

**Consolidated financial statements and independent auditors' report
International Financial Advisors – KSC (Closed)
and Subsidiaries**

Kuwait

31 December 2010

**International Financial Advisors – KSC (Closed)
and Subsidiaries
Kuwait**

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Grant Thornton

Al-Qatami, Al-Aiban & Partners

Auditors & Consultants

Souq Al Kabeer Building - Block A - 9th Floor

Tel : (965) 2244 3900-9

Fax: (965) 2243 8451

P.O.Box 2986, Safat 13030

Kuwait

www.gtkuwait.com

Rödl

Middle East

Ernst & International Accountants

Ali Al Hassawi & Partners

P.O. Box: 22351 Safat 13084 Kuwait

Sharq – Dasman Complex – Block 2 – 9 Floor

Tel 22414956 -3 Fax:22426862-6 /22464574

Email: info-kuwait@rodime.com

Independent auditors' report

To the shareholders of
International Financial Advisors – KSC (Closed)
Kuwait

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of International Financial Advisors – Kuwait Shareholding Company (Closed) and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statement of income, statement of comprehensive income, statement of changes in equity and 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 applied in Kuwait 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 auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

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

Report on Other Legal and Regulatory Matters

In our opinion, proper books of account have been kept by the Company and the consolidated financial statements, together with the contents of the report of the 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 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 the Commercial Companies Law nor of the Company's articles of association, as amended, have occurred during the year that might have had a material effect on the business or financial position of the Company.

We further report that, during the course of our audit, we have not become aware of any material violations, during the year, of the provisions of Law No.32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations.



Abdullatif M. Al-Aiban (CPA)
(Licence No. 94-A)
of Grant Thornton – Al-Qatami, Al-Aiban & Partners



Ali A. Al-Hasawi
(Licence No. 30-A)
of Rödl Middle East
Burgan – International Accountants

Kuwait
4 April 2011

Consolidated statement of income

	Notes	Year ended 31 Dec. 2010 KD	Year ended 31 Dec. 2009 KD
Income			
Interest and similar income	6	2,412,929	5,655,327
Management fees and commission income	7	1,490,710	1,508,357
Dividend income	8	866,776	1,702,229
Net income from hoteliers and related services	9	5,227,468	2,366,257
Net loss on investments	10	(2,539,282)	(1,296,336)
Net losses on investment properties	11	(140,281)	(4,255,804)
Gain on sale of properties under development	12	4,595,135	6,628,499
Gain on sale of shares of a consolidated subsidiary		-	1,977,636
Share of loss from associated companies	25	(3,494,646)	(1,653,776)
Gain on sale of shares of associated companies		1,037	1,043,378
Impairment in value of available for sale investments	22	(3,543,896)	(2,486,909)
Income on default of customers to the terms in the sale contracts of the sold residential units	13	4,418,976	-
Other income/(loss)	14	4,716,388	(1,061,628)
		14,011,314	10,127,230
Expenses and other charges			
Interest and similar expenses	15	11,756,845	9,961,633
Staff and related costs		8,198,609	7,015,872
Other operating expenses		12,705,393	12,910,965
Provision for due from related parties	21	7,329,407	-
Depreciation	29	2,239,146	1,667,204
		42,229,400	31,555,674
Loss before KFAS, National Labour Support Tax, Zakat, Directors' remuneration and taxation on overseas subsidiaries			
		(28,218,086)	(21,428,444)
Taxation on overseas subsidiaries		626,548	(527,517)
Contribution to Kuwait Foundation for Advancement of Sciences (KFAS)		-	-
Contribution to Zakat		-	-
National Labour Support Tax (NLST)		-	-
Loss for the year		(27,591,538)	(21,955,961)
Attributable to :			
Owners of the parent company		(18,261,435)	(16,797,135)
Non-controlling interests		(9,330,103)	(5,158,826)
Loss for the year		(27,591,538)	(21,955,961)
BASIC & DILUTED LOSS PER SHARE	16	(27.78) Fils	(25.59) Fils

Consolidated statement of comprehensive income

	Year ended 31 Dec. 2010 KD	Year ended 31 Dec. 2009 KD
Loss for the year	(27,591,538)	(21,955,961)
Other comprehensive (loss)/income		
Available for sale investments:		
- Net change in fair value during the year	(7,757,680)	1,859,470
- Transferred to consolidated statement of income on sale	(1,309,245)	197,259
- Transferred to consolidated statement of income on impairment in value	3,543,896	2,486,909
Share of other comprehensive loss of associates	(195,892)	(443,572)
Exchange differences on translation of foreign operations	615,613	3,790,070
Other comprehensive (loss)/income	(5,103,308)	7,890,136
Total comprehensive loss for the year	(32,694,846)	(14,065,825)
Attributable to:		
Owners of the parent company	(23,364,743)	(8,906,999)
Non-controlling interests	(9,330,103)	(5,158,826)
	(32,694,846)	(14,065,825)

Consolidated statement of financial position

	Notes	31 Dec. 2010 KD	31 Dec. 2009 KD
Assets			
Cash and cash equivalents	17	36,170,938	43,372,559
Investments at fair value through profit or loss	18	16,652,636	17,992,046
Receivables and other debit balances	19	53,801,260	54,417,835
Loans receivable	20	8,100,940	7,741,884
Due from related parties	21	8,767,895	18,675,056
Available for sale investments	22	58,454,917	81,998,165
Trading properties	23	9,689,199	12,392,395
Investment properties	24	23,930,266	16,010,250
Investment in associated companies	25	64,944,063	64,578,943
Goodwill	26	49,031,197	49,022,661
Properties under development	27	147,766,517	166,043,937
Capital work in progress	28	79,502,520	65,275,624
Property, plant and equipment	29	39,453,314	24,988,278
Total assets		596,265,662	622,509,633
Liabilities and equity			
Liabilities			
Payables and other credit balances	30	86,844,700	84,189,240
Due to related parties	21	13,368,452	13,054,540
Term loan from a related party	31	1,720,000	1,720,000
Borrowings	32	189,991,933	181,111,470
Advances received from customers	33	160,415,845	168,678,153
Total liabilities		452,340,930	448,753,403
Equity			
Equity attributable to the owners of the parent company			
Share capital	34	72,000,000	72,000,000
Share premium	34	11,973,061	11,973,061
Treasury shares	34	(32,818,291)	(36,045,931)
Statutory and voluntary reserves	35	61,649,505	61,649,505
Cumulative changes in fair value	22	(1,164,110)	4,554,811
Foreign currency translation reserve		(824,740)	(1,440,353)
Retained earnings		14,137,282	32,771,234
Total equity of the owners of parent company		124,952,707	145,462,327
Non-controlling interests		18,972,025	28,293,903
Total equity		143,924,732	173,756,230
Total liabilities and equity		596,265,662	622,509,633
Fiduciary accounts	36	85,337,234	108,748,970

Talal Jassim Al-Bahar
Chairman

Saleh Saleh Al-Selmi
Deputy Chairman and Deputy CEO

The notes set out on pages 9 to 49 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Equity attributable to the owners of the parent company								Non- controlling interests KD	Total KD
	Share capital KD	Share premium KD	Treasury shares KD	Statutory and voluntary reserves KD	Cumulative changes in fair value KD	Foreign currency translation reserve KD	Retained earnings KD	Sub – total KD		
Balance as at 1 January 2010	72,000,000	11,973,061	(36,045,931)	61,649,505	4,554,811	(1,440,353)	32,771,234	145,462,327	28,293,903	173,756,230
Loss for the year	-	-	-	-	-	-	(18,261,435)	(18,261,435)	(9,330,103)	(27,591,538)
Other comprehensive (loss)/income	-	-	-	-	(5,718,921)	615,613	-	(5,103,308)	-	(5,103,308)
Total comprehensive (loss)/income for the year	-	-	-	-	(5,718,921)	615,613	(18,261,435)	(23,364,743)	(9,330,103)	(32,694,846)
Purchase of treasury shares	-	-	(2,609,962)	-	-	-	-	(2,609,962)	-	(2,609,962)
Sale of treasury shares	-	-	5,837,602	-	-	-	-	5,837,602	-	5,837,602
Loss on sale of treasury shares	-	-	-	-	-	-	(2,078,255)	(2,078,255)	-	(2,078,255)
Arising on part disposal of a subsidiary	-	-	-	-	-	-	1,705,738	1,705,738	-	1,705,738
Changes in non-controlling interests	-	-	-	-	-	-	-	-	8,225	8,225
Balance as at 31 December 2010	72,000,000	11,973,061	(32,818,291)	61,649,505	(1,164,110)	(824,740)	14,137,282	124,952,707	18,972,025	143,924,732

Consolidated statement of changes in equity (continued)

	Equity attributable to the owners of the parent company										
	Share capital KD	Share premium KD	Treasury shares KD	Statutory and voluntary reserves KD	Cumulative changes in fair value KD	Treasury shares profit reserve KD	Foreign currency translation reserve KD	Retained earnings KD	Sub – total KD	Non- controlling interests KD	Total KD
Balance as at 1 January 2009	72,000,000	11,973,061	(36,391,986)	61,649,505	454,745	1,362,418	(5,230,423)	51,046,492	156,863,812	31,434,196	188,298,008
Loss for the year	-	-	-	-	-	-	-	(16,797,135)	(16,797,135)	(5,158,826)	(21,955,961)
Other comprehensive income	-	-	-	-	4,100,066	-	3,790,070	-	7,890,136	-	7,890,136
Total comprehensive income/(loss) for the year	-	-	-	-	4,100,066	-	3,790,070	(16,797,135)	(8,906,999)	(5,158,826)	(14,065,825)
Purchase of treasury shares	-	-	(35,416,171)	-	-	-	-	-	(35,416,171)	-	(35,416,171)
Sale of treasury shares	-	-	35,762,226	-	-	-	-	-	35,762,226	-	35,762,226
Loss on sale of treasury shares	-	-	-	-	-	(1,362,418)	-	(1,478,123)	(2,840,541)	-	(2,840,541)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	2,018,533	2,018,533
Balance as at 31 December 2009	72,000,000	11,973,061	(36,045,931)	61,649,505	4,554,811	-	(1,440,353)	32,771,234	145,462,327	28,293,903	173,756,230

The notes set out on pages 9 to 49 form an integer part of the consolidated financial statements.

Consolidated statement of cash flows

	Note	Year ended 31 Dec. 2010 KD	Year ended 31 Dec. 2009 KD
OPERATING ACTIVITIES			
Loss for the year attributable to the owners of the parent company		(18,261,435)	(16,797,135)
Adjustments:			
Net losses on investment properties		140,281	4,255,804
Loss on sale of available for sale investments		3,288,105	840,205
Impairment in value of available for sale investments		3,543,896	2,486,909
Gain on sale of shares of a consolidated subsidiary		-	(1,977,636)
Gain on sale of shares of associated companies		(1,037)	(1,043,378)
Gain on sale of properties under development		(4,595,135)	(6,628,499)
Dividend income		(866,776)	(1,702,229)
Interest and similar income		(2,412,929)	(5,655,327)
Interest and similar expenses		11,756,845	9,961,633
Provision for due from related parties		7,329,407	-
Depreciation		2,239,146	1,667,204
Share of loss from associated companies		3,494,646	1,653,776
(Gain)/Loss from foreign currency translation of no-operating assets and liabilities		(1,642,843)	3,032,557
		4,012,171	(9,906,116)
Changes in operating assets and liabilities:			
Investments at fair value through profit or loss		1,339,411	(3,628,046)
Receivables and other debit balances		616,575	13,279,587
Loans receivable		(359,056)	1,458,300
Due from related parties		2,577,754	(1,797,722)
Goodwill		-	(777,536)
Trading properties		163,732	(8,419,063)
Payables and other credit balances		2,655,460	6,446,000
Due to related parties		313,912	1,285,618
Advances received from customers		22,987,724	62,423,578
Cash from operating activities		34,307,683	60,364,600
Dividend income received		866,776	1,702,229
Interest income received		2,412,929	5,655,327
Interest paid		(11,756,845)	(9,961,633)
Net cash from operating activities		25,830,543	57,760,523
INVESTING ACTIVITIES			
Proceeds from sale of shares in a consolidated subsidiary		4,507,994	4,832,945
Proceeds from sale of shares in associated companies		5,693	27,619,571
Net movement to investment in associated companies		(3,864,422)	(36,438,964)
Net movement to properties under development		(35,612,963)	(64,851,552)
Additions to capital work in progress		(4,858,951)	(17,077,269)
Net movement to property, plant and equipment		2,340,345	(4,899,309)
Proceeds from sale of available for sale investments		23,773,814	29,618,816
Net additions to investment properties		(8,060,296)	-
Purchase of available for sale investments		(12,781,488)	(25,053,740)
Purchase of shares in a consolidated subsidiary		(1,679,311)	(3,626,714)
Net cash used in investing activities		(36,229,585)	(89,876,216)
FINANCING ACTIVITIES			
Bank loans obtained		36,374,553	18,447,477
Bank loans settled		(25,008,648)	(2,053,754)
Changes in non-controlling interests		(10,444,825)	(2,368,886)
Purchase of treasury shares		(2,609,962)	(35,416,171)
Proceeds from sale of treasury shares		3,759,347	32,921,685
Net movement in foreign currency translation reserve		1,126,956	8,688,797
Net cash from financing activities		3,197,421	20,219,148
Net decrease in cash and cash equivalents		(7,201,621)	(11,896,545)
Cash and cash equivalents at beginning of the year	17	43,372,559	55,269,104
Cash and cash equivalents at end of the year	17	36,170,938	43,372,559

Notes to the consolidated financial statements

31 December 2010

1 Parent company incorporation and activities

International Financial Advisors – KSC (Closed) (“the parent company”) is a Kuwaiti closed shareholding company incorporated on 31 January 1974 under the Commercial Companies Law No. 15 of 1960 and amendments thereto. The parent company is regulated by the Central Bank of Kuwait as an investment company. The address of the parent company’s registered office is PO Box 4694, Safat 13047, State of Kuwait. The parent company is principally engaged in providing financial advisory services, trading in local and international securities, borrowing, lending, issuing guarantees, managing investment funds and portfolios management and trading in future contracts.

The consolidated financial statements were authorised for issue by the board of directors on and are subject to the approval of the general assembly of shareholders.

The group comprises the parent company and its subsidiaries.

A -Following is a list of significant subsidiary companies of the parent company:

Parent company’s subsidiaries and percentage of ownership	Subsidiary companies	Subsidiaries’ ownership % in legal operating entity		Place of incorporation	Principal activity	Establishment/ Acquisition date
		2010	2009			
Consolidated subsidiaries						
1) IFA Hotels & Resorts Company– KSC (Closed) (57.254%) (2009: 58.575%)	a) IFA Hotels & Resorts – Free Zone – LLC	100%	100%	UAE	Property development	2003
	b) IFA Hotels & Resorts – Jabel Ali Free Zone	100%	100%	UAE	Property development	2005
	c) IFA Hotels & Resorts (SAL) Holdings	51%	51%	Lebanon	Property development	2003
	d) IFA Zimbali Hotels & Resorts (Pty) Limited	100%	100%	South Africa	Property development	2003
	e) IFA Hotels & Resorts Limited	85%	85%	South Africa	Hotelier and property development	2003
	f) IFA Hotels & Resorts 2 Limited	100%	100%	Cayman Island	Hotelier	2003
	g) IFA Hotels & Resorts 3 Limited	100%	100%	Mauritius	Property development	2006
	h) IFA Fairmont Zimbali Hotel and Resort (Pty) Limited.	100%	100%	South Africa	Hotelier	2006
	i) International Property Trading Holding Limited	100%	100%	British Virgin Islands	Property development	2007
	j) Yotel Investment Limited	100%	100%	Jersey	Hotelier	2006
2) Seven Seas Resorts Company – KSC (Closed) (54.286%) (2009: 54.286%)	-	-	-	Kuwait	Resorts	2003

1 Parent company incorporation and activities (continued)

Parent company's subsidiaries and percentage of ownership	Subsidiary companies	Subsidiaries' ownership % in legal operating entity		Place of incorporation	Principal activity	Establishment/ Acquisition date
		2010	2009			
3) Gulf Real Estate Company – WLL (46.32%) (2009: 46.32%)	-	-	-	Kuwait	Real estate	2004
4) IFA Aviation Company – KSC (Closed) (74.8%) (2009: 74.8%)	-	-	-	Kuwait	Aviation	2006
	Deema Aviation Company Limited	100%	100%	Cayman Islands	Aviation	2007
5) Radeem Real Estate Company – SAL (99.7%) (2009: 99.7%)	-	-	-	Lebanon	Real estate	2006
6) Dana Company – SAL (90%) (2009: 90%)	-	-	-	Lebanon	Real estate	2006
7) Fastnet Capital Limited (100%) (2009: 100%)	-	-	-	United Kingdom	Security trading	2007

B – The following are a listing of the group's interest in significant joint ventures which are included in the consolidated statement of financial position and consolidated statement of income on the proportional consolidation basis:

Name and details of the joint ventures	Country of registration/ incorporation	Interest	
		2010	2009
Interest in Tongaat Hulett/IFA Hotels & Resorts Development (the principal activity of the joint venture is property development)	South Africa	50%	50%
Interest in Zimbali Estates (PTY) Limited (the principal activity of the joint venture is the sale of developed property)	South Africa	50%	50%
Interest in OLIFA Hotels & Resorts (Namibia) (Pty) Limited (the principal activity of the joint venture is hoteliering)	South Africa	Nil	50%
Interest in Palm Golden Mile Joint Venture (the principal activity of the Joint Venture is design, development, construction, marketing, sale of apartment and rental of shopping centers and residential apartments)	UAE	50%	50%

2 Statement of compliance

These consolidated financial statements of the group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

3 Adoption of new and revised standards

The group has adopted all the following new standards, interpretations, revisions and amendments to IFRS issued by International Accounting Standards Board, which are relevant to and effective for the group's consolidated financial statements for the annual period beginning 1 January 2010. Certain other new standards and interpretations have been issued but are not relevant to the group's operations and therefore not expected to have a material impact on the group's consolidated financial statements.

- IFRS 3 Business Combinations (Revised 2008)
- IAS 27 Consolidated and Separate Financial Statements (Revised 2008)
- 2009 Improvements to IFRSs

3 Adoption of new and revised standards (continued)

Significant effects on current, prior or future periods arising from the first-time application of these new requirements in respect of presentation, recognition and measurement are described below.

Adoption of IFRS 3 Business Combinations (Revised 2008)

The revised standard on business combinations introduced major changes to the accounting requirements for business combinations. It retains the major features of the purchase method of accounting, now referred to as the acquisition method. The adoption of the revised standard did not have any effect on the measurement and recognition of the group's assets, liabilities, income and expenses.

Adoption of IAS 27 Consolidated and Separate Financial Statements (Revised 2008)

The adoption of IFRS 3 required that the revised IAS 27 is adopted at the same time. IAS 27 introduced changes to the accounting requirements for transactions with non-controlling (formerly called 'minority') interests and the loss of control of a subsidiary. These changes are applied prospectively.

Adoption of 2009 Improvements to IFRSs (Issued in April 2009)

The IASB issued *Improvements for International Financial Reporting Standards 2009* to certain standards. Most of these amendments became effective for annual periods beginning on or after 1 July 2009 or 1 January 2010 and have been adopted by the group that largely clarify the required accounting treatment where previous practice had varied some of which are substantive but have not resulted in any significant changes in the group's accounting policies.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the group

At the date of authorisation of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the group.

Management anticipates that all of the relevant pronouncements will be adopted in the group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the group's consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the group's consolidated financial statements.

Annual Improvements 2010 (effective from 1 July 2010 and later)

The IASB has issued *Improvements to IFRS 2010 (2010 Improvements)*. Most of these amendments become effective in annual periods beginning on or after 1 July 2010 or 1 January 2011. The 2010 Improvements amend certain provisions of IFRS 3, clarify presentation of the reconciliation of each of the components of other comprehensive income and clarify certain disclosure requirements for financial instruments. The group's preliminary assessments indicate that the 2010 Improvements will not have a material impact on the group's consolidated financial statements.

IFRS 9 Financial Instruments (effective from 1 January 2013)

The IASB aims to replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety. The replacement standard (IFRS 9) is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning 1 January 2013. Further chapters dealing with impairment methodology and hedge accounting are still being developed.

Although earlier application of this standard is permitted, the Technical Committee of the Ministry of Commerce and Industry of Kuwait decided on 30 December 2009, to postpone this early application till further notice, due to the non-completion of the remaining stages of the standard.

3 Adoption of new and revised standards (continued)

IAS 24 Related Party Disclosures

The amendments to the standard revised the definition of a related party. The adoption of this amendment is not expected to have a significant impact on the group's consolidated financial statements.

IAS 32 Financial Instruments: Presentation

The amendment to the standard clarifies classification right issues in foreign currency. The adoption of this amendment is not expected to have a significant impact on the group's consolidated financial statements

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

The interpretation provides guidance on the accounting by the entity that issues equity instruments in order to settle, in full or in part, a financial liability. The Interpretation is required to be applied retrospectively. However, management does not expect to have any significant effect on the consolidated financial statements on the date of initial application of the interpretation.

4 Significant accounting policies

The accounting policies used in the preparation of the consolidated financial statements for the year then ended 31 December 2010 are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2009 except as discussed in Note 3 above. The significant accounting policies are set out below:

Basis of preparation

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") promulgated by the International Accounting Standards Board ("IASB"), and Interpretations issued by the International Financial Reporting Interpretations Committee of the IASB, as modified for use by the Government of Kuwait for financial services institutions regulated by the Central Bank of Kuwait. These regulations require adoption of all IFRS except for the IAS 39 requirement for collective impairment provision, which has been replaced by the Central Bank of Kuwait requirement for a minimum general provision as described below.

In March 2007, the Central Bank of Kuwait ("CBK") issued a circular amending the basis of making general provisions on facilities from 2% to 1% for cash facilities and 0.5% for non cash facilities. The required rates were to be applied effective from 1 January 2007 on the net increase in facilities, net of certain restricted categories of collateral, during the reporting period.

During 2008, CBK allowed the Group to reverse the excess general provision of 1% to the consolidated statement of income provided that amount is transferred to general reserve.

These consolidated financial statements are presented in Kuwaiti Dinars ("KD") which is the functional currency of the Parent Company and are prepared under the historical cost convention, except for certain investments held at fair value through statement of income, available for sale investments and investment properties that are stated at fair value.

Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Parent Company and entities controlled by the Parent Company (its subsidiaries). Control is achieved where the Parent Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the group.

4 Significant accounting policies (continued)

Basis of consolidation (continued)

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and their share of changes in equity since the date of the combination. Losses applicable to the non-controlling interests in excess of their interest in the subsidiary's equity are allocated against the interests of the group except to the extent that the non-controlling interests has a binding obligation and is able to make an additional investment to cover the losses.

Investment in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Interest in Joint Ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control that is when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control. Where a group entity undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other ventures are recognised in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

Goodwill

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

4 Significant accounting policies (continued)

Goodwill (continued)

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Revenue recognition

Sales of properties for development

Revenue from the sale of properties is recognized when risk and reward related to property has been transferred to the customers. Risk and reward are transferred when legal notice is served to the customers to take the possession of the property or on actual handover to the customers.

Cost of revenues

Cost of revenues includes the cost of land and development costs. Development costs include the cost of infrastructure and construction. The cost of revenues in respect of sale of properties is recognised on the basis of per square feet average cost of construction. Per square feet average cost of construction is derived from total saleable area and total construction cost.

Rental and hoteliers income

Rental income of units in office buildings and residential buildings are recognised on an accrual basis.

Revenue from hoteliers and related services is recognised when the services are rendered.

Interest income

Interest income is recognised in the consolidated statement of income as it accrues, taking into account the effective yield of the asset or an applicable floating rate.

Dividend

Dividend are recognised when the right to receive the dividend is established.

Fees and Commission

Fees and commission income are recognised when earned.

Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Kuwaiti Dinar ('KD'), which is the functional currency of the parent company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each financial position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the financial position date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

4 Significant accounting policies (continued)

Foreign currencies (continued)

Exchange differences are recognised in consolidated statement of income in the period in which they arise except for:

- exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks ; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations are expressed in KD using exchange rates prevailing at the financial position date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and recognised in the group's foreign currency translation reserve in equity. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in the consolidated income statement in the period in which they are incurred.

Taxation

Taxation relates to the group's certain foreign subsidiaries. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that its probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary differences arise from goodwill or initial recognition (other than in business combination) of other assets and liabilities in the transactions that affect the profit, tax or profit recognition. The carrying amount of deferred tax assets is reviewed at each financial position date and reduced to the extent that it's no longer probable that sufficient taxable profits will be available for the assets to be recovered.

Income tax expenses represent the sum of the tax currently payable and deferred tax.

The tax currently payable is based on the taxable profit for the year plus secondary tax on companies. Taxable profit defers from profit as reported in the consolidated income statement because it excludes items of income and expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liabilities for current and deferred tax is calculated using tax rates that have been enacted or substantially enacted by the financial position date.

Kuwait Foundation for the Advancement of Sciences

The group is required to contribute to the Kuwait Foundation for the Advancement of Sciences ("KFAS"). The group's contributions to KFAS is recognised as an expense and is calculated @ 1 % of profit before transfer to legal reserve, Directors' remuneration, National Labour Support Tax and Zakat.

4 Significant accounting policies (continued)

National Labour Support Tax

The group is required to contribute to the National Labour Support Tax ("NLST"). The Group's contribution to NLST is recognised as an expense and is calculated in accordance with Ministry of Finance resolution No. 24/2008, law number 19/2000.

Zakat

The Group is required to contribute to the Zakat. The Group's contribution to Zakat is recognised as an expense and is calculated in accordance with Ministry of Finance resolution No. 58/2007 and 46/2006.

Cash and cash equivalents

Cash and cash equivalents as stated in the consolidated statement of cash flows comprise bank balances and cash, short term deposits maturing within three months and due to banks.

Financial assets

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through Profit and Loss (FVTPL)', 'available-for-sale' (AFS) and 'loans and receivables'.

Financial assets at FVTPL

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments*:

Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in consolidated profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

AFS financial assets

Shares held by the Group that are traded in an active market are classified as being AFS and are stated at fair value.

4 Significant accounting policies (continued)

AFS financial assets (continued)

Gains and losses arising from changes in fair value are recognised directly in equity in the cumulative changes in fair value reserve with the exception of impairment losses. Interest calculated is recognised using the effective interest rate method and foreign exchange gains and losses on monetary assets, which previously included, are recognised in the income statement when the investment is disposed of or is determined to be impaired.

Dividend on AFS equity instruments are recognised in profit or loss when the group's right to receive the dividend is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the statement of financial position date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

Loans receivable and receivables

Trade receivables, loans receivable, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans receivable and receivables. Loans receivable and receivables are measured at amortised cost using the effective interest rate method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each statement of financial position date.

Financial assets are impaired where there is objective evidence, as a result of one or more events that occurred after the initial recognition of the financial asset, by selecting future cash flows.

For shares classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets and finance lease receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

In respect of AFS equity securities, impairment losses previously recognised through consolidated profit or loss are not reversed through consolidated profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in equity.

Derecognition of financial assets

The group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the group retains substantially all the risks and rewards of ownership of a transferred financial asset, the group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

4 Significant accounting policies (continued)

Impairment and uncollectability of financial assets

An assessment is made at each statement of financial position date to determine whether there is objective evidence that a specific financial asset, or group of similar assets, may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss, based on the net present value of future anticipated cash flows, is recognised in the consolidated statement of income. For assets carried at amortised cost, future anticipated cash flows are discounted at the financial instrument's original effective interest rate. For assets carried at fair value, impairment is the difference between cost and fair value.

In addition, in accordance with the Central Bank of Kuwait instructions, a minimum general provision of 1% on all credit facilities and loans net of certain restricted categories of collateral, and not subject to specific provision, is provided.

The provision for impairment of loans and advances also covers losses where there is objective evidence that probable losses are present in components of the loans and advances portfolio at the statement of financial position date. These have been estimated based on historical patterns of losses in each component, the credit ratings allocated to the borrowers and reflecting the current economic climate in which the borrowers operate.

Fair value

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transactions.

For securities traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the statement of financial position date.

For securities where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same, or is based on the expected discounted cash flows, or determined by using valuations implied by significant financial events e.g. indicative bids, partial exits, or additional investments, or determined by using valuations implied by third party issuers having substantially the same line of business as the investee or other appropriate valuation techniques.

The determination of fair value is done for each investment individually.

Trading properties

Trading properties include purchase and development costs of unsold real estate (land). Development costs include planning, maintenance and service costs. Trading properties are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each property to its present condition including identifiable finance costs. Net realisable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal.

Investment properties

Investment properties, which is property held to earn rentals or for capital appreciation are initially measured at its cost, including transaction cost. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in fair values are taken to the consolidated statement of income.

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 benefits is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of income in the year of retirement or disposal.

4 Significant accounting policies (continued)

Investment properties (continued)

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party or completion of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

Properties under development

Property under development represents properties under development/construction for trade, which are stated at cost or net realisable values whichever is lower. Cost includes the cost of land, construction, design and architecture. Advances paid for purchase of properties and other related expenditures such as professional fees, project management fees and engineering costs attributable to the project are added as and when activities that are necessary to get the assets ready for the intended use are carried out. Direct costs from the start of the project up to completion of the project are accrued to properties under development. Completion is defined as the earlier of the issuance of the certificate for completion, or when management considers the project to be completed. Upon completion, unsold properties, if any are transferred to trading properties.

Capital work-in-progress

Capital work-in-progress includes land which is stated at cost less impairment in value, if any. The carrying value of land is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the value of land is written down to its recoverable amount.

Capital work-in-progress also includes the cost of construction, design and architecture, advances paid for purchase of properties and other related expenditures such as professional fees, project management fees and engineering costs attributable to the project, which are capitalized as and when activities that are necessary to get the assets ready for the intended use are in progress. Direct costs from the start of the project up to completion of the project are capitalized.

Property, plant and equipment

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost of assets, other than freehold land and properties under development over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Freehold land is not depreciated.

Building on leasehold land is depreciated over the term of lease.

Plant and Equipments, Furniture and Fixtures, Motor Vehicles and Yachts are stated at cost less accumulated depreciation and accumulated impairment losses.

The Aircraft is depreciated over a 15 years period after deducting the recoverable value estimated by professional aircraft valuers to be 85% of original value after that period.

4 Significant accounting policies (continued)

Property, plant and equipment (continued)

Depreciation is calculated on a straight-line basis over the estimated useful lives as follows:

Freehold buildings	50 years
Building on leasehold land	over the term of lease
Plant and equipment	5 – 7 years
Furniture and fixtures	5 – 10 years
Motor vehicles	4 -5 years
Yacht	10 years
Aircraft	15 years

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in consolidated statement of income.

Provisions

A provision (other than the provision for investments and loans receivables) is recognised in the consolidated statement of financial position when the group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows that reflects current market assessments for such liabilities.

Bank borrowings

Bank borrowings represent the financial liabilities that are measured at amortised cost using the effective interest rate method.

Advances received from customers

Advances received from customers represent money received from customers towards instalments for properties in accordance with the terms of the sale agreements.

Employees' end of service indemnity

Provision is made for employees' end of service indemnity in accordance with the applicable Kuwaiti Labour Law for private sector based on employees' salaries and accumulated periods of service or on the basis of employment contracts, where such contracts provide extra benefits. The provision which is unfunded is determined as the amount payable to employees as a result of involuntary termination of employment as of the statement of financial position date.

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 under "treasury shares profit 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.

Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the group and accordingly are not included in these consolidated financial statements.

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 statement of financial position, but are disclosed when an inflow of economic benefits is probable.

5 Critical accounting judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, which are described in note 4, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position 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;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- other valuation models.

The determination of the cash flows and discount factor for unquoted equity investments requires significant estimation.

Impairment of available for sale equity 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 judgment.

Impairment of intangible assets

The group determines whether goodwill and intangible assets are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating unit to which the goodwill is allocated. Estimating the value in use requires the group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows (Note 26).

Critical judgements in applying accounting policies

In the process of applying the group's accounting policies, management has made the following significant judgements, apart from those involving estimations, which have the most significant effect in the amounts recognised in the consolidated financial statements:

Classification of real estate properties

Management decides on acquisition of a real estate property whether it should be classified as trading, property held for development or investment property.

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

The group classifies property as property under development if it is acquired with the intention of development.

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

5 Critical accounting judgements and key sources of estimation uncertainty

Classification of investments

Management decides on acquisition of an investment whether it should be classified as held for trading, at fair value through profit or loss, or available for sale.

The group classifies investment as trading if they are acquired primarily for the purpose of making a short term profit by the dealers.

Classification of investment as investment at fair value through profit or loss depends on how management monitor the performance of that investment. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of income statement in the management accounts, they are classified as at fair value through profit or loss.

All other investments are classified as available for sale.

6 Interest and similar income

Interest and similar income resulted from financial assets as follows:

	Year ended 31 Dec. 2010 KD	Year ended 31 Dec. 2009 KD
Investments at fair value through profit or loss	54,031	54,031
Financing of future trades	63,979	252,841
Loans receivable	187,734	235,353
Cash and cash equivalents	1,464,537	4,472,304
Late payment by customers	540,593	552,110
Loans to related parties	102,055	88,688
	2,412,929	5,655,327
Interest and similar income on financial assets at fair value	54,031	54,031
Interest and similar income on financial assets not at fair value	2,358,898	5,601,296
	2,412,929	5,655,327

7 Management fees and commission income

	Year ended 31 Dec. 2010 KD	Year ended 31 Dec. 2009 KD
Management fees on assets under management	220,335	337,520
Incentive fees on assets under management	-	47,361
Placement fees –managed funds	5,337	9,710
Consulting and advisory fees on assets management	1,265,038	1,113,766
	1,490,710	1,508,357

8 Dividend income

Dividend income resulted from financial assets as follows:

	Year ended 31 Dec. 2010 KD	Year ended 31 Dec. 2009 KD
Investments at fair value through profit or loss	291,826	427,873
Available for sale investments	574,950	1,274,356
	866,776	1,702,229

9 Net income from hoteliers and related services

	Year ended 31 Dec. 2010 KD	Year ended 31 Dec. 2009 KD
Revenue	9,027,100	3,380,713
Costs	(3,799,632)	(1,014,456)
	5,227,468	2,366,257

10 Net loss on investments

Net loss on investments, analyzed by category for the year ended 31 December 2010 and 2009 are as follows:

	31 Dec. 2010			31 Dec. 2009		
	Investments held for trading KD	Available for sale Investments KD	Total KD	Investments held for trading KD	Available for sale investments KD	Total KD
Realized gain/(loss)	1,726,283	(3,288,105)	(1,561,822)	(2,916,784)	(840,205)	(3,756,989)
Unrealized (loss)/gain	(977,460)	-	(977,460)	2,460,653	-	2,460,653
	748,823	(3,288,105)	(2,539,282)	(456,131)	(840,205)	(1,296,336)

11 Net losses on investment properties

	Year ended 31 Dec. 2010 KD	Year ended 31 Dec. 2009 KD
Realized loss arising from disposal	(38,443)	-
Unrealized loss arising from revaluations (Note 24.3)	(101,838)	(4,255,804)
	(140,281)	(4,255,804)

12 Gain on sale of properties under development

Gain on sale of properties under development represents the revenue and related costs of properties under development which have been originally purchased by the group and then developed and sold to customers.

	Year ended 31 Dec. 2010 KD	Year ended 31 Dec. 2009 KD
Sales revenue	31,250,032	12,736,316
Cost of sales	(26,654,897)	(6,107,817)
	4,595,135	6,628,499

13 Income on default of customer

The Government Authorities in Dubai, UAE, has authorised the subsidiary company [IFA Hotels and Resorts – KSC (Closed)] to retain part of the advance payments received on the sale of certain residential units under development and sold to customers who have defaulted on settling the payments due in accordance with the sale contracts. The total amount retained by the subsidiary company from these advances and for which the sale contracts were cancelled amounted to UAE Dirhams 57,359,514 equivalent to KD4,418,976(2009: KD Nil) included in the consolidated statement of income for the year.

14 Other income/(loss)

The other income/(loss) consists of the following:

	Year ended 31 Dec. 2010 KD	Year ended 31 Dec. 2009 KD
Net Income from aviation services	167,227	691,350
Properties rental income	916,056	243,068
Gain/(loss) from foreign currency revaluation	1,642,843	(3,032,557)
Net income from ticket sales and related services	190,763	163,018
Reversal of excess provision on margin loans	50,773	202,645
Other income (a)	1,748,726	670,848
	4,716,388	(1,061,628)

- (a) During the year the group disposed one of its joint ventures, OLIFA Hotels & resorts (Namibia) (Pty) Ltd), held by a south African subsidiary for a consideration of KD1,961,397 which resulted in a profit of KD1,018,636 and has been included in other income. The assets and liabilities of the joint venture as of the date of disposals were as follows:

	KD
Group's share of assets disposed	332,662
Loan from a subsidiary to joint venture	1,788,456
	2,121,118
Group's share of liabilities disposed	(1,178,357)
Group's share of net assets disposed	942,761
Sales consideration	1,961,397
Profit on disposal	1,018,636

15 Interest and similar expenses

Interest and similar expense relates to the group's borrowing activities: short, medium and long term. All these financial liabilities of the group are stated at amortised cost.

16 Basic and diluted loss per share

Loss per share is calculated by dividing the loss for the year attributable to the owners of the parent company, by the weighted average number of shares outstanding of the parent company during the year after deducting treasury shares as follows:

	Year ended 31 Dec. 2010	Year ended 31 Dec. 2009
Loss for the year attributable to the owners of the parent company (KD)	(18,261,435)	(16,797,135)
Weighted average number of shares outstanding (excluding treasury shares) (share)	657,363,804	656,332,348
Basic and diluted loss per share (Fils)	(27.78)	(25.59)

17 Cash and cash equivalents

	31 Dec. 2010 KD	31 Dec. 2009 KD
Bank balances and cash	23,360,358	29,251,749
Fixed deposits	13,936,496	15,133,790
Due to banks	(1,125,916)	(1,012,980)
Cash and cash equivalents in the consolidated statement of cash flows	36,170,938	43,372,559

18 Investments at fair value through profit or loss

	31 Dec. 2010 KD	31 Dec. 2009 KD
Held for trading:		
Local		
Quoted securities and managed funds	10,097,909	15,609,286
Unquoted securities	681,525	1,620,575
	10,779,434	17,229,861
Foreign		
Quoted securities	5,873,202	762,185
Total	16,652,636	17,992,046

19 Receivables and other debit balances

	31 Dec. 2010 KD	31 Dec. 2009 KD
Receivables on forward contacts	718,813	1,465,194
Trade receivables	14,790,494	13,698,676
Advances and prepayments (see below)	18,367,577	19,248,960
Kuwait Clearing Company receivables	34,274	5,879
Staff receivables	112,970	87,815
Prepaid expenses	365,716	387,988
Advance to contractors	3,910,121	7,441,317
Other receivables	15,501,295	12,082,006
	53,801,260	54,417,835

Advances and prepayments include advance for purchase of land amounting to KD 12,745,812 (2009: KD12,987,716) (AED 166,830,000 and 2009: AED166,830,000) at Palm Jumeirah by one of the group's subsidiary, Balqis Residence FZE. A joint venture company will be formed with an U.A.E group (Nakheel), for the development of this land.

20 Loans receivable

20.1 Loans balances and effective interest rates are as follows:

	31 Dec. 2010 KD	Effective Interest rate	31 Dec. 2009 KD	Effective interest rate
Consumer	55,641	6%	55,641	6%
Real estate	809,020	6% - 10%	809,020	6% - 10%
Margin loans	9,316,926	2% - 5%	8,994,196	4% - 6%
Rescheduled	1,111	7% - 11%	1,111	7% - 11%
	10,182,698		9,859,968	
Provisions	(2,081,758)		(2,118,084)	
	8,100,940		7,741,884	

20.2 The movement in provisions is as follows:

	31 Dec. 2010 KD	31 Dec. 2009 KD
Beginning balance	2,118,084	2,662,065
Provision charge for the year (included in other operating expenses)	17,831	-
Reversal of excess provision (no longer needed)	(54,157)	(543,981)
Ending balance	2,081,758	2,118,084

The policy of the parent company for the calculation of the provisions for loans receivable complies in all material respects with the provision requirements of the Central Bank of Kuwait.

21 Due from/to related parties

	31 Dec. 2010 KD	31 Dec. 2009 KD
Due from related parties		
United Investment Company, Portugal	1,588,334	2,010,498
Al-Bab Trading Company – WLL	1,460,964	1,456,179
IFA Properties Brokerage company	538,826	189,054
Raimond Land Public Company Limited –Thailand (Associate)	29,659	5,126,275
IFA Yacht Chartering LLC	4,580,224	4,023,599
Univest Group – KSC (Closed)	893,132	913,160
Marasi Al Ofuq General Trading Co. – WLL	1,551,746	1,551,746
Manarat Al Ofuq General Trading Co. – WLL	1,431,839	1,431,839
Zilwa Limited company	1,300,111	1,281,258
Olifa Hotels & Resorts Namibia (pty) Ltd	1,296,824	-
Istithmar PJSC	919,327	-
Others	506,316	691,448
	16,097,302	18,675,056
Provision for doubtful debts	(7,329,407)	-
	8,767,895	18,675,056
Due to related parties		
Kuwait Invest Holding Company – KSC (Closed)	8,235,550	8,029,246
IFA Zimbali H & R (Pty) Ltd	1,102,492	-
Istithmar PJSC	-	2,623,433
International Finance Company – KSC (Closed) (Associate)	236,219	237,475
Kuwait Real Estate Company – KSC	2,876,122	631,916
Al Rana General Trading Co. – WLL	257,574	538,242
Kuwait Holding Co. – KSC	176,536	-
IFA Hotels & Resorts 8 (Pty) Ltd	-	536,823
Al Deera Holding Company– KSC (Closed)	230,958	220,253
International Resorts Company – KSC (Closed)	115,560	135,102
Others	137,441	102,050
	13,368,452	13,054,540

Effective 30 September 2010, and according to instructions of the Central Bank of Kuwait, the parent company has calculated a provision against the balances due from related parties with a percentage of 20 % on the outstanding balances as of that date, and this calculated provision for an amount of KD7,329,407 has been included in the consolidated statement of income for the year then ended.

22 Available for sale investments

22.1 The available for sale investments comprise of:

	31 Dec. 2010 KD	31 Dec. 2009 KD
Quoted securities	12,354,317	24,905,061
Unquoted securities	46,100,600	57,093,104
	58,454,917	81,998,165

Unquoted securities include KD22,690,895 (2009: KD38,512,092) that are carried at cost on financial position date due to unavailability of reliable sources to determine their fair value, out of which KD3,505,323 (2009: KD2,627,322) has been purchased during the year. Those investments comprise of direct participation in newly established companies that have not commenced operations, or companies that have recently commenced operations but their financial statements are not issued yet. Accordingly, the available valuation methods indicated that the cost of these investments represent their fair values and management is not aware of any circumstances that would indicate any impairment in the value of these investments as of financial position date.

22 Available for sale investments (continued)

During the year, the group recognised an impairment loss of KD3,543,896 (2009: KD2,486,909) against quoted and some of the unquoted securities as the fair value of these securities at 31 December declined significantly below their cost.

22.2 The movement in available for sale investments is as follows:

	31 Dec. 2010 KD	31 Dec. 2009 KD
Beginning balance	81,998,165	79,421,753
Purchases during the year	18,861,046	26,536,849
Disposals during the year	(33,547,245)	(32,353,846)
Net movement in fair value	(5,313,153)	4,511,781
Impairment in value during the year	(3,543,896)	(2,486,909)
Reclassification from Associates	-	6,368,537
Ending balance	58,454,917	81,998,165

22.3 The movement on cumulative change in fair value is as follows:

	31 Dec. 2010 KD	31 Dec. 2009 KD
Beginning balance	4,554,811	454,745
Change in fair value during the year	(7,953,572)	1,415,898
Transferred to consolidated statement of income on impairment in value	3,543,896	2,486,909
Transferred to consolidated statement of income on sale	(1,309,245)	197,259
Ending balance	(1,164,110)	4,554,811

23 Trading properties

23.1 Trading properties consist of:

	31 Dec. 2010 KD	31 Dec. 2009 KD
Residential apartments in Dubai – UAE	3,176,569	6,160,130
Properties in South Africa	6,512,630	6,232,265
	9,689,199	12,392,395

23.2 The movement in trading properties is as follows:

	31 Dec. 2010 KD	31 Dec. 2009 KD
Beginning balance	12,392,395	5,308,790
Transferred from properties under development (Note 27.2)	2,901,193	5,771,660
Additions during the year	321,947	2,123,362
Absorbed to cost of sales	(964,106)	-
Transferred to capital work in progress (Note 28.2)	(5,440,658)	-
Foreign currency exchange differences	478,428	(811,417)
Ending balance	9,689,199	12,392,395

- a) Trading properties in Dubai represent completed but unsold units of Souq Residence FZE – Trunk Residence FZE.
- b) Trading properties in South Africa represent plots of lands purchased in South Africa for trading purposes and comprise land at cost and development expenditure attributable to unsold properties.

24 Investment properties

24.1 Investment properties are located in the following regions:

	31 Dec. 2010 KD	31 Dec. 2009 KD
Kuwait	8,463,500	9,133,500
Lebanon	2,655,953	2,742,176
Jordan	404,544	351,050
UAE	2,605,695	3,224,208
Egypt	354,966	354,966
Portugal	9,223,863	-
South Africa	221,745	204,350
	23,930,266	16,010,250

24.2 Investment properties represent the following:

	31 Dec. 2010 KD	31 Dec. 2009 KD
Private freehold land in IFA Zimbali – South Africa	221,745	204,350
Land in Jordan	404,544	351,050
Land in UAE	413,123	468,481
Land in Egypt	354,966	354,966
Properties in Kuwait	8,463,500	9,133,500
Apartments in Dubai – UAE	1,023,106	1,083,191
Building in Lebanon	2,655,953	2,742,176
Apartments in Portugal	9,223,863	-
Crescent, Palm Jumeirah (freehold land in the Crescent area)	1,169,466	1,672,536
	23,930,266	16,010,250

24.3 The movement in investment properties is as follows:

	31 Dec. 2010 KD	31 Dec. 2009 KD
At fair value		
Beginning balance	16,010,250	20,050,166
Additions during the year	8,366,078	-
Disposals during the year	(236,764)	-
Unrealized loss from fair value adjustment (Note 11)	(101,838)	(4,255,804)
Net foreign currency exchange differences	(107,460)	215,888
Ending balance	23,930,266	16,010,250

At the end of the year, two properties in Kuwait were revalued by professional qualified external valuer with an amount of KD8,463,500 (2009: KD9,133,500) which resulted in unrealised loss amounting to KD670,000 (2009: KD3,796,500). Foreign investment properties with a carrying value of KD3,391,390 (2009: KD3,828,663) have not been valued by independent foreign valuers, but these have been carried at cost which does not differ significantly from the fair value in accordance with the management's estimates of their fair values at the year end.

25 Investment in associated companies

25.1 Details of associates are as follows:

Name of the associate	Principal activities	Date of acquisition	Place of incorporation	31 Dec. 2010		31 Dec. 2009	
				%	KD	%	KD
Boschental (Pty) Ltd	Real estate	Apr-06	South Africa	37.33	6,342,388	32.08	5,289,189
Raimon Land Public Company Limited – Quoted	Property construction & development	Dec-06	Thailand	41.08	13,304,583	41.08	13,902,520
Purple Plum Properties Ltd	Property development	Apr-06	South Africa	37.33	1	26.57	1
Zamzam Religious Tourism Company	Hajj & Umrah	Sep-07	Kuwait	20	50,000	20	50,000
Legend & IFA Developments (Pty) Ltd	Property development	Jun-07	South Africa	50	14,903,758	50	13,779,283
International Finance Company – KSCC – Quoted	Financing	July-08	Kuwait	28.63	30,343,333	28.64	31,557,950
					64,944,063		64,578,943

The above is made up as follows:

	31 Dec. 2010 KD	31 Dec. 2009 KD
Direct equity investments in the companies capital	44,179,358	46,590,282
Shareholders loans	20,764,705	17,988,661
	64,944,063	64,578,943

- (i) The group did not recognise any impairment loss (2009: KD Nil) against quoted associates as the market value of these associates at 31 December 2010 was not significantly below the carrying value.
- (ii) Investment in Boschental (Pty) Limited and Legends & IFA Developments (Pty) Limited, includes shareholders' loans of KD20,764,705 (2009: KD17,988,661) of which KD4,901,113 (2009: KD4,707,318) is non interest bearing. These loans are unsecured and are not repayable before 31 December 2011. The interest bearing loan carries interest at prime less 1% per annum.
- (iii) The aggregate fair market value of the quoted investments are:

	31 Dec. 2010 KD	31 Dec. 2009 KD
Carrying amount of quoted securities	43,647,916	45,460,470
Fair value of quoted securities	42,876,252	38,211,795

25.2 Summarized financial information in respect of group's associates is set out below:

	31 Dec. 2010 KD	31 Dec. 2009 KD
Total Assets	225,129,298	259,611,609
Total Liabilities	(131,200,638)	(159,191,313)
Total equity	93,928,660	100,420,296
Group's share of net assets of associates at carrying value	52,309,174	52,483,466
Goodwill on acquisition (see below 25.3)	12,634,889	12,095,477
Investment in associates as on 31st December	64,944,063	64,578,943
Total revenue	10,305,274	17,447,391
Groups' share of loss from associates	(3,494,646)	(1,653,776)

25 Investment in associated companies (continued)

25.3 Goodwill in associates which is included in the value of investment:

	31 Dec. 2010 KD	31 Dec. 2009 KD
Beginning balance	12,095,477	10,359,110
Additions during the year	-	1,633,559
Foreign currency exchange differences	539,412	102,808
Ending balance	12,634,889	12,095,477

26 Goodwill

	31 Dec. 2010 KD	31 Dec. 2009 KD
Beginning balance	49,022,661	48,245,125
Increase arising on purchase of additional shares in IFA Hotels and Resorts – KSCC	-	753,733
Foreign currency exchange differences	8,536	23,803
Ending balance	49,031,197	49,022,661

Annual test for impairment

During the financial year, the group assessed the recoverable amount of goodwill in subsidiary companies, and determined that there is no indication of impairment as of the financial position date.

A discount rate of 15% per annum was applied in the value in use model.

27 Properties under development

27.1 The properties under development consist of the following:

	31 Dec. 2010 KD	31 Dec. 2009 KD
a) Dubai – UAE (Note 27.2)		
Land cost		
- Balqis Residence	23,569,342	23,585,384
- The Trunk, Palm Jumeirah	1,279,517	5,470,553
- Golden Mile, Palm Jumeirah	428,446	3,087,027
- Jumeirah Lake, Dubai	2,683,495	2,762,878
- Kingdom of Sheeba Heritage Place	4,163,917	2,247,930
Construction piling and enabling works	73,315,615	70,955,418
Other construction related costs	12,815,685	13,898,684
	118,256,017	122,007,874
b) South Africa (Note 27.3)	11,232,982	29,599,413
c) Lebanon	18,277,518	14,436,650
Total	147,766,517	166,043,937

27 Properties under development (continued)

27.2 The movement in properties under development in UAE is as follows:

	31 Dec. 2010 KD	31 Dec. 2009 KD
Land:		
Beginning balance	36,416,667	36,838,868
Additions during the year	535,373	-
Absorbed to cost of sales	(2,601,083)	(422,201)
Transferred to capital work in progress(Note 28.2)	(2,271,333)	-
Ending balance	32,079,624	36,416,667
Development expenditure:		
Beginning balance	83,066,190	45,428,618
Additions during the year	31,881,694	47,647,176
Transfer to trading properties (Note 23.2)	(2,901,193)	(5,771,660)
Absorbed to cost of sales	(23,104,414)	(4,237,944)
Transferred to capital work in progress (Note 28.2)	(3,018,434)	-
Ending balance	85,923,843	83,066,190
	118,003,467	119,482,857
Foreign currency exchange differences	252,550	2,525,017
Total	118,256,017	122,007,874

27.3 The movement in properties under development in South Africa is as follows:

	31 Dec. 2010 KD	31 Dec. 2009 KD
Land:		
Beginning balance	3,273,797	3,273,797
Absorbed to cost of sales	(61,585)	-
Transferred to property, plant and equipment (Note 29)	(757,947)	-
Ending balance	2,454,265	3,273,797
Development expenditure:		
Beginning balance	24,429,314	13,407,573
Additions during the year	330,860	11,021,741
Absorbed to cost of sales	(2,408,345)	-
Transferred to property, plant and equipment (Note 29)	(18,286,578)	-
Ending balance	4,065,251	24,429,314
	4,713,466	1,896,302
Foreign currency exchange differences	4,713,466	1,896,302
Total	11,232,982	29,599,413

- (a) Properties under development relates to the revenue project which are offered for sale. Cost of the project expected to be completed after twelve months has been classified as non-current assets. In the opinion of the management, there has been no impairment in the carrying values of the property under development as at 31 December 2010 (2009: Nil).

28 Capital work in progress

28.1 Capital work in progress consists of the following:

	31 Dec. 2010 KD	31 Dec. 2009 KD
Land cost		
- The Trunk , Palm Jumeirah	6,609,691	6,735,137
- Crescent, Palm Jumeirah	1,166,734	1,045,117
- Golden Mile, Palm Jumeirah	3,480,937	1,232,560
- Kingdom of Sheeba Hotel	6,382,033	5,716,787
Construction piling and enabling works	46,766,194	40,082,721
Other construction related costs	15,096,931	10,463,302
Total	79,502,520	65,275,624

28.2 The movement in capital work in progress is as follows:

	31 Dec. 2010 KD	31 Dec. 2009 KD
Land		
Beginning balance	16,705,775	17,859,790
Additions during the year	1,120,326	169,434
Transferred from properties under development (Note 27.2)	2,271,333	-
Transferred to property, plant and equipment	-	(1,323,449)
Ending balance	20,097,434	16,705,775
Development expenditure:		
Beginning balance	47,764,535	31,768,533
Additions during the year	3,738,624	15,996,002
Transferred from trading properties (Note 23.2)	5,440,658	-
Transferred from properties under development (Note 27.2)	3,018,434	-
Ending balance	59,962,251	47,764,535
Foreign currency exchange differences	(557,165)	805,314
Total	79,502,520	65,275,624

Capital work in progress represents mainly hotels under construction in Dubai, UAE, United Kingdom and Europe.

29 Property, plant and equipment

	Freehold land KD	Buildings on freehold land KD	Building on leasehold land KD	Plant and equipment KD	Furniture and fixture KD	Motor vehicles KD	Yacht KD	Aircraft KD	Total KD
Cost									
At 1 January 2010	-	7,159,821	9,521,866	2,002,987	2,445,080	291,063	1,386,106	7,127,191	29,934,114
Additions	-	119,243	141,322	83,370	121,101	15,503	-	29,225	509,764
Transferred from properties under development (Note 27.3)	824,576	14,135,841	-	-	4,084,108	-	-	-	19,044,525
Disposal	-	(2,610,275)	(232)	(105,371)	(272,409)	(51,135)	-	-	(3,039,422)
Foreign currency exchange adjustment	-	436,037	(261,895)	(325,479)	(107,696)	40,834	-	-	(218,199)
At 31 December 2010	824,576	19,240,667	9,401,061	1,655,507	6,270,184	296,265	1,386,106	7,156,416	46,230,782
Depreciation									
At 1 January 2010	-	752,643	906,561	1,124,237	1,292,634	138,348	497,027	234,386	4,945,836
Charge for the year	-	498,617	508,835	281,057	698,441	42,043	138,611	71,542	2,239,146
Relating to disposal	-	(87)	-	(46,242)	(71,459)	(15,694)	-	-	(133,482)
Foreign currency exchange adjustment	-	(133,140)	(48,843)	(184,023)	59,731	32,243	-	-	(274,032)
At 31 December 2010	-	1,118,033	1,366,553	1,175,029	1,979,347	196,940	635,638	305,928	6,777,468
Net carrying amount									
At 31 December 2010	824,576	18,122,634	8,034,508	480,478	4,290,837	99,325	750,468	6,850,488	39,453,314

Building on leasehold land comprises a hotel known as the Zanzibar Beach Hotels and Resorts leased to IFA Hotels & Resort 2 Limited. These buildings have been constructed on land leased from the Zanzibar Revolutionary Government. The lease commenced on 2 November 2000 for an initial lease term of 33 years.

29 Property, plant and equipment (continued)

	Freehold land KD	Buildings on freehold land KD	Building on leasehold land KD	Plant and equipment KD	Furniture and fixture KD	Motor vehicles KD	Yacht KD	Aircraft KD	Total KD
Cost									
At 1 January 2009	521,613	3,679,839	8,450,763	1,445,975	1,976,676	253,417	1,386,106	7,072,969	24,787,358
Additions	-	995,520	148,183	620,186	451,012	60,564	-	54,222	2,329,687
Transferred from capital work in progress (Note 28.2)	-	1,323,449	-	-	-	-	-	-	1,323,449
Disposal	(521,613)	(62,950)	(151,325)	(45,154)	(68,363)	(22,212)	-	-	(871,617)
Foreign currency exchange adjustment	-	1,223,963	1,074,245	(18,020)	85,755	(706)	-	-	2,365,237
At 31 December 2009	-	7,159,821	9,521,866	2,002,987	2,445,080	291,063	1,386,106	7,127,191	29,934,114
Depreciation									
At 1 January 2009	-	207,760	481,362	836,358	855,343	128,553	358,416	163,393	3,031,185
Charge for the year	-	386,763	424,425	255,353	371,312	19,747	138,611	70,993	1,667,204
Relating to disposal	-	-	-	(37,624)	(5,556)	(20,479)	-	-	(63,659)
Foreign currency exchange adjustment	-	158,120	774	70,150	71,535	10,527	-	-	311,106
At 31 December 2009	-	752,643	906,561	1,124,237	1,292,634	138,348	497,027	234,386	4,945,836
Net carrying amount									
At 31 December 2009	-	6,407,178	8,615,305	878,750	1,152,446	152,715	889,079	6,892,805	24,988,278

30 Payables and other credit balances

	31 Dec. 2010 KD	31 Dec. 2009 KD
Interest payable	6,146,304	5,055,154
Accounts payable	24,601,615	18,814,701
Dividend payable	1,365,347	1,372,485
Liability towards purchase of land (a)	9,323,970	11,292,936
Accrued expenses	277,261	205,649
Kuwait Foundation for the Advancement of Science (KFAS)	2,390,077	2,377,357
National Labour Support Tax (NLST)	7,456,461	7,417,960
Zakat contribution	572,716	557,315
Provision for leave & Indemnity	1,980,989	1,594,921
Provision for contingent liability (Note 38)	6,876,475	6,876,475
Deferred income	2,088,557	2,358,905
Retention payable	9,675,449	9,420,930
Accrued construction costs	1,714,996	13,512,909
Redeemable preference shares (b)	2,806,154	-
Refundable deposit on cancellation and resale of units	2,909,468	1,026,453
Other payables	6,658,861	2,305,090
	86,844,700	84,189,240

(a) Liability towards purchase of land comprises of an amount due on purchase of plot of land at the Crescent on the Palm Jumeirah, Dubai and a plot located at Jumeirah Lakes, Dubai.

(b) During the year, IFA Hotels and Resorts (1), a subsidiary undertaking to one of the companies which is owned by one of the group's subsidiary companies [IFA Hotels and Resorts – KSC (Closed)], decided by a special resolution to buy back the entire shareholding held by the minority shareholders of that subsidiary. In consideration, the undertaking has issued the preference shares mentioned above to the minority shareholders.

31 Term loan from a related party

Currency	Principal	From	To	Interest	31 Dec. 2010 KD	31 Dec. 2009 KD
KD	1,720,000	03/06/2008	02/06/2011	5.5%	1,720,000	1,720,000

32 Borrowings

The group has the following bank facilities as at the financial position date.

	Currency	From	To	Interest	Purpose	Assets pledged	31 Dec. 2010	31 Dec. 2009
							KD	KD
1	USD	28-12-2005	28-12-2015	1.5% + Libor	General corporate purposes	Shares of parent company and IFA H& R shares	33,720,000	34,416,000
2	EUR	15-06-2007	28-12-2015	1.5%+Euribor	General corporate purposes	Shares of IFA H& R and an AFS investment	7,434,136	8,217,394
3	USD	27-06-2008	29-06-2010	2% + Libor	Repayment of indebtedness	Local portfolio with 140% coverage	24,587,500	25,095,000
4	KD	05-01-2010	31-12-2013	2.5% + CBK discount rate	Local Equity financing	Local portfolio with 200% coverage	20,000,000	20,000,000
5	USD	26-07-2007	26-07-2015	2% + Libor	Purchase of aircraft	Aircraft	4,137,725	4,768,050
6	USD	21-06-2006	21-6-2011	3% + Beirut Reference rate	General corporate purposes	Investment properties in two subsidiaries	1,707,075	1,742,310
7	KD	08-11-2006	8-11-2017	3% + CBK discount rate	Purchase of investment properties	Investment properties in Kuwait	5,558,192	6,187,262
8	KD	16-06-2010	15-03-2015	2.5% + CBK discount rate	Local equity financing	AFS investment and IFA H&R shares	7,000,000	-
9	EUR	01-07-2009	30-06-2011	1.32%	Foreign equity financing	Foreign investment portfolio	5,575,602	15,274,081
10	USD	01-07-2009	30-06-2011	0.74%	Foreign equity financing	Foreign investment portfolio	-	1,076,360
11	USD	23-7-2010	30-06-2011	0.77%	Foreign equity financing	Foreign investment portfolio	2,810,000	-
12	AED	01-05-2007	30-04-2015	3 months aggregate of EIBOR+margin	Projects financing	Properties located in Palm Jumeirah,U.A.E and collections deposited in the escrow account opened in a foreign bank	41,054,487	41,062,272
13	Rand	23/05/2007	21/05/2017	1.75% below prime	General corporate purposes	Investment in Boschendal (Pty) Ltd. (Associate Company),mortgage bond of R120Million over Erf 189, Port Zimbali & the mortgage of certain properties under development.	22,948,928	19,778,605
14	USD	01/12/2008	31/05/2018	1.5% +Libor	General corporate purposes	A charge over existing and future shares of IFA Hotels and Resorts – 2 Limited	2,604,968	2,929,392
15	USD	01/01/2010	31/12/2012	7.04%	Acquisition of properties	Land included in properties under development	2,659,663	-
16	EUR	15/09/2009	15/03/2024	Euribor + spread	Acquisition of properties	Investment properties owned by the subsidiary	7,706,988	-
17	GBP	01/08/2008	31/07/2018	1.5% over bank's base rate.	General corporate purposes	Assets of Yotel Airports Limited	486,669	564,744
							189,991,933	181,111,470

The maturity profile of the above borrowings is included in Note 42.4.

33 Advances received from customers

These balances represent amounts collected from customers of a subsidiary company, in advance on the sale of residential flats currently under construction by the group. Advances are transferred to income upon completing the construction of the sold unit and handing over to the customer.

34 Share capital

Share capital

The authorised and paid up share capital of the parent company as at 31 December 2010 comprised of 720,000,000 shares of KD 0.100 each, all issued and fully paid (2009: 720,000,000 shares of KD0.100 each).

Share premium

Additional share capital of KD3,000,000 at premium of 400 fils per share equivalent to KD12,000,000 was issued during the year 2004 by issue of 20% stock rights to existing shareholders after approval in the Annual General Meeting held on 14 June 2004. Only 29,932,650 shares were subscribed for in this new issue, recognising share premium of KD11,973,061. Share premium is not available for distribution, unless otherwise is stipulated by local laws.

Treasury shares

	31 Dec. 2010			31 Dec. 2009		
	Number of shares	%	Market Value KD	Number of shares	%	Market Value KD
Balance at beginning of the year	65,737,248	9.13	5,850,615	59,892,551	8.32	7,546,461
Net Movement	(17,888,000)			5,844,697		
Balance at end of the year	47,849,248	6.65	2,823,106	65,737,248	9.13	5,850,615

Reserves of the parent company equivalent to the cost of treasury shares have been earmarked as non-distributable.

35 Statutory and Voluntary reserves

In accordance with the Commercial Companies Law and the parent company's Articles of Association, 10% of the profit for the year attributable to the owners of the parent company before contribution to KFAS, National Labour Support tax, Zakat and directors' remuneration is transferred to statutory reserve. The parent company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid up share capital.

Distribution of the 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 accumulated profits are not sufficient for the payment of a dividend of that amount.

The parent company's articles of association requires that 10% of the profit for the year attributable to the owners of the parent company before contribution to KFAS, National Labour Support tax, Zakat and directors' remuneration should be transferred to a voluntary reserve.

No transfers are required in a year when losses are made.

36 Fiduciary accounts

These accounts include term deposits and investment portfolios with the total amount of KD85,337,234 (2009: KD108,748,970) which are held by the group on behalf of its customers as margin guarantees against customer liabilities for trading related activities.

37 Proposed dividends

Subsequent to the financial position date, the directors have proposed for the year ended 31 December 2010. This proposal is subject to the approval of the parent company's shareholders at the annual general meeting assembly.

On 17 May 2010, the shareholders' general meeting assembly, approved the consolidated financial statements for the year ended 31 December 2009 and not to distribute any dividend for the year then ended.

38 Contingent liabilities

In 1993, the liquidator of a bank in Bahrain filed a legal case in Ajman (United Arab Emirates) against the parent company and Gulf Group for Industrial Projects, claiming an amount of US\$ 27,714,944 representing the balance of debt due from a third party. Two court decisions were issued by the Court of First Instance in favour of the parent company during 1995 and 1996, in addition to an appeal court decision issued in 1998 in favour of the parent company by that court, rejecting the aforementioned appeal, and supporting the decision issued by the Court of First Instance in favour of the parent company.

On 25 January 2006 a court order was issued requesting the payment of KD1,788,944 (AED22,431,145) from Gulf Group for Industrial Projects (the other party) and International Financial Advisors (parent company), jointly, being the principal amount of the debt to 29 April 1985 plus an amount of KD3,272,312 (AED41,032,903) interest on that amount from 29 April 1985 to the date of the court case on 12 August 1993. The parent company has provided for its share of principal and interest as ruled by the court for a total amount of KD5,061,256 during the year 2005.

During the year 2007, the parent company also provided an amount of KD1,815,219 (AED 29,041,265) as interest for the period from 13 August 1993 to 31 December 2007 (Note 30).

During the current year a master property developer (Nakheel) initiated legal proceedings for claim of KD7,640,000 (AED100 Million) against a joint venture formed by a UAE subsidiary with another party. Whereas the joint venture lodged a counter claim of KD70,288,000 (AED920 Million), against sale of retail space in Golden Mile. Since these litigations are in the initial stage, the probable outcome cannot be estimated at this stage.

39 Capital Commitments

Capital expenditure commitments

At 31 December 2010, the group was committed to invest in the additional anticipated funding required to build several real estate projects in Dubai – UAE, Beirut – Lebanon, South Africa and U.S.A. The estimated funding commitments on these projects are as follows:

	31 Dec. 2010 KD	31 Dec. 2009 KD
Estimated and contracted commitments for property, plant & equipment and capital work in progress	29,621,000	39,500,000
Estimated and contracted capital expenditure for construction of properties under development and trading properties	59,200,000	90,800,000
	88,821,000	130,300,000

The group expects to finance the future expenditure commitments from the following sources:

- a) sale of investment properties;
- b) advances from customers;
- c) raising additional share capital;
- d) advances provided by the shareholders, related entities, joint ventures; and
- e) borrowings, if required.

Expected financing rates from the above sources are dependent on the source of financing and management estimates of the best financing available at the time they become due.

40 Segmental information

The group has adopted IFRS 8 Operating Segments with effect from 1 January 2009. According to this standard, reported segment profits are based on management's internal financial reporting information that is regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance, and then it is reconciled to the group's profit or loss. In contrast, the predecessor standard (IAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical). The adoption of IFRS 8 has resulted in a change in the identification of the group's reportable segments. The measurement policies the group uses for segment reporting under IFRS 8 are the same as those used in its financial statements.

40 Segmental information (continued)

The group primarily operates in one area of business activity, investment. Accordingly in prior years, segment information reported externally was analysed on the geographical basis. However, information reported to the group's decision makers for the purposes of resource allocation and assessment of performance is more specifically focussed on the types of investment activities. The group's reportable segments under IFRS 8 are therefore as follows:

Assets management

- Investments in Gulf Cooperation Council Countries, Middle East & North Africa
- International managed investment funds
- Discretionary and non-discretionary financial portfolios management
- Management services

Treasury and investments

- Private equity
- Investment in international quoted securities
- Lending to corporates and individuals
- Managing the company's liquidity requirements

Real estate

- Sale and purchase of real estate
- Real estate brokerage and advisory

The losses and profits generated by the group from business segments are summarised as follows:

	Asset Management		Treasury and Investments		Real Estate		Other		Total	
	31 Dec. 2010 KD '000	31 Dec. 2009 KD '000	31 Dec. 2010 KD '000	31 Dec. 2009 KD '000	31 Dec. 2010 KD '000	31 Dec. 2009 KD '000	31 Dec. 2010 KD '000	31 Dec. 2009 KD '000	31 Dec. 2010 KD '000	31 Dec. 2009 KD '000
Segment income/(loss)	1,491	1,508	(6,297)	4,942	15,017	4,982	3,800	(1,305)	14,011	10,127
Segment (loss)/profit for the year	(748)	(159)	(18,054)	(6,640)	15,017	4,982	(14,476)	(14,980)	(18,261)	(16,797)
Depreciation	-	-	-	-	-	-	-	-	2,239	1,667
Impairment	-	-	-	-	-	-	-	-	3,544	2,487
Statement of financial position										
Total segmental assets	47,554	32,730	225,254	242,029	260,889	259,722	-	-	533,697	534,481
Total segmental liabilities	-	-	(191,712)	(182,832)	(160,416)	(168,678)	-	-	(352,128)	(351,510)
Net segmental assets	47,554	32,730	33,542	59,197	100,473	91,044	-	-	181,569	182,971
Unallocated assets									62,569	88,029
Unallocated liabilities									(100,213)	(97,244)
Net Assets									143,925	173,756

41 Related parties transactions

These represent transactions with related parties that is shareholders, directors and senior management of the parent company, and companies of which they are principal owners. Pricing policies and terms of these transactions are approved by the parent company's management.

Transactions with related parties included in the consolidated financial statements are as follows:

	31 Dec. 2010 KD	31 Dec. 2009 KD
Balances included in the consolidated statement of financial position:		
Disposal of available for sale investments at cost	1,820,744	1,326,390
Amounts due from related parties (Note 21)	8,767,895	18,675,056
Amounts due to related parties (Note 21)	(13,368,452)	(13,054,540)
Term loan from a related party	(1,720,000)	(1,720,000)
Transactions included in the consolidated statement of income:		
Interest expenses	74,119	115,381
Interest income	102,055	88,688
Gain on sale of available for sale investments	4,179,256	-
Key management compensation of the group:		
Short-term employee benefits	964,196	638,653

Related party balances outstanding at year end due to funds transfer are included under due from related parties and due to related parties.

42 Risk management objectives and policies

The group's activities expose it to variety of financial risks: market risks (including currency risk, interest rate risk, price risk), credit risk and liquidity risk.

The group's risk management is carried out by the central risk management function and focuses on actively securing the group's short to medium term cash flows by minimizing the potential adverse effects on the group's financial performance through internal risk reports which analyse exposures by degree and magnitude of risks. Long term financial investments are managed to generate lasting returns.

The board of directors of the parent company is ultimately responsible for setting out risk strategies and objectives and policies for their management.

The most significant financial risks to which the group is exposed to are described below.

42.1 Market risk

a) Foreign currency risk management

The group mainly operates in the GCC, South Africa and other Middle Eastern countries and is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to US Dollar, UAE Dirhams, Euro and South African Rand. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

To mitigate the group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored and forward exchanged contracts are entered into in accordance with the group's risk management policies. Generally, the group's risk management procedures distinguish short-term foreign currency cash flows (due within twelve months) from longer-term cash flows. Where the amounts to be paid and received in specific currency are expected to largely offset one another, no further hedging activity is undertaken. Forward foreign contracts are mainly entered into for significant long-term foreign currency exposures that are not expected to be offset by other currency transactions.

42 Risk management objectives and policies (continued)

42.1 Market risk (continued)

a) Foreign currency risk management (continued)

The group had the following significant exposures denominated in foreign currencies, translated into Kuwaiti Dinar at the closing rate:

	31 Dec. 2010 KD'000	31 Dec. 2009 KD'000
UAE Dirhams	(36,898)	(31,239)
Euro	(11,205)	(13,317)
South African Rand	(30,406)	(25,669)
Sterling Pound	(748)	(1,655)
US Dollar	(71,542)	(68,069)

If the Kuwaiti Dinar had strengthened/weakened against the foreign currencies assuming the sensitivity given in the table below, then this would have the following impact on the profit/(loss) for the year:

	31 Dec. 2010		31 Dec. 2009	
	Inc/(Dec) %	Profit/(loss) for the year KD'000	Inc/(Dec) %	Profit/(loss) for the year KD'000
UAE Dirhams	+1.33	(490)	+ 3.82	(1,193)
	-1.33	490	- 3.82	1,193
Euro	+9.04	(1,013)	+ 6.19	(824)
	-9.04	1,013	- 6.19	824
South African Rand	+9.88	(3,004)	+28.44	(7,300)
	-9.88	3,004	-28.44	7,300
Sterling Pound	+5.26	(39)	+13.83	(229)
	-5.26	39	-13.83	229
US Dollar	+1.33	(952)	+3.93	(2,675)
	-1.33	952	-3.93	2,675

The above percentages have been determined based on the average foreign exchange rates in the previous twelve months.

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 foreign currency risk.

b) 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 Board has established levels of interest rate risk by setting limits on the interest rate gaps for stipulated periods.

Provisions are monitored on a daily basis and hedging strategies used to ensure positions are maintained within established limits.

The effective interest rate (effective yield) of a monetary financial instruments is the rate that, when used in a present value calculation, results in the carrying amount of the instrument. The rate is a historical rate for a fixed rate instrument carried at amortised cost and a current rate for a floating rate instrument or an instrument carried at fair value.

42 Risk management objectives and policies (continued)

42.1 Market risk (continued)

b) Interest rate risk (continued)

Interest rate sensitivity analysis

The following table illustrates the sensitivity of the (loss)/profit for the year to a reasonably possible change in interest rates of + 1% and – 1% (2009: + 1% and –1%) with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market condition. The calculations are based on the group's financial instruments held at each statement of financial position date. All other variables are held constant.

	31 Dec. 2010		31 Dec. 2009	
	+ 1 % KD'000	-1 % KD'000	+ 1 % KD'000	-1 % KD'000
(Loss)/profit for the year	(1,345)	1,345	(1,044)	1,044

c) Price risk

The group is exposed to equity price risk with respect to its equity investments. Equity investments are classified either as investments carried at fair value through statement of income (including trading securities) and available for sale investments.

To manage its price risk arising from investments in equity securities, the group diversifies its portfolios. Diversification of the portfolios is done in accordance with the limits set by the group.

The equity price risk sensitivity is determined on the following assumptions:

	31 Dec. 2010 %	31 Dec. 2009 %
Kuwait market	1	-8
London market	13	19
USA market	9	15
China market	2	45
Portugal market	-18	32
Dubai market	-2	2
KSA market	7	22

The above percentages have been determined based on basis of average market movements during the year. The sensitivity analyses below have been determined based on the exposure to equity price risk at the statement of financial position date. The analysis reflects the impact of negative changes to equity prices in accordance with the above –mentioned equity price sensitivity assumptions.

	Loss for the year		Equity	
	31 Dec. 2010 KD'000	31 Dec. 2009 KD'000	31 Dec. 2010 KD'000	31 Dec. 2009 KD'000
Investments held for trading	595	(1,089)	-	-
Available for sale investments	-	-	(163)	3,272
Total	595	(1,089)	(163)	3,272

42.2 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. It also obtains security when appropriate.

42 Risk management objectives and policies (continued)

42.2 Credit risk (continued)

The loans receivable consist mainly of margins, ongoing credit valuation is performed on financial conditions of these receivables where appropriate coverage of collaterals is monitored.

The credit risk on liquid funds is limited because the counterparties are the banks with high credit-rating assigned by international credit rating agencies.

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

	31 Dec. 2010 KD '000	31 Dec. 2009 KD '000
Cash and cash equivalents	36,171	43,373
Receivables and other debit balances	53,801	54,418
Loans receivable	8,101	7,742
Due from related parties	8,768	18,675
	106,841	124,208

Information on other significant concentrations of credit risk is set out in note 42.3.

42.3 Concentration of assets

The group operates in different geographical areas. A geographical analysis based on location of assets is as follows:

	GCC KD'000	Asia KD'000	Africa KD'000	Europe KD'000	USA KD'000	Total KD'000
31 December 2010						
Assets						
Cash and cash equivalents	21,838	471	294	13,522	46	36,171
Investments at fair value through profit or loss	10,838	268	-	-	5,547	16,653
Receivables and other debit balances	45,215	963	5,062	1,246	1,315	53,801
Loans receivable	8,101	-	-	-	-	8,101
Due from related parties	4,522	55	2,597	1,594	-	8,768
Available for sale investments	35,996	4,966	152	5,687	11,654	58,455
Trading properties	9,689	-	-	-	-	9,689
Investment properties	11,069	3,060	577	9,224	-	23,930
Investment in associated companies	30,393	13,305	21,246	-	-	64,944
Goodwill	47,034	1,664	-	333	-	49,031
Properties under development	118,256	18,278	11,233	-	-	147,767
Capital work in progress	79,503	-	-	-	-	79,503
Property, plant and equipment	9,555	271	21,454	4,325	3,848	39,453
Total assets	432,009	43,301	62,615	35,931	22,410	596,266
31 December 2009						
Assets						
Cash and cash equivalents	24,636	57	2,387	16,145	148	43,373
Investments at fair value through profit or loss	17,305	147	-	-	540	17,992
Receivables and other debit balances	49,433	801	2,547	9	1,628	54,418
Loans receivable	7,742	-	-	-	-	7,742
Due from related parties	10,231	5,149	1,281	2,014	-	18,675
Available for sale investments	37,364	18,867	174	4,387	21,206	81,998
Trading properties	12,392	-	-	-	-	12,392
Investment properties	12,358	3,093	559	-	-	16,010
Investment in associated companies	31,607	13,903	19,069	-	-	64,579
Goodwill	47,026	1,664	-	333	-	49,023
Properties under development	114,140	14,437	37,467	-	-	166,044
Capital work in progress	65,276	-	-	-	-	65,276
Property, plant and equipment	11,967	281	4,277	5,178	3,285	24,988
Total assets	441,477	58,399	67,761	28,066	26,807	622,510

42 Risk management objectives and policies (continued)

42.4 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial assets and liabilities.

	Up to 1month KD '000	1-3 months KD'000	3-12 months KD '000	Over 1year KD '000	Total KD '000
At 31 December 2010					
Assets					
Cash and cash equivalents	22,235	-	13,936	-	36,171
Investments at fair value through profit or loss	-	16,653	-	-	16,653
Receivables and other debit balances	-	-	53,801	-	53,801
Loans receivable	-	-	-	8,101	8,101
Due from related parties	-	-	8,768	-	8,768
Available for sale investments	-	-	-	58,455	58,455
Trading properties	-	-	9,689	-	9,689
Investment properties	-	-	-	23,930	23,930
Investment in associated companies	-	-	-	64,944	64,944
Goodwill	-	-	-	49,031	49,031
Properties under development	-	-	-	147,767	147,767
Capital work in progress	-	-	-	79,503	79,503
Property, plant and equipment	-	-	-	39,453	39,453
Total assets	22,235	16,653	86,194	471,184	596,266
Liabilities					
Payables and other credit balances	-	-	65,554	21,291	86,845
Due to related parties	-	-	13,368	-	13,368
Term loan from a related party	-	-	1,720	-	1,720
Borrowings	133	-	84,778	105,081	189,992
Advances received from customers	-	-	-	160,416	160,416
Total liabilities	133	-	165,420	286,788	452,341
At 31 December 2009					
Assets					
Cash and cash equivalents	28,239	-	15,134	-	43,373
Investments at fair value through profit or loss	-	17,042	950	-	17,992
Receivables and other debit balances	-	-	54,336	82	54,418
Loans receivable	-	-	-	7,742	7,742
Due from related parties	-	-	18,675	-	18,675
Available for sale investments	-	-	-	81,998	81,998
Trading properties	-	-	12,392	-	12,392
Investment properties	-	-	-	16,010	16,010
Investment in associated companies	-	-	-	64,579	64,579
Goodwill	-	-	-	49,023	49,023
Properties under development	-	-	-	166,044	166,044
Capital work in progress	-	-	-	65,276	65,276
Property, plant and equipment	-	-	-	24,988	24,988
Total assets	28,239	17,042	101,487	475,742	622,510
Liabilities					
Payables and other credit balances	-	-	48,553	35,636	84,189
Due to related parties	-	-	13,055	-	13,055
Term loan from a related party	-	-	1,720	-	1,720
Borrowings	136	-	32,327	148,648	181,111
Advances received from customers	-	-	29,313	139,365	168,678
Total liabilities	136	-	124,968	323,649	448,753

43 Capital management objectives

The group's capital management objectives are to ensure the group's ability to continue as a going concern and to provide adequate return to its shareholders through the optimization of the capital structure.

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 dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital structure of the group consists of the following:

43.1 Gearing ratio

The Group's risk management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

	31 Dec. 2010 KD	31 Dec. 2009 KD
Debt (a)	191,711,933	182,831,470
Cash and cash equivalents	(36,170,938)	(43,372,559)
Net debt	155,540,995	139,458,911
Equity (b)	143,924,732	173,756,230
Net debt to equity ratio	108%	80%

(a) Debt is defined as long and short term borrowings .

(b) Equity includes all capital and reserves of the group.

43.2 Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 4 to the consolidated financial statements.

43.3 Categories of financial instruments

The carrying amounts of the group's financial assets and liabilities as stated in the consolidated statement of financial position may also be categorised as follows:

	31 Dec. 2010		31 Dec. 2009	
	Fair value KD'000	Carrying value KD'000	Fair value KD'000	Carrying value KD'000
Financial assets				
Cash and cash equivalents	-	36,171	-	43,373
Investments at fair value through profit or loss	15,971	682	16,371	1,621
Loans receivable	-	8,101	-	7,742
Due from related parties	-	8,768	-	18,675
Available for sale investments	35,764	22,691	43,486	38,512
Receivables and other debt balances	-	53,801	-	54,418
	51,735	130,214	59,857	164,341
Financial liabilities at amortised cost				
Payables and other credit balances	-	86,845	-	84,189
Due to related parties	-	13,368	-	13,055
Term loan from a related party	-	1,720	-	1,720
Borrowings	-	189,992	-	181,111
Advances received from customers	-	160,416	-	168,678
	-	452,341	-	448,753

Management believes that the carrying values of the financial instruments approximate their fair values.

43 Capital management objectives (continued)

43.4 Financial instruments measured at fair value

The following table presents financial assets and liabilities measured at fair value in the consolidated statement of financial position in accordance with the fair value hierarchy.

This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The financial assets and liabilities measured at fair value in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

31 December 2010

	Note	Level 1 KD '000	Level 2 KD '000	Level 3 KD '000	Total KD '000
Assets					
Investments at fair value through profit or loss					
Investments held for trading:					
Local					
Quoted securities and managed funds	a + b	9,401	697	-	10,098
Foreign					
Quoted securities	a	5,873	-	-	5,873
Financial assets available for sale:					
Quoted securities	a	12,354	-	-	12,354
Managed funds	b	-	1,402	-	1,402
Unquoted securities	c	-	-	22,008	22,008
		27,628	2,099	22,008	51,735
Liabilities					
	d	-	-	-	-
Net fair value		27,628	2,099	22,008	51,735

43 Capital management objectives (continued)

43.4 Financial instruments measured at fair value (continued)

31 December 2009

	Note	Level 1 KD '000	Level 2 KD '000	Level 3 KD '000	Total KD '000
Assets					
<i>Investments at fair value through profit or loss</i>					
<i>Investments held for trading:</i>					
Local					
Quoted securities and managed funds	a + b	14,880	729	-	15,609
Foreign					
Quoted securities	a	762	-	-	762
<i>Financial assets available for sale:</i>					
Quoted securities	a	24,905	-	-	24,905
Managed funds	b	-	964	-	964
Unquoted securities	c	-	-	17,617	17,617
		40,547	1,693	17,617	59,857
Liabilities	d	-	-	-	-
Net fair value		40,547	1,693	17,617	59,857

There have been no significant transfers between levels 1 and 2 during the reporting year.

Measurement at fair value

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

a) Quoted securities

All the listed equity securities are publicly traded in stock exchanges. Fair values have been determined by reference to their quoted bid prices at the reporting date.

b) Managed funds

The underlying investments of local managed funds primarily comprise of local quoted securities whose fair values has been determined by reference to their quoted bid prices at the reporting date.

c) Unquoted securities

The consolidated financial statements include holdings in unlisted securities which are measured at fair value. Fair value is estimated using various models like discounted cash flow model, which includes some assumptions that are not supportable by observable market prices or rates.

d) Financial liabilities

The group does not have any financial liabilities at fair value.

Level 3 fair value measurements

The group's financial assets and liabilities classified in Level 3 uses valuation techniques based on significant inputs that are not based on observable market data. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

43 Capital management objectives (continued)

43.4 Financial instruments measured at fair value (continued)

Level 3 fair value measurements (continued)

	31 Dec. 2010			31 Dec. 2009		
	Investments at fair value through profit or loss Unquoted securities KD'000	Available for sale investments Unquoted securities KD'000	Total KD'000	Investments at fair value through profit or loss Unquoted securities KD'000	Available for sale investments Unquoted securities KD'000	Total KD'000
Opening balance	-	17,617	17,617	-	12,767	12,767
Gains or losses recognised in:	-	-	-	-	-	-
- Other comprehensive loss	-	(3,711)	(3,711)	-	(2,152)	(2,152)
Purchases	-	10,071	10,071	-	7,002	7,002
Sales	-	(1,969)	(1,969)	-	-	-
Closing balance	-	22,008	22,008	-	17,617	17,617

Changing inputs to the Level 3 valuations to reasonably possible alternative assumptions would not change significantly amounts recognised in consolidated statement of income, total assets or total liabilities or total equity.

44 Comparative figures

Certain comparative figures, mainly the ones stated below regarding balances due from related parties and investment in associates have been reclassified to conform with the presentation of the current year. Such reclassification has not affected the current year presentation of the consolidated financial statements.

	Balance before reclassification KD	Reclassified amount KD	Reclassified balances KD
Due from related parties	33,693,018	(15,017,962)	18,675,056
Investment in associates	49,560,981	15,017,962	64,578,943

The reason for the above reclassification is to show the amounts advances to support the capital of certain associated companies as investment in those associates instead of amounts due from them.