopted a new unique investment scheme for the sale of Dhow Tower which became the first commercial building allowing freehold ownership of office floors in the State of Kuwait. Earlier schemes in the State were known to offer only entire buildings for sale and purchase. Such a unique concept, along with the building's strategic location and luxurious design, attracted the attention of interested buyers. Having received many attractive offers, the company sold the building at a good profit. Now the company is preparing to move to Injazzat Tower, which had been completed in 2010 and is comparable to the Dhow Tower in terms of luxurious design and strategic location. Commercial floors will be offered for sale in Injazzat Tower following the same strategy adopted with regard to the Dhow Tower.

On the other hand, the company has already commenced development of infrastructure works in one of its assets in Dammam - Kingdom of Saudi Arabia, before sorting it out and dividing it into sellable plots.

The world started to recover this year, two years after the eruption of the global financial crisis that hit with its implications all the local, regional and international companies alike. While we are still cautiously watching the signs of the end of the crisis for more real recovery, the company managed to reserve the values of its assets and financial position in 2010, where total assets stood at KD 167.7m down from KD 170.6m in 2009, representing a minimal decrease of 1.7%. Meanwhile, equity dropped from KD 60.2m in 2009 to KD 59.5m at the end of 2010, a decrease of 1.26%.

The revenues totaled KD 7.9m as at the end of 2010 while expenses decreased to KD 7.4m in 2010 compared to KD 12.7m in 2009, a decrease of 41% thus bringing the net profit to KD 1.3m as at the end of 2010 against a loss of KD 20.19m in 2009.

During the year, the company, as the above figures indicate, had focused its efforts and synergies to get back on track after covering last year's losses. It will continue its operating activities and carry out the plans on its agenda. It will be developing its investments locally, regionally and internationally, leaving no stone unturned to look for promising opportunities and to enter new markets through strategic alliances that enhance its objectives and push it forward to taking a deserved leading position.

Finally, I would like to extend, on behalf of the members of the board and the company's staff, our sincere gratitude and appreciation to our shareholders for their valuable confidence and continued support, which inspire and urge us towards more work and achievements. I would also like to thank our management and all the staff for their dedicated efforts to take our company to higher levels of superior real estate work.

Thank you,

Mohammad Abdullatif Al-Shaya
Chairman of the Board

COMPANY'S PROJECTS

Introduction

Injazzat Real Estate Development Company continues to build on its privileged image and distinguished reputation towards more recognition in the real estate development and investment industry. The company is going forward with steady progress towards consolidating credibility and high reputation through diligently and effectively employing the assets and resources of clients and shareholders in the best real estate investment opportunities, while achieving added value at all local, regional and international levels. All this was possible only with the existence of a committed and highly qualified team of professionals, who have been working out well-studied plans and employing deep expertise and high standards of personal and professional integrity.

Since inception, Injazzat set for itself an unwavering goal that underlined its business strategy, which is to achieve geographical and qualitative diversification by creating a balance between income-generating assets, project development, and trading in land. A closer look at the company's activities would give a true picture of its strategy and achievements.

Local Level

Locally, Injazzat aims to implement its multifaceted strategy to ensure the desired diversification of its assets, which includes trading in land and development of real estate projects to capitalize on the growth of their value and earn lucrative returns from income generating real estates.

Dhow Tower

The Dhow Tower, which consists of 33 floors, was completed in 2006 and officially inaugurated in November 2007. It is strategically situated in Sharq area, with a total land area of approximately 2,000 sqm and a total built-up area of 24,000 sqm. The tower serves as an investment opportunity that provides commercial office floors for ownership in the state of Kuwait. Considering the strategic location the tower enjoys and its luxurious design, it has attracted the attention of buyers and it was fully sold during the last quarter of this year.

Injazzat Tower

Injazzat Tower is situated in Sharq area, in the heart of the capital city. It is a commercial tower providing building area of 15,000 sqm. and usable area of up to 8,400 sqm. The tower rises up 28 floors, with the higher floors overlooking a vibrant area of Kuwait. It is distinguished for its strategic location and vicinity to main roads that connect the area to important facilities. The tower is built in smart building style, providing the latest communication means. The tower was completed in 2010.

Al Mal & Aqar Joint Projects

In cooperation with Aqar Real Estate Investment Company, "Al Mal & Aqar Joint Projects Company" was established in the 3rd quarter of 2005, aiming to develop an owned plot of 3,000 sqm at Sharq area into an office tower with a total built up area of 35,000 sqm. Injazzat holds 66.6% of equity in the new company while Aqar holds 33.3%. The project is anticipated to make a significant addition to the area enhancing its stature as an area of commercial focus. The concept design of the tower was awarded to W.S. Atkins, after conducting design competition between a few top selected architectural offices in the region. The design gained W.S. Atkins the prestigious "Future Projects Award for Offices" at the MIPIM 2007 exhibition in Cannes, France.

Shuwaikh Project

In 2007, the company acquired a land at Shuwaikh Industrial area covering an area of 25,300 sq. meters, to be developed into a multi-purpose complex comprising of commercial shops and offices with a total build-up area of about 83,533 sq. meters and a leasable area of 38,982 sq. meters. The shops will be distributed between the basement and the ground floor while the mezzanine will be allocated for offices in addition to a parking lot. The project designs have been already completed by SSH International.

Al Dajeej Building

Al-Dajeej Building is located in Al Farwaniya area and was purchased by the company in the year 2003 to be one of the Company's income generating assets. It reinforces the Company's strategy for local expansion, specifically in rental properties owned and operated by the Company. The total leasable area of the building is approximately 10,634 sqm which is currently fully leased by government entities on long-term contracts.

Injaz Mabanee Real Estate Co.

In association with Mabanee Company and Al Shaya United Company, Injaz Mabanee Real Estate Company was established in September 2007 with a total paid up capital of KD 25 million. Injazzat holds 40% of the shares in the company. Confirming to its goal of investing in real estate opportunities in GCC countries, the company has acquired several lands in KSA and UAE for development or resale purposes.

Lands for trading and development

The Company's agenda is filled with remarkable projects and developmental ideas, which form an integral part of the company's plan that aims to explore and pursue real estate and investment opportunities, particularly at the local level. To this effect, the company has acquired several strategic plots of lands in several areas including Sharq and Shuwaikh. The company is now focusing in preparing the drawings and obtaining the required licenses to develop or trade these lands and to realize the targeted returns.

GCC COUNTRIES

To meet the Company's strategy that aims to achieve geographical diversification to maximize capitalization on all investment opportunities outside the local market, the Company extended its activities to several Gulf countries, which so far include the Kingdom of Bahrain, Qatar, United Arab Emirates and the Kingdom of Saudi Arabia. The Company is continuously seeking to acquire promising real estate opportunities that ensure added value for the company and its shareholders.

KINGDOM OF BAHRAIN

The Kingdom of Bahrain is still presenting itself as one of the most promising markets in GCC region, having managed to avoid some economic impediments suffered by other GCC countries, which basically result from reliance on oil and gas as single resource of income. In Bahrain, the financial and monitory polices and the continuing of the population expanding policy contributed greatly to the economy growth. It has driven the wheel of business and prosperity in the country, adding value to the Bahraini government's efforts to improve and enhance the infrastructure, transportation network and openness to neighboring countries. In line with Inajazzat Co. strategy to take lucrative opportunities and the management's keen interest to join such promising economic procession, the company has enhanced its activity in real estate development and construction fields in the Kingdom of Bahrain.

Dhow Real Estate Company

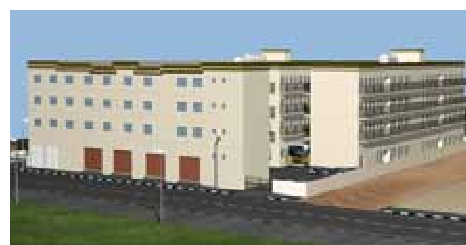
Established in 1999 and fully owned by Injazzat, Dhow Real Estate Company invests, develops and trades in Bahrain's real estate sector. It has realized fine results from a number of sales and acquisition deals. During the second quarter of this year, the company has developed a warehouse project at Bahrain Wharf Project and started leasing it to increase its income generating assets. In addition to that, the company owns various strategically located plots in the areas of Al Seef, Sar and Ras Zuwaid.

First Real Estate Company

Established by Injazzat in 2002, and shared equally with a qualified Bahraini investor who is an expert in both the construction and real estate fields, First Real Estate Company focuses on the construction and development of residential complexes.
In 2005, the Company underwent restructuring through the addition of new assets and allowing the entry of new investors, which resulted in a capital increase to BD 30 million. The Company continues to expand its activities while maintaining the quality and performance of its current income-generating assets that retain high occupancy rates. In parallel, it works to continuously invest in new promising projects through the development of its land and assets situated in strategic locations. In April this year, the company inaugurated the 100 Residence a residential tower in Al Fateh area in Al Jufair which consists of 100 fully furnished apartments. The company also started the architectural designs for the development of a residential tower with a total build up area of 34,269 sqm on one of its lands at Al Sief District. The tower consists of 27 floors containing 201 residential units, of which 96 units will be allocated for short term lease and 105 units for long term lease, providing another income-generating asset for the company.

UNITED ARAB EMIRATES

As part of its well-planned strategy focusing on diversity of income resources and spread of risks, the Company made an advantageous entry into the region's major markets such as the United Arab of Emirates. Since 2005 the company purchased several lands in Al Qouz, Al Barshaa Al Oula, Al Jaddaf and Jebel Ali areas of Dubai in addition to lands in Umm Al Quwain and Abu Dhabi, aiming to take advantage of the increasing growth in these areas and the facilities provided to Arab and foreign investors.



Al Qouz Residential Project (I)

Al Qouz Residential Project is located in Dubai, covering a land area of 100,000 sqf and a total built-up area of approximately 227,000 sqf . The project consists of two labor accommodations providing 620 rooms along with offices and commercial shops. In June 2007, subsequent to the completion and full leasing of the project, the company sold 50% of its share in the project to one of the Kuwaiti companies.

Al Qouz Residential Project (II)

In December 2007, the Company successfully completed the construction of the second labor accommodation project in Al Qouz area and managed to fully lease it. The project covers a land area of 50,000 sqf and a total built-up area of approximately 114,000 sqf . It provides 310 rooms in addition to offices and commercial shops.

Al Muhaisna Project (Labor Accommodation)

In September 2007, the company acquired Al Muhaisna Project in equal shares with First Real Estate Company – Bahrain, in line with the company's strategy for holding income-generating projects. This project covers a total land area of about 57,000 sqf, and comprises of a two storey labor accommodation building containing 401 rooms situated at Al Muhaisna area in the UAE.

Al Barsha'a Real Estate Co.

In alliance with Aqar Real Estate Company and Project Analysis Systems Company (Projacs), the Company commenced with the development of a six storey office building, in addition to a commercial ground floor with a total built-up area of 305,000 sqf. The project has completed in the 4th quarter of 2009 and offered for lease starting from the first quarter of this year.

Umm Al Quwain Lands

In 2006 and 2007 the company acquired a group of lands in Umm Al Quwain Emirate. The first group is situated at Umm Al Sho'oub covering a total area of about 56,700 sqm. The second group is situated at Al Maidan covering a total area of 6,272 sqm. The company intends to keep these lands and then sell them within the upcoming years to capitalize on expected rise of prices.

Jebel Ali Project (I)

In February 2008, the company acquired a piece of land in Jebel Ali Industrial area covering a total area of 20,000 sqf to be developed into a labor accommodation complex. The project to be executed will comprise of a four storey building providing 248 rooms, in addition to a ground floor with a total built-up area of 77,869 sqf .

Jebel Ali Project (II)

In July 2008, and in association with strategic local investors, the company acquired 2 plots of land in Jebel Ali - Dubai covering a total area of 41,980 sqf . The plots are to be developed into a multi-storey labor accommodation project providing a total of 576 rooms with a total built-up area of 176,888 sqf .

QATAR

Over the past few years, Qatar has witnessed considerable growth in the economic performance due to the economic openness policy adopted by the country. Driven by its leading position as one of the world's top liquefied gas exporters and initiating effective economic reforms, Qatar turned into a major attraction for foreign investments. In December 2005, and in line with the company's strategy to take advantage of investment opportunities, the Company acquired a commercial land in Lusail with a total area of 5,846 sqm, the Company has also acquired two plots of land through equal share with Al Shall Economic Consultations Company in January 2006 and March 2008. The first one is a multi-use land covering an area of 14,230 sqm, and the other one is a residential land acquired with an area of 4,751 sqm. The two companies and in association with new investors, have established Amwaj Real Estate Co. – a Qatari company with limited liability to undertake the development of the Lusail commercial land.

KINGDOM OF SAUDI ARABIA

The company's regional expansion would only be complete by entering the Saudi market, which enjoys enormity, diversification and continuous development which is further driven by an accelerating movement in real estate sector and enactment of new legislations. Al Dammam province, which witnesses an increasing real estate development, is becoming an optimal destination for real estate investors.

In December 2007, Injazzat acquired, in partnership with other parties, a multi-use plot of land in the Eastern Province of Dammam covering an area of 223,372 sqm. The land will be subdivided into parcels for both development and sale purposes. Together with the Master Developer the Company has already started the infrastructure works which is expected to be completed by the end of the first quarter of 2011.

INTERNATIONAL LEVEL

At the international level, Injazzat targeted some attractive real estate opportunities in several countries in Europe and North America. These include direct investments in land and projects under development and indirect investments through real estate funds that provide investors with fixed income and capital growth. These investments are administered by experienced partners who are well positioned to manage property assets to ensure proper management and achievement of the targeted revenues.

FRANCE

Alpha Investment Fund

During the last quarter of 2003, the company established a real estate fund in compliance with the Islamic Shari'ah principles known as the Alpha Investment Fund. Its investment strategy targets office buildings and warehouses across the North and South eastern French cities between Paris and Marseilles.

BULGARIA

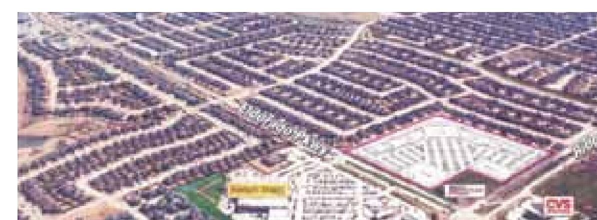
In order to avail of the increasing growth in Bulgaria, Injazzat, in partnership with ARC Global Partners and Euro Capital, invested in three acquisition programs in Sofia city since the beginning of 2007. The first one is located in Lulin which is the western side of Sofia City. The second one is located in Bistritsa Hills on the southwestern side of the city. Finally, the third one is located at Lake View, which is only 1.5 kilometers away from the second one. The company aims to merge the lands in Lionel after they have been recovered by owners after fifty years of socialist rein, trade in them and sell them out. As for the land located in Bistritsa and Lake View, the company aims to develop them into residential units and then sell them as undeveloped plots or in phases throughout the development stage. It is worth noting that Bistritsa and Lake View are located about 6 kilometers away from the city center and feature a breathtaking scenery along Vitosha mountains and overlooking wonderful sceneries across Bansherivo Lake.

UNITED KINGDOM

Threadneedle Real Estate Portfolio

In June 2008, in partnership with the international partners ARC Global Limited & Citicourt Investment Partners, Injazzat invested in Threadneedle Real Estate Portfolio, which consists of 19 industrial and commercial buildings situated in various areas of the UK. The aim of this investment is to generate fixed returns for a maximum period of 4 years. During this year the portfolio manager started to liquidate the portfolio and sold two assets out of 19.

UNITED STATES OF AMERICA



Eldorado

In January 2004, the Company acquired a major share in a piece of land located in McKinney City, Texas that was intended to be subdivided and sold. The land is strategically located in a newly developing area near main roads and freeways. Some of the plots have already been sold in line with the investment's strategy.

Shmael U.S. Real Estate Fund

During the second half of 2004, and in partnership with Al-Shall Investment (Fund Managers) and Grosvenor Investment Management US Inc. (Fund Asset Manager), Injazzat invested in Shmael U.S. Real Estate Fund, which is in compliance with the Islamic Shari'ah guidelines. The fund invests in the office building sector in major US areas.

Preston Creek

In January 2005, Injazzat acquired a major share of a strategic land in Plano, Texas, which are intends to develop it into a commercial complex for future sale or lease. The plot is strategically located between the cities of Plano and Frisco. The project has been developed in two stages. The first stage has commenced in February 2006 and was completed in April 2007. The second stage started in August 2007 and was completed in August 2008.

Monterrey Village - San Antonio

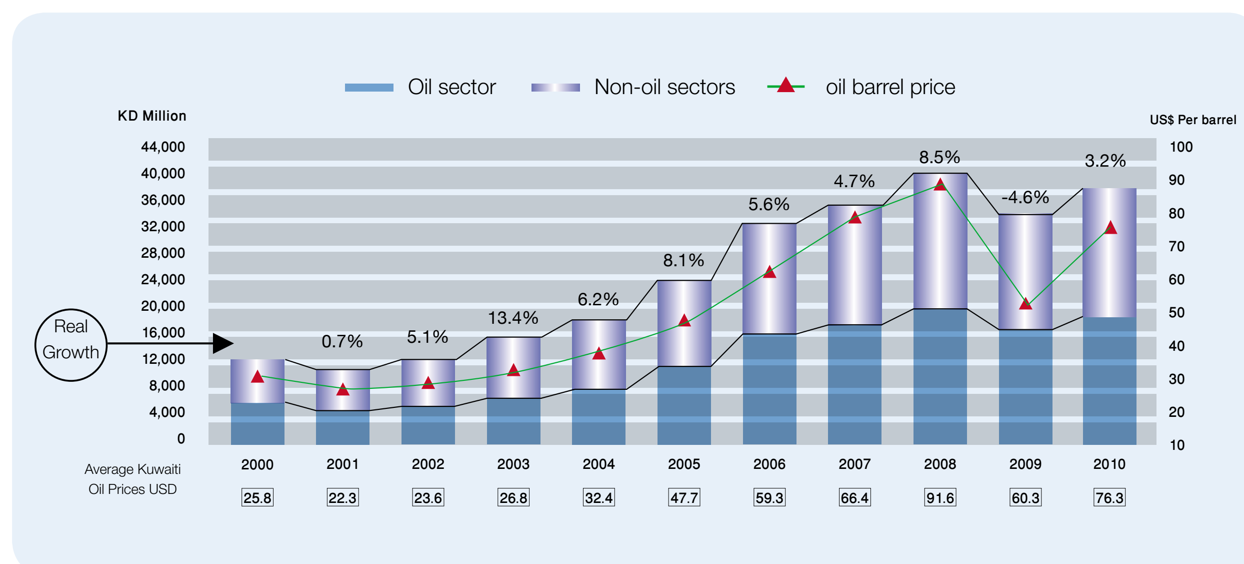
In October 2006, Injazzat has invested in a 232 hectares mixed-use development project known as Monterrey Village, which is located in a growing area of San Antonio, Texas in the USA. The project includes a blend of family residential units, retail stores, offices, and a hospitality component. The project will be developed by ARC Communities along with Trammel Crow Company, a well known national real estate development and services group.

Santa Ynez – California

In 2007, in partnership with ARC Global Partners and Fonterra Partners, Injazzat purchased a land known as "The Ranches at Figueroa Canyon" at Santa Ynez, California which is situated about 25 miles north of Santa Barbara. The land contains 18 plots covering an area of 3,286 hectares. The investment plan aims to complete the infrastructure works which include roads and well digging. Once completed, the land will be subdivided merging them into 6 plots for sale.

The local economy recovered in 2010 with a positive growth of about 2.3% after a relatively high negative growth of about -4.8% in 2009. The local economy of Kuwait was more affected by the international financial crisis than the economy of the other six GCC countries. It has witnessed the highest negative growth and the lowest positive growth for two years after the crisis. This phenomenon was due to the predomination of the public sector, generating about two third of the gross domestic product. This makes the economy vulnerable to the oil sector developments, domination of the current spending in the public budget and cease of the banking credit growth standing at 0.44% in 2010 for almost two years and also poor direct and indirect interference of the government in restricting the implications of the crisis.

The public budget for the fiscal year 2009/2010 ending on 30th March 2010 realized a surplus of about KD 6.4bn marking the third highest surplus since the fiscal year 2001/2002. The value of foreign assets reserves improved with the improvement realized by the international economy and this means that the public budget surplus was higher than the indicated figure. The Kuwaiti National Assembly has passed the public budget 2010/2011 with an increment in the general expenses of about 34.5% compared to the previous one. In view of the increase in the Kuwaiti oil barrel over three quarters of the current fiscal year – from April to December 2010 – to US$ 76.9 compared to about US$ 66.6 for the first three quarters of the previous fiscal year – from April to December 2009, the public budget for the current year is expected to realize a minimum surplus of about KD 3-4bn.



The current account or the net deals with the foreign world is expected to realize in 2010 a surplus of about 32.8% of the gross domestic product. This high surplus is attributed to the increase in the Kuwaiti oil barrel price in 2010 to about US$ 76.4 compared to US$ 60.3 in 2009. The price level at the end of the year was higher than its level at the beginning of the year, meaning that the price trend is ascending due to the support the energy market receives through high growth in Asia.

The inflation rates remained within tolerable limits despite the increase in fuel and foodstuff prices and despite the expansionist monetary policy through more cuts in the discount rate by a half percentage point in February 2010 to become 2.5%. The inflation rate in the growth of 2010 recorded about 4.1% according to IMF estimates backed by increase in the imported items, specifically the foodstuff prices while it was decreased by some pressures on housing, rentals or real estate assets, which still has some surplus. Some increase in the non-imported inflation rates may be healthy because it indicates surmounting the consequences of the crisis or the so-called negative inflation era. Kuwait Stock Exchange weight index has increased by about 25.5% in 2010, signaling the end of the crisis implications. This in turn encouraged banks to return to their original function in competing over lending.

The year 2011 will start with better input. The expected growth in economy will double compared to the levels of 2010 to reach about 4.4% according to IMF estimates. The support from the public budget and the current account surplus promises to speed up execution of the planned projects or large increases in the investment spending figures. The monetary policy is supposed to remain expansionist over the largest part of 2011. Furthermore, the stability in asset prices and the segregation process which started in 2010 and is expected to continue in 2011 between the companies and firms that provide real productive business from others, will encourage the banking sector to restore its role in lending. It is hoped that the execution of the planned project will speed up the absorption of the surplus in the real estate market.

The local real estate market is giving signals of recovery from the implications of the international financial crisis. After a sharp drop in the market's liquidity in 2009 by 31.9% compared to its liquidity in 2008, the real estate market's liquidity grew by about 13.9% in 2010 compared to 2009 according to initial information which is adjustable and needs follow up to ensure recovery. The liquidity in the first half of 2010 was higher than its levels in the second half. Absolute figures indicate that the real estate market's liquidity in 2010 amounted to about KD 2,140m up from KD 1,878m in 2009. The first half's share was about KD 1,184m while the second half's share was about KD 956m.

Private Housing

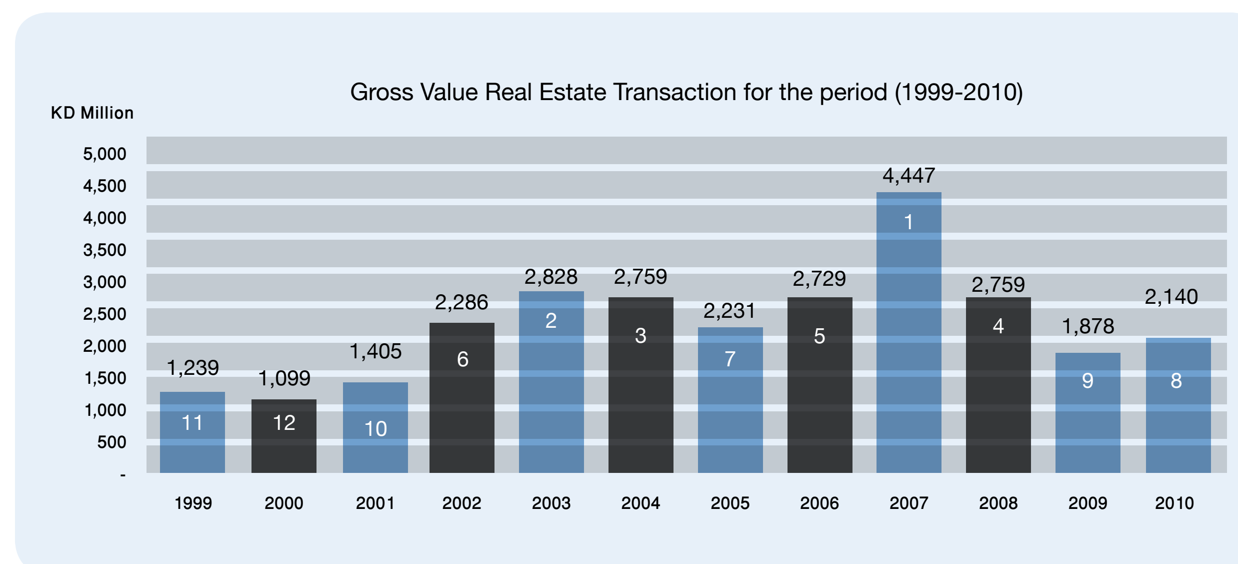
The end user remains the factor that affects the movement of the private sector most in view of scarcity of supply and high demand backed by partial financing from the government. This activity is less affected by the cycles at the time of decline and the most to benefit at the time of boom. With the increase in market liquidity in 2010, the value of absolute private market dealings increased by about 35.6% compared to 2009. Thus the activity's relative contribution to the market's liquidity increased from 43.7% in 2009 to 52% in 2010. The value of dealings totaled KD 1.113bn up from about KD 821mn in 2009, covering 5,586 deals in 2010 against 3,768 deals in 2009. However, the average deal value decreased by about 8.5% to stand at about KD 199.3k per deal, reflecting a minimal decrease in prices in response to the huge slump in the prices of other real estate assets. However, the private housing activity still needs substantial measures. Firstly, the lands monopolized by the government must be released to address the problem of scarcity of supply. Secondly, we still believe in the need to allow mortgage on private real estates in order to ease the financing task. Furthermore, it is necessary to urge professional entities to undertake the construction works because the margin of loss in the building cost becomes larger due to the lack of expertise when amateur landlords decide to build their houses.

Investment Housing

The investment housing liquidity increased, with dealings totaling about KD 750.5m up by about 5.6% over 2009 level and absolute liquidity recorded about KD 710.9m. Meanwhile, the activity's relative contribution to the real estate market's liquidity dropped from 37.9% in 2009 to about 35.1% in 2010. This means that the dealings of the real estate market under the financial crisis inclined to the private sector activity probably due to the scarcity of liquidity and the difficulty in obtaining financing. The private housing and the investment housing together account for the largest part of the real estate sector liquidity with a joint share of about 87.1%, but the average deal value of investment housing dropped to about KD 451.8k, a decrease of about 15.7% compared to the 2009 level of KD 536.2k. This indicates, though not totally accurate, a drop in the prices of the activity due to the drop in its liquidity on the one hand and the pressure on the occupancy rates and levels of rentals on the other.

Commercial Real Estate

The liquidity of the commercial real estate, which covers all other purposes such as malls and warehouses, accounted for about 12.9% of the total real estate liquidity after it recorded a share of 18.4% in 2009. The value of the activity's sales amounted to about KD 276m compared to about KD 345.9m in 2009. The average deal price dropped from about KD 2.9m in 2009 to about KD 2.2m in 2010. This drop in the average deal price could be reasonably explained by the increase in the supply of commercial offices in 2010, which put pressure on the prices downward as it did on the demand on the units of this activity because the cycle of this activity is longer than the private housing and investment housing activities.



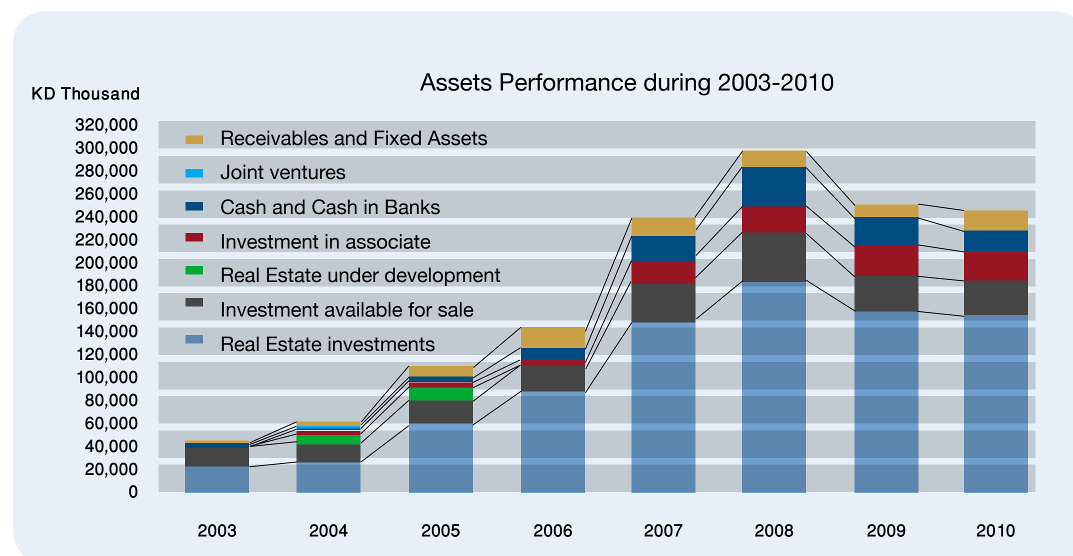
I. Financial Performance:

The company's assets in 2010 stabilized at the same level as that of 2009 when there had been a significant decrease compared to 2008. The decrease in 2009 was the first of its kind for the eleven years since inception. Before that, the company's assets had reached increasingly high levels following consecutive increases over 10 years.

At the end of 2010, the company's assets totaled KD 167.8m, which is close to the 2007 year end assets level. The decrease was minimal from about KD 170.7m in 2009 down by about 1.7%. Investments properties, still the largest item in the company's balance sheet, decreased by about KD 5.5m down to about KD 105m (62.6% of total assets). The main reason for this decrease was the sale of a part of the real estate investments in 2010. A part of the real estate investment sale proceeds has not been collected as at the end of 2010 and it has been posted under "accounts receivable and other assets". This was the main reason for the increase in this item to about KD 16m from about KD 6.3m as at the end of 2009.

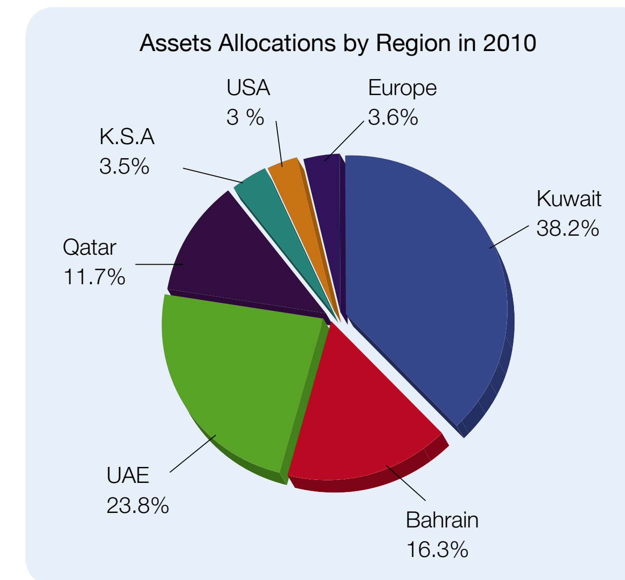
In addition, investments in associates increased by about 13.1%, up to about KD 21.6m from KD 19.1m in 2009. Its contribution to the company's assets stood at about 12.9% compared to about 11.2% in 2009.

Changes in Injazzat's assets during 2003-2010



Geographically, the company's local assets accounted for 38.2%, while regional or GCC assets posted about 55.3%. The European and USA market accounted for about 6.6%. This is similar to the geographical spread of assets as at the end of 2009.

Geographical allocation of the company's assets in 2010



The company managed to secure its necessary financing needs considering its financial strength, quality assets and full dedication and commitment to serving its objectives. Contracted liabilities (including loans and Sukuk payables) as at the end of 2010 amounted to about KD 99.8m against KD 100.8m in 2009. These liabilities account for about 92.2% of the total liabilities which amounted to about KD 108.2m as at the end of 2010.

In 2010, total liabilities accounted for about 64.5% of total assets, which is almost equal to the level posted in 2009 when it stood at 64.7%. Liabilities to shareholders equity decreased minimally to about 181.9% against 183.2% in 2009.

II. Financial Performance:

The company posted net profit of about KD 1.29m compared to absolute loss of KD 20.5m in 2009 (which was the first loss since inception in 1998). To elaborate, the company recorded revenues of KD 7.9m in 2010 compared to negative revenues of about KD 7.8m in 2009. In 2010, the company realized profits of about KD 3m from the sale of investment property compared to profits of about KD 51.9k in 2009. In 2010, the value of revenues from change in fair value amounted to about KD 1.7m compared to a significant loss of about KD 18.8m in 2009.

This means that the company was able to surmount the implications of the international financial crisis which negatively impacted most sectors in general and the real estate sector in particular.

Expenses also declined by about 41.7% or about KD 5.33m, posting around KD 7.4m in 2010 compared to KD 12.8m in 2009. This was due to the considerable decline in the impairment loss on financial assets by about 82%, which stood at only KD 1.07m compared to about KD 5.9m in 2009. Staff expenses have also decreased by about 14.6% or about KD 163k, while the Real Estate operating expenses increased minimally.

The earning per share was 3.8 fils in 2010 after a loss of about 58.5 fils per share in 2009. The return on assets (ROA) increased to about 0.8% in 2010 compared to about negative 11.8% in 2009. The return on equity (ROE) increased to about 2.4% compared to the 2009 level of about negative 28.9%. The Boot Value posted a small increase of 0.2%, amounting to 158.4 fils, compared to about 158 fils in 2009.

The Board of Directors proposed not to distribute any profits for 2010.

Financial Indicators	Listed Real Estate Companies Rate*	Injazzat R.E. Company
P/E	56.8	27.3
P/B	0.7	0.7
ROE%	1.20%	2.40%
ROA%	0.60%	0.80%
TURN OVER %	97.50%	33.50%

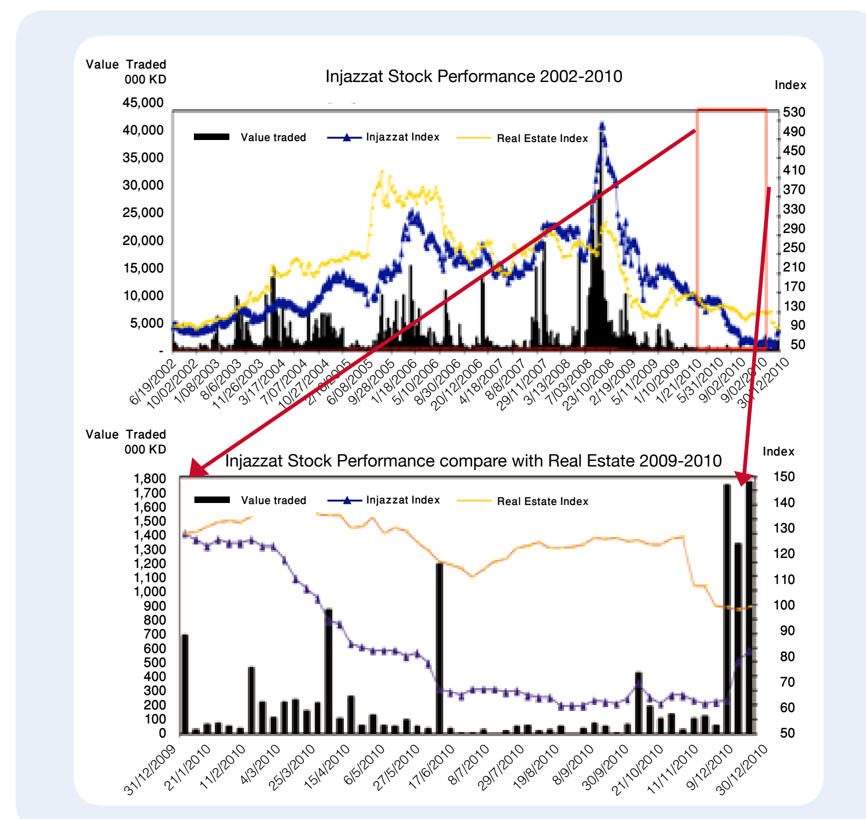
* The average of 39 companies listed on KSE had financial statements available for 2010

* Earning per share is calculated based on average weighted number of shares

III. Company's Share Performance Analysis:

The local stock exchange performance improved in 2010 according to Al Shall index by 31.4%, with a slump of 25.4% in the real estate sector index for the same period.

The chart shows the movement of the company's share since enlisting on the local exchange in 2002. The share performance in 2010 shows a decline by a higher rate than the industry's index, posting a higher decline than the real estate sector decline rate.



The company's share price as at the end of 2010 closed at 104 fils, marking a decrease of 40.9% compared to the share closing price of 176 fils at the end of 2009. The highest market price in 2010 recorded 172 fils on 7/1/2010 and the lowest price was recorded at 68 fils on 15/12/2010.

Year 2010	Value of Traded Share KD Million	Number Of Deals Thousand Deals	Quantity of Traded Shares	Market Capital Value KD Million
Injazzat R.E.	11.0	2.1	115.9	35.9
Total of Real Estate Sector	1,203	178.8	18,217	1,913
Total Market	12,526	1,254.1	74,691.52	36,302.70
% of Real Estate Sector	0.92%	1.17%	0.64%	1.88%
% of total Market	0.09%	0.17%	0.16%	0.10%
Turnover	33.5%			

* No. of Trading days is 246 days

Total shares traded in 2010 valued about KD 11m at a daily average of KD 45k, down by 73.2% compared to the average daily trading of 2009. The value of traded shares accounted for about 0.92% of the real estate sector trading value in 2010. The quantity of traded shares amounted to about 115.9 million shares, an average daily trading of 471k shares, down by about 35.4% compared to the trading level in 2009.

The share turnover amounted to about 33.5% while in the previous year it amounted to 52.5%, which indicates a downfall in the company's liquidity. At the same time, the total market value fell to about KD 35.9m accounting for about 1.9% of the real estate market value, this was lower by about KD 22.1m than the Market Value realized at the end of 2009 .

FINANCIAL STATEMENTS

Consolidated financial statements and independent auditors' report
Injazzat Real Estate Development Company – KSC (Closed)
and Subsidiaries
Kuwait
31 December 2010

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Independent Auditors' Report

to the Shareholders of
Injazzat Real Estate Development Company - K.S.C. (Closed)
Kuwait

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Injazzat Real Estate Development Company K.S.C. (Closed) (the "Parent Company") and Subsidiaries (collectively "the Group") which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of 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.

Auditors' 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 about 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 auditors consider 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.

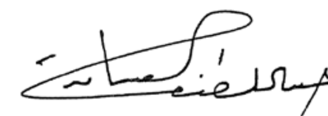
Injazzat Real Estate Development Company – KSC (Closed)
and Subsidiaries
Kuwait
31 December 2010

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 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

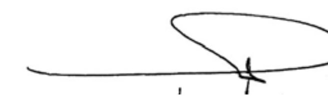
Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We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



Abdullatif M. Al Aiban (CPA)

Licence No. 94 A

OF GRANT THORNTON- AL-QATAMI, AL-AIBAN & PARTNERS



Waleed A. Al Osaimi

Licence No. 68 A

OF ERNST & YOUNG

7 March 2011
Kuwait

and Subsidiaries
Kuwait
31 December 2010

Consolidated statement of income

For the year ended 31 December 2010

	Notes	2010 KD	2009 KD
INCOME			
Rental income		**2,295,149**	3,416,728
Gain on sale of financial assets available-for-sale		**-**	319,099
Distribution income from financial assets available-for-sale		**608,376**	4,320,147
Profit on sale of investment properties		**3,042,064**	51,934
Change in fair value of investment properties	9	**1,704,120**	(18,885,647)
Management and placement fees		**473,970**	324,214
Share of results of associates	10	**(2,740,141)**	2,870,914
Gain on sale of property and equipments		**948,206**	-
Other income	4	**968,279**	946,741
Foreign exchange gains (loss)		**622,573**	(1,126,231)
TOTAL INCOME		**7,922,596**	(7,762,101)
EXPENSES			
Real estate operating costs		**470,415**	334,719
Staff costs		**952,987**	1,116,131
Depreciation	11	**187,830**	202,167
General and administrative expenses		**206,367**	344,762
Consultancy and professional fees		**97,029**	117,748
Finance costs		**4,462,387**	4,719,623
Impairment loss on financial assets available-for-sale	8	**1,070,423**	5,943,373
		7,447,438	12,778,523
PROFIT (LOSS) BEFORE CONTRIBUTION TO KFAS, NLST AND ZAKAT		**475,158**	(20,540,624)
Contribution To Kuwait Foundation For The Advancement Of Sciences (Kfas)		**(22,188)**	-
National Labour Support Tax (Nlst)		**(34,344)**	-
Zakat		**(17,285)**	-
Profit (Loss) For The Year		**401,341**	(20,540,624)
Attributable To:			
Equity holders of the parent company		**1,299,943**	(20,196,665)
Non controlling interests		**(898,602)**	(343,959)
		401,341	(20,540,624)
Basic And Diluted Earnings (Loss) Per Share Attributable To The Equity Holders of The Parent Company	5	**3.8 Fils**	(58.5) Fils

The notes set out on pages 30 to 61 form part of these consolidated financial statements

Injazzat Real Estate Development Company – KSC (Closed)

and Subsidiaries
Kuwait
31 December 2010

Consolidated statement of comprehensive income

For the year ended 31 December 2010

	2010 KD	2009 KD
Profit (loss) for the year	**401,341**	(20,540,624)
Other comprehensive loss:		
Financial assets available-for-sale:		
Net unrealized loss	**(565,361)**	(2,704,728)
Loss realized during the year	**-**	(319,099)
Impairment losses transferred to consolidated statement of income	**182,224**	519,368
Exchange differences arising on translation of foreign operations	**(652,597)**	1,196,468
Other comprehensive loss for the year	**(1,035,734)**	(1,307,991)
Total comprehensive loss for the year	**(634,393)**	(21,848,615)
Attributable to:		
Equity holders of the Parent Company	**264,209**	(21,504,656)
Non controlling interests	**(898,602)**	(343,959)
	(634,393)	(21,848,615)

The notes set out on pages 30 to 61 form part of these consolidated financial statements

and Subsidiaries
Kuwait
31 December 2010

Consolidated statement of financial position

At 31 December 2010

	Notes	2010 KD	2009 KD
ASSETS			
Cash and cash equivalents	6	**9,537,993**	16,316,287
Accounts receivable and other assets	7	**15,951,391**	6,342,361
Financial assets available-for-sale	8	**15,713,295**	16,754,445
Investment properties	9	**104,977,333**	110,494,405
Investment in associates	10	**21,572,472**	19,077,339
Property and equipment	11	**15,573**	1,711,999
TOTAL ASSETS		**167,768,057**	170,696,836
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks	6	**-**	488,766
Accounts payable and other liabilities	12	**8,429,878**	9,132,742
Ijara sukuk payable	13	**16,860,000**	17,232,000
Bank loans	14	**82,959,095**	83,560,422
TOTAL LIABILITIES		**108,248,973**	110,413,930
EQUITY			
Share capital	15	**34,564,860**	34,564,860
Share premium	15	**2,869,130**	2,869,130
Statutory reserve	16	**7,346,435**	7,209,059
Voluntary reserve	16	**3,673,218**	3,604,530
Treasury shares	17	**(644,174)**	(559,894)
Treasury shares reserve		**4,466,105**	4,511,254
Foreign currency translation reserve		**352,489**	1,005,086
Cumulative changes in fair value		**956,099**	1,339,236
Retained earnings		**1,156,307**	62,428
Equity attributable to the equity holders of the parent company		**54,740,469**	54,605,689
Non controlling interests		**4,778,615**	5,677,217
TOTAL EQUITY		**59,519,084**	60,282,906
TOTAL LIABILITIES AND EQUITY		**167,768,057**	170,696,836

Mohammad Abdullatif Al-Shaya
Chairman

Mohammad Ibrahim Al-Farhan
Managing Director

The notes set out on pages 30 to 61 form part of these consolidated financial statements

and Subsidiaries
Kuwait
31 December 2010

Consolidated statement of cash flows

For the year ended 31 December 2010

	Note	2010 KD	2009 KD
OPERATING ACTIVITIES			
Profit (loss) before contribution to KFAS, NLST and ZAKAT		**457,158**	(20,540,624)
Adjustments for:			
Realised gain on financial assets available-for-sale		**-**	(319,099)
Distribution income from financial assets available-for-sale		**(608,376)**	(4,320,147)
Profit from sale of investment properties		**(3,042,064)**	(51,934)
Change in fair value of investment properties		**(1,704,120)**	18,885,647
Foreign exchange loss on non operating liabilities		**(622,573)**	1,748,860
Share of result of associates		**2,740,141**	(2,870,914)
Profit from sale of property and equipments		**(948,206)**	-
Depreciation		**187,830**	202,167
Interest income		**(711,595)**	(866,567)
Finance costs		**4,462,387**	4,719,623
Impairment loss on financial assets available-for-sale		**1,070,423**	5,943,373
		1,299,005	2,530,385
Changes in operating assets and liabilities:			
Accounts receivable and other assets		**(607,553)**	1,309,380
Accounts payable and other liabilities		**(1,027,079)**	(1,680,436)
Cash (used in) from operations		**(335,627)**	2,159,329
Directors' remuneration paid		**-**	(100,000)
Net cash (used in) from operating activities		**(335,627)**	1,147,590
INVESTING ACTIVITIES			
Net additions to property and equipment		**(31,030)**	(25,169)
Purchase to financial assets available-for-sale		**(859,573)**	(868,136)
Proceeds from sale of financial assets available-for-sale		**447,163**	4,127,971
Additions to investment properties		**(4,407,140)**	(5,796,335)
Proceeds from sale of investment properties		**1,553,294**	832,934
Investment in associates		**(1,099,365)**	(666,093)
Distributions from associates		**-**	1,851,885
Distribution income received from financial assets available-for-sale		**291,376**	4,320,147
Interest income received		**508,238**	801,393
Proceeds from sale of property and equipments		**2,185,260**	-
Net cash (used in) from investing activities		**(1,411,777)**	4,578,597
FINANCING ACTIVITIES			
Dividend paid		**-**	(8,552,720)
Purchase of treasury shares		**(424,840)**	(695,461)
Sale of treasury shares		**295,411**	141,691
Bank loans obtained		**3,150,000**	1,500,000
Bank loans repaid		**(3,181,874)**	(1,000,000)
Finance costs paid		**(4,380,821)**	(5,086,013)
Net cash used in financing activities		**(4,542,124)**	(12,780,764)
DECREASE IN CASH AND CASH EQUIVALENTS		**(6,289,528)**	(7,054,577)
Cash and cash equivalents at beginning of the year		**15,827,521**	22,882,098
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	6	**9,537,993**	15,827,521

The notes set out on pages 30 to 61 form part of these consolidated financial statements

and Subsidiaries
Kuwait
31 December 2010

Consolidated statement of changes in equity

For the year ended 31 December 2010

	Equity attributable to the equity holders of the Parent Company											
	Share capital	Share premium	Statutory reserve	Voluntary reserve	Treasury shares	Treasury shares reserve	Foreign currency translation reserve	Cumulative changes in fair value	Retained earnings	Sub-total	Non controlling interests	Total
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
Balance at 1 January 2010	34,564,860	2,869,130	7,209,059	3,604,530	(559,894)	4,511,254	1,005,086	1,339,236	62,428	54,605,689	5,677,217	60,282,906
Profit (Loss) for the year	-	-	-	-	-	-	-	-	1,299,943	1,299,943	(898,602)	401,341
Other comprehensive loss	-	-	-	-	-	-	(652,597)	(383,137)	-	(1,035,734)	-	(1,035,734)
Total comprehensive (loss) income	-	-	-	-	-	-	(652,597)	(383,137)	1,299,943	264,209	(898,602)	(634,393)
Purchase of treasury shares		-	-	-	(424,840)	-	-	-	-	(424,840)	-	(424,840)
Sale of treasury shares	-	-	-	-	340,560	(45,149)	-	-	-	295,411	-	295,411
Transfer to reserves	-	-	137,376	68,688	-	-	-	-	(206,064)	-	-	-
Balance at 31 December 2010	**34,564,860**	**2,869,130**	**7,346,435**	**3,673,218**	**(644,174)**	**4,466,105**	**352,489**	**956,099**	**1,156,307**	**54,740,469**	**4,778,615**	**59,519,084**

The notes set out on pages 30 to 61 form part of these consolidated financial statements

and Subsidiaries
Kuwait
31 December 2010

Consolidated statement of changes in equity (continued

For the year ended 31 December 2010

	Equity attributable to the equity holders of the Parent Company											
	Share capital	Share premium	Statutory reserve	Voluntary reserve	Treasury shares	Treasury shares reserve	Foreign currency translation reserve	Cumulative changes in fair value	Retained earnings	Sub-total	Non controlling interests	Total
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
Balance at 1 January 2009	34,564,860	2,869,130	7,209,059	3,604,530	-	4,505,130	(191,382)	3,843,695	28,900,308	85,305,330	5,109,437	90,414,767
Loss for the year	-	-	-	-	-	-	-	-	(20,196,665)	(20,196,665)	(343,959)	(20,540,624)
Other comprehensive income (loss)	-	-	-	-	-	-	1,196,468	(2,504,459)	-	(1,307,991)	-	(1,307,991)
Total comprehensive income (loss) for the year	-	-	-	-	-	-	1,196,468	(2,504,459)	(20,196,665)	(21,504,656)	(343,959)	(21,848,615)
Purchase of treasury shares	-	-	-	-	(695,461)	-	-	-	-	(695,461)	-	(695,461)
Sale of treasury shares	-	-	-	-	135,567	6,124	-	-	-	141,691	-	141,691
Capital introduced by the non controlling interest	-	-	-	-	-	-	-	-	-	-	911,739	911,739
Cash dividend	-	-	-	-	-	-	-	-	(8,641,215)	(8,641,215)	-	(8,641,215)
Balance at 31 December 2009	34,564,860	2,869,130	7,209,059	3,604,530	(559,894)	4,511,254	1,005,086	1,339,236	62,428	54,605,689	5,677,217	60,282,906

The notes set out on pages 30 to 61 form part of these consolidated financial statements

Notes to the consolidated financial statements at 31 December 2010

1- COPORATE INFORMATION

Injazzat Real Estate Development Company – KSC (Closed) (the Parent Company) was established in August 1998 and listed on the Kuwait Stock Exchange on 17 June 2002. The Parent Company and its subsidiaries (collectively "the Group") are primarily engaged in real estate development and investment activities.

The address of the Parent Company's registered office is PO Box 970, Safat 13010, State of Kuwait.

The consolidated financial statements for the year ended 31 December 2010 were authorised for issue in accordance with a resolution of the Parent Company's Board of Directors on 7 March 2011 and are subject to the approval of the General Assembly of the shareholders of the Parent Company. The Annual General Assembly of the shareholders has the power to amend these consolidated financial statements after issuance.

Details of subsidiaries are set out in note 3.

2.1- BASIS OF PREPARATION

Statement of compliance
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB) and applicable requirements of Ministerial Order No. 18 of 1990.

Basis of preparation
The consolidated financial statements are prepared under the historical cost convention modified for the revaluation at fair value of financial assets available-for-sale and investment properties.

Functional and presentation currency
The consolidated financial statements have been presented in Kuwaiti Dinars (KD), which is also the Parent Company's functional and presentation currency.

BASIS OF CONSOLIDATION

Basis of consolidation from 1 January 2010
The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2010.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. The financial statements of subsidiaries are consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

2.1- BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (continued)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the Parent's share of components previously recognised in other comprehensive income to statement of income or retained earnings, as appropriate.

Basis of consolidation prior to 1 January 2010
Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interests, prior to 1 January 2010, were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.
- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributed to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non controlling interests and the parent shareholders.
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying value of such investments at 1 January 2010 have not been restated.

2.2- CHANGES IN ACCOUNTING POLICIES

The significant accounting policies used in preparation of the consolidated financial statements are consistent with those used in the previous financial year except as noted below:

During the year, the Group has adopted the following amended standards effective for the annual periods beginning on or after 1 January 2010.

- IFRS 2 Share-based Payment (Revised) (effective for the annual periods beginning on or after 1 January 2010)
- IFRS 3 (Revised) – Business Combinations and consequential amendments to IAS 27 effective 1 July 2009, including consequential amendments to IFRS 2, IFRS 5, IFRS 7, IAS 7, IAS 21, IAS 28, IAS 31 and IAS 39
- IFRIC Interpretation 17: Distributions of non-cash assets to owners (effective for the period beginning on or after 1 July 2009)
- IFRIC Interpretation 18: Transfers of assets from customers (effective for the period beginning on or after 1 July 2009)

IFRS 2 Share-based Payment (Revised)
The IASB issued an amendment to IFRS 2 that clarified the scope and the accounting for group cash-settled share-based payment transactions. The Group adopted this amendment as of 1 January 2010. It did not have an impact on the financial position or performance of the Group.

2.2- CHANGES IN ACCOUNTING POLICIES (CONTINUED)

IFRS 3 (Revised) – Business Combinations and consequential amendments to IAS 27 – Consolidated and Separate Financial Statements. The main changes in the Group's accounting policies are as follows:

- Acquisition related costs are expensed in the consolidated statement of income in the periods in which the costs are incurred;
- Changes in ownership interest in a subsidiary that do not result in a loss of control are treated as transaction between equity holders and are accounted for within equity;
- Equity interest held prior to control being obtained is remeasured to fair value at the date of obtaining control, any resulting gain or loss is recognised in the statement of income.

IFRIC Interpretation 17: Distribution of Non-cash Assets to Owners
This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation has no effect on either, the financial position nor performance of the Group.

IFRIC Interpretation 18: Transfers of assets from customers
This Interpretation applies to the accounting for transfers of items of property, plant and equipment by entities that receive such transfers from their customers. The interpretation has no effect on either, the financial position nor performance of the Group.

2.3- STANDARDS ISSUED BUT NOT YET EFFECTIVE

New and revised International Accounting Standards Board (IASB) Standards and International Financial Reporting Interpretations Committee (IFRIC) Interpretations relevant to the Group, issued, but not yet effective

The following IASB Standards and IFRIC Interpretations relevant to the Group have been issued but are not yet mandatory, and have not yet been adopted by the Group:

- IFRS 9: Financial Instruments: Classification and Measurement *(effective for annual periods beginning on or after 1 January 2013)*
- IAS 24 (Revised 2009) Related Party Disclosures *(effective for the period beginning on or after 1January 2011)*
- IAS 32 Financial Instruments: Presentation - Classification of Rights Issues (Amendment) *(effective for the period beginning on or after 1February 2010)*
- IFRIC Interpretation 14 Prepayments of a minimum funding requirement (Amendment) *(effective for the period beginning on or after 1January 2011)*
- IFRIC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments *(effective for the period beginning on or after 1July 2010)*

IFRS 9 Financial Instruments: Classification and Measurement
IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The completion of this project is expected in early 2011. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

2.3- STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

IAS 24 Related Party Disclosures (Amendment)
The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. The Group does not expect any impact on its financial position or performance.

IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (Amendment)
The amendment to IAS 32 is effective for annual periods beginning on or after 1 February 2010 and amended the definition of a financial liability in order to classify rights issues (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.

IFRIC Interpretation 14: Prepayments of a minimum funding requirement (Amendment)
This Interpretation applies to all post-employment defined benefits and other long-term employee defined benefits

IFRIC Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments
This Interpretation provides guidance for the accounting when an entity renegotiates terms of a liability with the result that a debtor extinguishes a financial liability fully or partially by issuing equity instruments to the creditor.

Improvement to IFRSs

The IASB issued Improvements to IFRSs, an omnibus of amendments to its IFRS standards. The amendments have not been adopted as they become effective for annual periods on or after either 1 July 2010 or 1 January 2011. The amendments listed below:

- IFRS 3 Business Combinations
- IFRS 7 Financial Instruments: Disclosures
- IAS 1 Presentation of Financial Statements
- IAS 27 Consolidated and Separate Financial Statements
- IFRIC 13 Customer Loyalty Programmes

The Group, however, expects no impact from the adoption of the amendments on its financial position or performance.

Adoption of other IASB Standards and IFRIC Interpretations will not have a material effect on the financial performance, position or the consolidated financial statements of the Group. Additional disclosures will be made in the consolidated financial statements when these Standards and Interpretations become effective.

2.4- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Recognition of income
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, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

The following specific recognition criteria must also be met before revenue is recognised:

Rental income
Rental income is recognised on accrual basis.

Gain from sale of properties
Realised gains on sale of investment properties are recognised when a sale is consummated and contracts are signed; the buyer's investment to the date of the consolidated financial statements is adequate to demonstrate a commitment to pay for the property; the Group's receivable is not subject to future subordination; and the Group has transferred to the buyer the usual risks and rewards of ownership in a transaction that is in substance a sale and does not have a substantial continuing involvement with the property.

Interest income
Interest income is recognised using the effective interest rate method.

Fee income
Placement and advisory fees are recognised when related services are rendered. Other fees are recognised when earned.

Dividend income
Dividend income is recognised when the right to receive payment is established.

Finance costs
Finance costs are recognised on a time proportion basis taking into account the outstanding balance payable and applicable interest rate.

Finance costs that are directly attributable to the acquisition and construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete. Other finance costs are recognised as an expense in the period in which they are incurred.

Taxation

Kuwait Foundation for the Advancement of Sciences (KFAS)
The Group calculates the contribution to KFAS at 1% of profit for the period in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that the transfer to statutory reserve should be excluded from profit for the period when determining the contribution.

2.4- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

National Labour Support Tax (NLST)
The Group calculates the NLST in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit for the period. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST have been deducted from the profit for the year.

Zakat
Contribution to Zakat is calculated at 1% of the profit of the Group in accordance with the Ministry of Finance resolution No. 58/2007 effective from 10 December 2007.

Business Combination and Goodwill
Business combinations are accounted for using the acquisition accounting method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through consolidated statement of income.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the cost of the business combination over the Group's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit (group of cash generating units) and part of the operations within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash generation unit retained.

2.4- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents
For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and bank balances and short-term deposits with contractual maturities of three months or less net of balances due to banks.

Financial assets
Initial recognition and measurement
Financial assets within the scope of IAS 39 are classified as financial assets carried at fair value through statement of income, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, or derivatives as appropriate. The Group determines the classification of its financial assets at initial recognition.

Financial assets are recognised initially at fair value plus, in the case of financial assets not at fair value through statement of income, directly attributable transaction costs.
Purchases or sales of financial assets that require delivery of assets within frame established by regulation or convention in the market place (regular way purchases) are recognised on the trade date, i.e., the date that Group commits to purchase or sell the asset.
The Group's financial assets include cash and cash equivalents, accounts receivable and unquoted financial assets available-for-sale.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:

Financial assets available-for-sale
Financial assets available-for-sale are those non-derivative financial assets that are designated as available-for-sale or are not classified as investments at fair value through statement of income, investments held-to-maturity or loans and receivables.
After initial measurement, financial assets available-for-sale are subsequently measured at fair value with unrealised gains or losses being recognised as other comprehensive income until the investment is derecognised at which time the cumulative gain or loss is recognised in the consolidated statement of income. Investments whose fair value cannot be reliably measured are carried at cost less impairment losses, if any.

Accounts receivable
Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Financial liabilities
Initial recognition and measurement
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through statement of income and loan and borrowings, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value and in the case of loans and borrowings, including directly attributable transaction costs.

The Group's financial liabilities include loan and borrowings, Ijara sukuk payables and accounts payable.

2.4- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent measurement
The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method (EIR). Gains and losses are recognised in the consolidated statement of income when the liabilities are derecognised as well as through the effective EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR.

Ijara sukuk payable
The trust certificates (Ijara Sukuk) are carried on the statement of financial position at their principal amount, net of directly related costs of issuing the certificates to the extent that such costs have not been amortised. These costs are amortised through the consolidated statement of income over the life of the certificates using the effective cost rate method.

The profit payable to the certificate holders is charged as an expense as it accrues, with unpaid amounts included in other liabilities.

Murabaha payable
Murabaha payable represents financing taken under a murabaha arrangement. Murabaha payable is stated at the gross amount of the payable, net of deferred profit payable. Profit payable is expensed on a time apportionment basis taking account of the profit rate attributable and the balance outstanding.

Accounts payable
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Impairment of financial assets
The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets may be impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.4- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets available-for-sale
For financial assets available-for-sale, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of income – is removed from cumulative changes in fair value and recognised in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income; increases in their fair value after impairment are recognised directly as other comprehensive income in cumulative changes in fair value.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of income.

Impairment of non-financial assets
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations are recognised in the consolidated statement of income in those expense categories consistent with the function of the impaired asset, except for land or building previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in the consolidated statement of comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the assets or cash generating units recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the assets does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase in other comprehensive income.

2.4- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets and liabilities

Financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:
- The rights to receive cash flows from the asset have expired;
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, 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.
In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.
Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statement of income.

Fair values of financial instruments
The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.
For investments where there is no quoted market price, a reasonable estimate of the fair value is determined by using valuation techniques, such as recent arm's length transactions, reference to the current fair value of another instrument that is substantially the same, an earnings multiple, or is based on the expected cash flows of the investment discounted at current rates applicable for items with similar terms and risk characteristics. Fair value estimates take into account liquidity constraints and assessment for any impairment.
Investments with no reliable measures of their fair values and for which no fair value information could be obtained are carried at their initial cost less impairment in value.
An analysis of fair value of financial instruments and further details as to how they are measured are provided in Note 24.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.4- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties
Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statement of income statement in the period in which they arise. Fair values are estimated by management with the assistance of valuation provided by accredited external valuers.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of income in the period of derecognition.
Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Investment in associate
The Group's investment in its associate is accounted for using the equity method. An associate is an entity in which the Group has significant influence.

Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statement of income reflects the share of the results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.
The share of results of an associate is shown on the face of the consolidated income statement. This is the result attributable to equity holders of the associate and therefore is the result after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the 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 recognizes the amount in the 'share of result of an associate' in the consolidated statement of income.

2.4- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment in associate (continued)

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in consolidated statement of income.

Property and equipment
Property and equipment are recorded at cost less accumulated depreciation and impairment losses. The carrying amounts are reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed recoverable amounts assets are written down to their recoverable amount.
Depreciation
Depreciation is provided on all property and equipment at rates calculated to write off the cost of each asset on a straight line basis over its estimated useful life as follows:

- Buildings	20 years
- Furniture, fixtures and other equipment	3-5 years

The useful economic lives of property and equipment are reviewed at the end of the each year and revised where necessary.

Fiduciary assets
Assets held in a trust or fiduciary capacity are not treated as assets of the Group and, accordingly, are not included in the consolidated statement of financial position.

Treasury shares
The Parent Company's own shares are accounted for as treasury shares and are stated at cost. When the treasury shares are sold, gains are credited to a separate account in equity (treasury shares reserve) which is non-distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the treasury shares reserve account. No cash dividends are distributed on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) resulting from a past event and the costs to settle the obligation are both probable and able to be reliably measured.

Foreign currencies
Functional and presentation currency
The consolidated financial statements are presented in Kuwaiti Dinar, which is also the Parent Company's functional presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

2.4- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

Transactions and balances
Transactions in foreign currencies are initially recorded in the functional currency rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to “foreign exchange gain/loss” in the consolidated statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on non-monetary asset classified as “investment properties” are reported as part of the fair value gain or loss in the consolidated statement of income and “available for sale” are reported as part of the cumulative change in fair value reserve, within other comprehensive income.

Group companies
As at the reporting date, the assets and liabilities of foreign subsidiaries are translated into the Parent Company’s presentation currency (the Kuwaiti Dinar) at the rate of exchange ruling at the reporting date, and their statements of income are translated at the average exchange rates for the year. Exchange differences arising on translation are taken directly to foreign exchange translation reserve within other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in other comprehensive income relating to the particular foreign operation is recognised in the consolidated statement of income.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at closing rate.

Contingencies
Contingent liabilities are not recognised in the consolidated statement of financial position, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.
Contingent assets are not recognised in the consolidated financial statements, but are disclosed when an inflow of economic benefits is probable.

Segmental information
The Group’s operating segments are determined based on the reports reviewed by the chief executive functions that are used for strategic decisions. These segments are strategic business units that offer different products and services. They are managed separately since the nature of the products and services, class of customers and marketing strategies of these segments are different.

2.5- SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group’s consolidated financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about the assumptions and estimates could result in outcomes that require a material adjustment to the amount of the asset or liability affected in future periods.

In the process of applying the Group’s accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Classification of real estate property
Management decides on acquisition of real estate whether it should be classified as held for sale or investment property.

The Group classifies property as held for sale if it is acquired principally for sale in the ordinary course of business.

The Group classifies property as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use.

Impairment of investments
The Group treats available for sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires considerable judgement. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

Estimation uncertainty
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Valuation of unquoted equity investments
Valuation of unquoted equity investments is normally based on one of the following:
- recent arm’s length market transactions;
- current fair value of another instrument that is substantially the same;
- an earnings multiple;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- other valuation models.

3- SUBSIDIARY COMPANIES

The Group's consolidated subsidiaries are as follows:

	Country of incorporation	Percentage Ownership 2010	2009
Injazzat Entertainment Enterprises – KSC (Closed)	Kuwait	**100%**	100%
Injazzat Real Estate – France	France	**100%**	100%
Dhow Real Estate Company - BSC (Closed)	Bahrain	**100%**	100%
Al-Dhow International Real Estate Company – KSC (Closed)	Kuwait	**100%**	100%
Al Mal and Aqar Joint Project Company – WLL	Kuwait	**67%**	67%
Al Mal Real Estate Company – KSC (Closed)	Kuwait	**100%**	100%
Al Quoz International General Trading and Contracting Company – WLL	Kuwait	**60%**	60%
Injazzat Lusail Company – WLL	Kuwait	**100%**	100%
Amwaj Real Estate Development Company – KSC (Closed)	Kuwait	**100%**	100%
Al Bateel Real Estate Company – LLC	UAE	**100%**	100%

The financial year end of all the above subsidiaries is 31 December except for Al Mal Real Estate – France which has a financial year end of 30 September.

4- OTHER INCOME

	2010 KD	2009 KD
Interest income from cash and cash equivalents	**360,318**	635,899
Interest income from accounts receivable	**351,277**	230,668
Other income	**256,684**	80,174
	968,279	946,741

5- BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

Earnings (loss) per share is computed by dividing the profit (loss) for the year attributable to the equity holders of the Parent Company by the weighted average number of shares outstanding during the year less treasury shares.

	2010	2009
Profit (loss) for the year attributable to equity holders of the Parent Company (KD)	**1,299,943**	(20,196,665)
Weighted average number of shares outstanding during the year (excluding treasury shares)	**341,002,573**	345,115,121
Basic and diluted earnings (loss) per share	**3.8 Fils**	(58.5) Fils

6- CASH AND CASH EQUIVALENTS

	2010 KD	2009 KD
Cash and bank balances	**2,091,171**	3,728,995
Short term deposits	**7,446,822**	12,587,292
Cash and cash equivalents per consolidated statement of financial position	**9,537,993**	16,316,287
Less: due to banks	**-**	(488,766)
Cash and cash equivalents for the purpose of consolidated statement of cash flows	**9,537,993**	15,827,521

Bank balances include call accounts which yield interest varying between of 2% to 2.75% per annum.

7- ACCOUNTS RECEIVABLE AND OTHER ASSETS

	2010 KD	2009 KD
Financial assets		
Due from associate company (Note 19)	**1,244,814**	733,326
Due from other related parties (Note 19)	**192,981**	58,616
Due on sale of investment property	**12,657,870**	4,077,043
Other financial assets	**1,149,807**	743,837
	15,245,472	5,612,822
Non-financial assets		
Payments towards property purchases	**57,302**	13,550
Advances to contractors	**289,616**	583,051
Prepayment and other assets	**359,001**	132,938
	705,919	729,539
	15,951,391	6,342,361

Due on sale of investment property includes a receivables of KD 3,633,950 (2009: KD 3,714,073) which yield an effective interest rate of 5.5% (2009: 6%) per annum.

Due on sale of investment property includes a receivables of KD 8,800,000 (2009: nil) related to a property sold during the year.

8- FINANCIAL ASSESTS AVAILABLE-FOR-SALE

	2010 KD	2009 KD
Real estate funds	**892,545**	892,545
Special purposes real estate entities	**4,258,074**	4,632,706
Unquoted shares	**8,972,334**	9,552,280
Debt financing	**1,590,342**	1,676,914
	15,713,295	16,754,445

Financial assets available-for-sale primarily represents investments in real estate development projects and portfolios through specialised real estate investment managers. Due to the nature of these investments, the unpredictability of their cash flows and the absence of an active market for these investments, fair value is not reliably measurable. As a result, such investments are carried at cost less impairment, if any and the carrying amount of such investments amounted to KD 4,965,304 (2009: KD 5,390,580)

Financial assets available-for-sale investments include, investments with a carrying value of KD 2,930,234 (2009: KD 3,013,360) which represent investments in real estate entities in which the Group has an equity interest exceeding 20% and 50%. These entities represent temporary special purpose entities established to facilitate the Group's investments in certain foreign real estate projects. The Group does not exercise control or significant influence over these entities as they are managed by independent specialist property development managers. As a result investments in these entities have been classified as financial assets available for sale investments.

During the year, the Parent Company recorded an impairment loss of KD 1,070,423 (2009: KD 5,943,373) on certain investments with exposure to the US and European real estate market based on recent information provided by investment managers.

The hierarchy for determining and disclosing the fair values of financial instruments by valuation techniques are presented in Note 24.

9- INVESTMENT PROPERTIES

	2010 KD	2009 KD
At 1 January	**110,494,405**	125,232,295
Additions	**4,407,140**	5,796,335
Disposals	**(11,289,272)**	(781,000)
Reversal on termination of a purchase contract	**-**	(1,578,934)
Change in fair value	**1,704,120**	(18,885,647)
Foreign currency translation adjustment	**(339,060)**	711,356
At 31 December	**104,977,333**	110,494,405

Investment property with a carrying value of KD 5,026,326 (2009: KD 4,676,156) is held in the name of nominees.

Investment properties include jointly controlled investment properties with a carrying value of KD 20,028,361 (2009: KD 21,792,414).

Investment properties also include properties under construction with a carrying value of KD 16,656,726 (2009: KD 27,644,248).

During the year, the Group disposed one of its foreign properties to a foreign associate for a net consideration of KD 4,297,105, realising a gain of KD16,491. The associate intends to develop this property for future rental and/or sale and the sales consideration due to the Group has been considered as part of the Group's investment in this associate and included in "investment in associates".

Investment properties have been re-valued by independent real estate valuers based on open market values.

The Group's investment properties are located as follows:

	2010 KD	2009 KD
Kuwait	**53,957,400**	56,243,092
Other GCC countries	**51,019,933**	54,251,313
	104,977,333	110,494,405

10- INVESTMENT IN ASSOCIATES

Details of the Group's associates are set out below:

	Country of incorporation	Percentage Ownership	
		2010	2009
Ikaros Real Estate Company – KSC (Closed)	Kuwait	**45%**	45%
Al Bersha Real Estate Company – KSC (Closed)	Kuwait	**35%**	35%
Al Yal Real Estate Company – WLL	Bahrain	**50%**	50%
Injaz Mabanee Real Estate Company – WLL	Kuwait	**40%**	40%
Al Boom Real Estate Company – WLL	KSA	**15%**	15%
Al Sanbook Real Estate LLC	UAE	**15%**	15%

The principal activity of the associates is real estate development.

The investments in Al Boom Real Estate Company WLL and Al Sanbook Real Estate LLC are classified as investments in associates because the Group exercises significant influence over these companies through agreements entered with other strategic investors.

Carrying amount of investment in associates:	**2010 KD**	2009 KD
At 1 January	**19,077,339**	17,550,215
Additions	**5,379,979**	1,617,747
Disposal	**-**	(3,194,138)
Share of results for the year	**(2,740,141)**	2,870,914
Foreign currency translation adjustment	**(144,705)**	232,601
At 31 December	**21,572,470**	19,077,339

Aggregate share of associates' assets and liabilities:

	2010 KD	2009 KD
Assets	**36,510,154**	31,997,555
Liabilities	**14,910,065**	13,046,290

Aggregate share of associates' revenue and results:

	2010 KD	2009 KD
Revenue	**(1,472,020)**	3,483,187
Results	**(2,740,141)**	2,870,914

The fair value of investment in associates could not be reliably measured as the associates are unquoted and they do not have published quoted prices.

11- PROPERTY AND EQUIPMENT

	Buildings KD	**Furniture and Fixtures KD**	**Office equipment and computers KD**	**Total KD**
Cost				
At 1 January 2010	**1,733,358**	**365,429**	**139,913**	**2,238,700**
Additions		**8,985**	**22,045**	**31,030**
Disposal	**(1,733,358)**	**(374,414)**	**(143,353)**	**(2,251,125)**
At 31 December 2010	**-**	**-**	**18,605**	**18,605**
Depreciation				
At 1 January 2010	**(230,522)**	**(195,950)**	**(100,229)**	**(526,701)**
Depreciation charge for the year	**(86,667)**	**(74,471)**	**(26,692)**	**(187,830)**
Relating to disposals	**317,189**	**270,421**	**123,889**	**711,499**
At 31 December 2010	**-**	**-**	**(3,032)**	**(3,032)**
Net book value				
At 31 December 2010	**-**	**-**	**15,573**	**15,573**

	Buildings KD	Furniture and Fixtures KD	Office equipment and computers KD	Total KD
Cost				
At 1 January 2009	1,733,358	354,530	125,643	2,213,531
Additions	-	10,899	15,880	26,779
Disposal	-	-	(1,610)	(1,610)
At 31 December 2009	1,733,358	365,429	139,913	2,238,700
Depreciation				
At 1 January 2009	(143,854)	(119,991)	(60,689)	(324,534)
Depreciation charge for the year	(86,668)	(75,959)	(39,540)	(202,167)
At 31 December 2009	(230,522)	(195,950)	(100,229)	(526,701)
Net book value				
At 31 December 2009	1,502,836	169,479	39,684	1,711,999

12- ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2010 KD	2009 KD
Financial liabilities		
Accounts payable	**1,555,171**	1,974,665
Due on purchase of investment properties	**2,293,879**	4,328,043
Accrued expenses	**767,522**	687,246
Due to other related parties (Note 19)	**795,099**	603,270
Rent received in advance	**70,658**	434,400
Other liabilities	**2,947,549**	1,105,118
	8,429,878	9,132,742

Included within "due on purchase of investment properties" is an amount of KD 353,154 (2009: KD 1,804,708) which is due after more than one year.

13- IJARA SUKUK PAYABLE

On 25 July 2007 the Parent Company issued 5-year trust certificates (Ijara Sukuk) amounting to US Dollars 60,000,000 at par through a special purpose vehicle. The certificate holders are entitled to a quarterly profit distribution at 3-months LIBOR plus 1.25% per annum. The carrying value of these certificates as at the reporting date was equivalent to KD 16,860,000 (2009: KD17,232,000). Although, the Parent Company has not complied with covenants stipulated in the initial sukuk agreement, this has not impacted the Group's financial position or its ability to meet its obligations. The Parent Company's management is currently in negotiation with the lead manager representing the sukuk holders (primarily local banks) regarding the terms and conditions, however; no significant changes are anticipated.

14- BANK LOANS

	Effective interest Rate	Security	2010 KD	2009 KD
Local banks – Kuwaiti Dinar	CBK discount rate + 1.25% - 3%	Unsecured	**57,150,000**	54,500,000
Local banks – U.S. Dollars	3% - 4.35%	Unsecured	**25,809,095**	29,060,422
			82,959,095	83,560,422

The loans are due for repayment as follows:

	2010 KD	2009 KD
Within one year	**72,459,095**	27,820,132
One to five years	**10,500,000**	55,740,290
	82,959,095	83,560,422

15- SHARE CAPITAL AND SHARE PREMIUM

At 31 December 2010, the authorised, issued and paid up capital of the Parent Company comprised 345,648,600 shares of 100 fils each (2009: 345,648,600 shares of 100 fils each).
Share premium is not available for distribution.

16- RESERVES

As required by the Commercial Companies Law and the Parent Company's articles of association, 10% of profit for the year before contribution to KFAS, NLST, Zakat and directors' fees and after offsetting accumulated losses brought forward, is required to be transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve equals or exceeds 50% of paid-up share capital.
Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of paid-up share capital to be made in years when retained earnings are not sufficient for the distribution of a dividend of that amount.
In accordance with the Parent Company's articles of association, 5% of the profit attributable to shareholders of the Parent Company before contribution to KFAS, Zakat, NLST and directors' remuneration is to be transferred to voluntary reserve. The Parent Company may resolve to discontinue such transfers by a resolution of the Parent Company's board of directors. There are no restrictions on distribution of voluntary reserve provided the distribution is approved by the shareholders general assembly.

17- TREASURY SHARES

At 31 December 2010 the Parent Company held 5,380,000 (2009: 3,260,000) of its own shares, equivalent to 1.6% (2009: 1%) of the total issued share capital at that date. The market value of these shares at 31 December 2010 was KD 559,520 (2009: KD 573,760). Reserves of the Parent Company equivalent to the cost of the treasury shares have been earmarked as non-distributable.

18- EMPLOYEES' SHARE PURCHASE SCHEME

At the annual general assembly held on 23 February 2004, the shareholders approved an employees' share purchase scheme. Under this scheme, which has duration of 9 years, the Parent Company may issue shares for cash to eligible employees by increasing its share capital. The total capital increase during the 9 year period to meet the requirements of the scheme may not exceed 9% of the share capital as at 31 December 2006.
During the current and previous year, no shares were granted or issued.

19- RELATED PARTY TRANSACTIONS

Related parties represent associates, directors and key management personnel of the Group, and other related parties such as major shareholders and companies in which directors and key management personnel of the Group are principal owners or over which they are able to exercise significant influence or joint control. Pricing policies and terms of these transactions are approved by the Group's management.

Details of significant related party transactions and balances are as follows:

	2010 KD	2009 KD
Balances in the consolidated statement of financial position:		
Due from associate company (Note 7)	**1,244,814**	733,326
Due from other related parties (Note 7)	**192,981**	58,616
Due to other related parties (Note 12)	**795,099**	603,270
Transactions included in the consolidated statement of income		
Profit from sale of investment properties (note 9)	**16,491**	-
Management and placement fees	**48,000**	178,605
Interest income	**203,357**	230,668

Compensation of key management personnel of the Group:

The remunerations of key management personnel of the Group during the year were as follow:

	2010 KD	2009 KD
Salaries and Short-term benefits	**351,526**	347,399
Employees' end of service benefits	**30,409**	21,742
	381,935	369,141

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20- SEGMENTAL INFORMATION

The Group activities are concentrated in real estate investments and geographically the company activities are concentrated in two main segments: Domestic and International (Kingdom of Bahrain, United Arab Emirates, Saudi Arabia, Qatar, Europe and USA). The following is the segments information, which conforms with the internal reporting presented to management:

	Domestic KD	International KD	Total KD
2010			
Segment revenues	**4,170,159**	**3,752,437**	**7,922,596**
Segment results	**(1,963,452)**	**2,438,610**	**475,158**
Segment assets	**84,231,792**	**83,536,265**	**167,768,057**
Segment liabilities	**(104,691,423)**	**(3,557,550)**	**(108,248,973)**
Finance costs	**(4,462,387)**	**-**	**(4,462,387)**
Impairment loss on financial assets of available for sale	**-**	**(1,070,423)**	**(1,070,423)**
Capital Expenditure	**4,092,653**	**326,416**	**4,419,069**
Depreciation	**181,334**	**4,202**	**187,830**

	Domestic KD	International KD	Total KD
2009			
Segment (losses) revenues	(11,164,628)	3,402,527	(7,762,101)
Segment results	(17,821,473)	(2,719,151)	(20,540,624)
Segment assets	80,206,622	90,490,214	170,696,836
Segment liabilities	(104,524,513)	(5,889,417)	(110,413,930)
Finance costs	(4,684,765)	(34,858)	(4,719,623)
Impairment loss on financial assets available for sale	-	(5,943,373)	(5,943,373)
Capital expenditure	4,437,514	1,385,600	5,823,114
Depreciation	202,054	113	202,167

21- CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

At the reporting date the Group had capital commitments of KD 1,217,240 in respect of investment properties under construction (2009: KD 1,631,051).

At the reporting date, the Group does not have any contingent liabilities in respect of outstanding bank guarantees (2009: KD nil). The Group's share of associated companies' bank guarantees amounted to KD 963,450 (2009: KD 963,450).

22- FIDUCIARY ASSETS

Fiduciary assets comprise investments managed on behalf of clients amounting to KD 181,026 (2009: KD 176,272).

23- FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities.

The group's principal financial liabilities comprise due to banks, accounts payable and other liabilities, Ijara Sukuk payable and banks loans. The main purpose of these financial liabilities is to raise funds for Group operations. The Group has various financial assets such as accounts receivable and other assets, cash and cash equivalents, investment securities which arise directly from operations.

The Group is exposed to the following risks:

A- Risks arising from financial instruments:
- Credit risk which includes default risk of clients and counterparties
- Liquidity risk
- Market risk which includes interest rate, foreign exchange and equity price risks

The Parent Company's Board of Directors is ultimately responsible for the overall risk management approach and for approving the risk strategies and principles.

23.1- Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group credit policy and exposure to credit risk is monitored on an ongoing basis. The Group seeks to avoid undue concentrations of risks with individuals or groups of customers in specific locations or business through diversification of its activities.

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23- FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Maximum exposure to credit risk
The Group's exposure to credit risk is limited to the carrying amounts of financial assets recognised at the reporting date, as summarized below:

	2010 KD	2009 KD
Cash and cash equivalents	**9,537,993**	16,316,287
Accounts receivable and other assets (refer note 7)	**15,245,472**	5,612,822
	24,783,465	21,929,109

The credit risk for cash and cash equivalent is considered negligible, since the counterparties are reputable banks and financial institution.

Risk concentration of the maximum exposure to credit risk
The distribution of financial assets by geographic region is as follows:

	GCC KD	**Europe KD**	**USA KD**	**Total KD**
At 31 December 2010				
Cash and cash equivalents	**9,501,076**	**36,917**	**-**	**9,537,993**
Accounts receivable and other assets (refer note 7)	**14,894,983**	**317,427**	**33,062**	**15,245,472**
	24,396,059	**354,344**	**33,062**	**24,783,465**
At 31 December 2009				
Cash and cash equivalents	16,215,932	100,355	-	16,316,287
Accounts receivable and other assets (refer note 7)	5,540,331	39,101	33,390	5,612,822
	21,756,263	139,456	33,390	21,929,109

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties. The Group's management considers that all the above financial assets that are neither past due nor impaired for each of the reporting dates under review are of good credit quality.

None of Group's financial assets are secured by collateral or other credit enhancements.

23.2- Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. To limit this risk, the Parent Company's management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a regular basis.

23- FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

The table below summarises the maturity profile of the Group's assets and liabilities. Except for financial assets carried at fair value through statement of income and financial assets available for sale investments, the maturities of assets and liabilities have been determined on the basis of the remaining period from the reporting date to the contractual maturity date. The maturity profile for financial assets carried at fair value through statement of income and financial assets available for sale investments is determined based on management's planned exit dates.

The maturity profile of assets and liabilities at 31 December 2010:

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Total
	KD	KD	KD	KD	KD
Assets					
Cash & cash equivalents	**2,091,171**	**7,446,822**	**-**	**-**	**9,537,993**
Accounts receivable and other assets	**-**	**8,800,000**	**7,151,391**	**-**	**15,951,391**
Financial assets available-for-sale	**-**	**-**	**-**	**15,713,295**	**15,713,295**
Investment properties	**-**	**-**	**-**	**104,977,333**	**104,977,333**
Investment in associates	**-**	**-**	**-**	**21,572,472**	**21,572,472**
Property and equipment	**-**	**-**	**-**	**15,573**	**15,573**
	2,091,171	**16,246,822**	**7,151,391**	**142,278,673**	**167,768,057**
Liabilities					
Accounts payable and other liabilities	**353,154**	**88,018**	**7,635,550**	**353,156**	**8,429,878**
Ijara Sukuk payable				**16,860,000**	**16,860,000**
Bank loans	**-**	**21,679,271**	**50,779,824**	**10,500,000**	**82,959,095**
	353,154	**21,767,289**	**58,415,374**	**27,713,156**	**108,248,973**

23- FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

The maturity profile of financial assets and financial liabilities at 31 December 2009:

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Total
	KD	KD	KD	KD	KD
Assets					
Cash & cash equivalents	8,954,650	7,361,637	-	-	16,316,287
Accounts receivable and other assets	-	-	6,342,361	-	6,342,361
Financial assets available-for-sale	-	-	-	16,754,445	16,754,445
Investment properties	-	-	-	110,494,405	110,494,405
Investment in associates	-	-	-	19,077,339	19,077,339
Property and equipment	-	-	-	1,711,999	1,711,999
	8,954,650	7,361,637	6,342,361	148,038,188	170,696,836
Liabilities					
Due to banks	488,766	-	-	-	488,766
Accounts payable and other liabilities	89,964	540,869	6,697,199	1,804,710	9,132,742
Ijara Sukuk payable	-	-	-	17,232,000	17,232,000
Bank loans	-	14,361,874	13,458,258	55,740,290	83,560,422
	578,730	14,902,743	20,155,457	74,777,000	110,413,930

23- FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

The contractual maturities of financial liabilities based on undiscounted cash flows are as follows;

	Up to 1 Month KD	1-3 Months KD	3-12 Months KD	1-5 Years KD	Total KD
31 December 2010					
Financial liabilities					
Accounts payable and other liabilities	**353,154**	**88,018**	**7,635,550**	**353,156**	**8,429,878**
Ijara Sukuk payable	**66,286**	**-**	**198,575**	**17,024,388**	**17,289,249**
Bank loans	**237,671**	**22,464,064**	**52,211,163**	**11,070,008**	**85,982,907**
	657,111	**22,552,082**	**60,045,289**	**28,447,553**	**111,702,034**

	Up to 1 Month KD	1-3 Months KD	3-12 Months KD	1-5 Years KD	Total KD
31 December 2009					
Financial liabilities					
Due to banks	488,766	-	-	-	488,766
Accounts payable and other liabilities	89,964	540,869	6,697,199	1,804,710	9,132,742
Ijara Sukuk payable	67,474	-	195,868	17,656,021	17,919,363
Bank loans	265,807	15,146,785	15,710,791	57,592,279	88,715,662
	912,011	15,687,654	22,603,858	77,053,010	116,256,533

23.3- Market risks

Market risk is the risk that the value of an asset will fluctuate as a result of changes in market variables such as interest rates, foreign exchange rates, and equity prices, whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all investments traded in the market.

Market risk is managed on the basis of pre-determined asset allocations across various asset categories, diversification of assets in terms of geographical distribution and industry concentration, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value.

23.3.1- Foreign currency risk

The Group mainly operates in the Gulf Cooperation Council (GCC) and the United States of America (USA) and as a result is exposed to changes in exchange rates of the US Dollar, UAE Dirhams and Qatari Riyals. The Group's consolidated statement of financial position can be significantly affected by the movement in these currencies. To mitigate the Group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored.

Foreign currency risk is managed on the basis of limits determined by the Parent Company's Board of Directors and a continuous assessment of the Groups' open positions. The Group, where possible, matches currency exposures inherent in certain assets with liabilities in the same currency or correlated currency.

23- FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

23.3- Market risks (continued)

23.3.1- Foreign currency risk (continued)

The Group's significant net exposure to foreign currency denominated monetary assets less monetary liabilities at the reporting date, translated into Kuwaiti Dinars at the closing rates are as follow:

	2010 KD	2009 KD
US Dollar	**(42,442,434)**	(45,122,541)
UAE Dirham	**9,534,665**	12,774,991
Qatari Riyal	**(1,420,078)**	970,545

Based on the average market volatility in exchange rates, for the year 2010, the Parent Company's management estimates that a reasonable possible change in the above exchange rate would be 1% (2009: 1%).
If the Kuwaiti Dinar had weakened against the foreign currencies, assuming the above sensitivity of 1% (2009: 1%), then this would have the following impact on the result for the year. There is no impact on the Group's other comprehensive income.

	Effect on result	
	2010 KD	2009 KD
US Dollar	**(424,424)**	(451,225)
UAE Dirham	**95,347**	127,749
Qatari Riyal	**(14,201)**	9,705
	(343,278)	(313,771)

If the Kuwaiti Dinar had strengthened against the foreign currencies assuming the above sensitivity 1% (2009: 1%), then there would be an equal and opposite impact on the result for the year.

Exposures to foreign exchange rates vary during the year depending on the volume and nature of the transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to the foreign currency risk.

23- FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

23.3- Market risks (continued)

23.3.2- Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Group is exposed to interest rate risk on its cash & cash equivalents, due to banks, Ijara Sukuk payable and bank loans, which are primarily at floating interest rates.

Positions are monitored on a regular basis to ensure positions are maintained within established limits.

The following table illustrates the sensitivity of the results for the year to a reasonably possible change in interest rates with effect from the beginning of the year. Based on observation of current market conditions the Parent Company's management estimates that a reasonable possible change in the interest rates would be +75 and -25 (2009: +75 and -25) basis points for LIBOR and +25 and -125 (2009: +25 and – 125) basis points for Kuwaiti Dinar and +25 and -200 basis points for UAE Dirhams interest rates for the year 2010. The calculation is based on the Group's financial instruments held at each reporting date. All other variables are held constant. There is no impact on Group's other comprehensive income.

	Increase in interest rates		**Decrease in interest rates**	
	2010 KD	2009 KD	**2010 KD**	2009 KD
Effect on result	**(429,963)**	(434,589)	**154,885**	192,055

Equity price risk

Equity price risk is the risk that the fair values of equities will fluctuate as a result of changes in the level of equity indices or the value of individual share prices. Equity price risk arises from the change in fair values of equity investments. The Group is not exposed to equity price risk as the Group do not have quoted equity instruments as at 31 December 2010 (2009: KD nil)

24- FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

The fair values of financial instruments, with the exception of certain financial assets available-for-sale carried at cost (see Note 8) are not materially different from their carrying values.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in an active market for identical assets and liabilities:
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
Level 3: other techniques which use inputs which have a significant effect on the recorded fair value are not based on observable market data.

24- FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

2010	**Level 1 KD**	**Level 2 KD**	**Level 3 KD**	**Total fair value KD**
Assets measured at fair value				
Financial assets available-for-sale				
- Real estate funds	**-**	**-**	**892,545**	**892,545**
- Special purposes real estate entities	**-**	**-**	**883,112**	**883,112**
- Unquoted shares	**-**	**-**	**8,972,334**	**8,972,334**
	-	**-**	**10,747,991**	**10,747,991**

	Level 1 KD	Level 2 KD	Level 3 KD	Total fair value KD
Assets measured at fair value				
Financial assets available-for-sale				
- Real estate funds	-	-	892,545	892,545
- Special purposes real estate entities	-	-	919,040	919,040
- Unquoted shares	-	-	9,552,280	9,552,280
	-	-	11,363,865	11,363,865

25- CAPITAL MANAGEMENT

The Group's capital management objectives are to ensure that the Group maintains a strong credit rating and healthy ratios in order to support its business and maximise shareholder value.

The Group manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, buy back treasury shares, issue new shares or sell assets to reduce debt.

The capital structure of the Group consists of the following:

	2010 KD	2009 KD
Ijara Sukuk	**16,860,000**	17,232,000
Bank loans	**82,959,095**	83,560,422
Due to banks	**-**	488,766
Less: Cash and cash equivalents	**(9,537,993)**	(16,316,287)
Net debt	**90,281,102**	84,964,901
Equity attributable to the equity holders of the Parent Company	**54,740,469**	54,605,689
Total capital	**145,021,571**	139,570,590

Consistent with others in the industry the Group monitors capital on the basis of the gearing ratio. The Group's policy is to keep the gearing ratio within 100%.

This ratio is calculated as net debt divided by total capital as follows:

	2010 KD	2009 KD
Net debt	**90,281,102**	84,964,901
Capital	**145,021,571**	139,570,590
Net debt to total capital ratio	**62%**	61%