2010 Annual Report

Salhia

H.H Shaikh
Sabah Al-Ahmed Al-Jaber Al Sabah
Amir of State of Kuwait

H.H Shaikh
Nawaf Al-Ahmed Al-Jaber Al Sabah
Crown Prince

H.H Shaikh
Nasser Mohammed Al Sabah
Prime Minister

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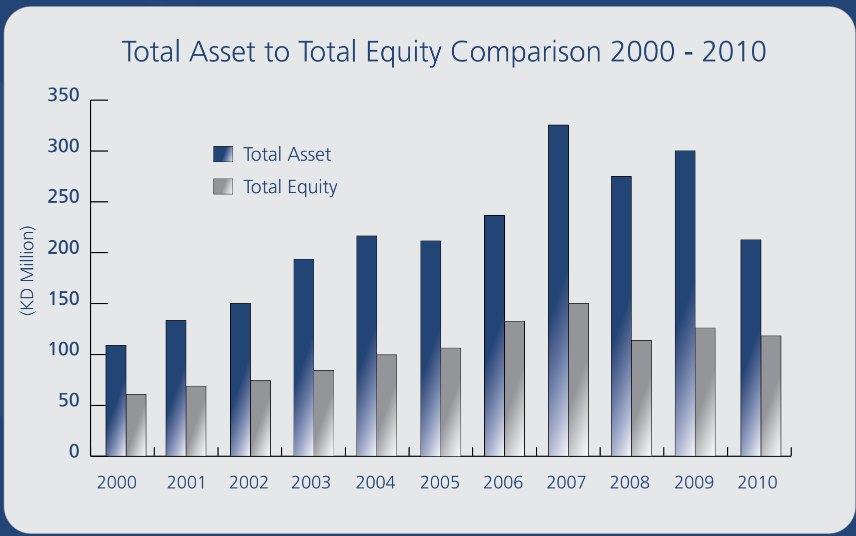
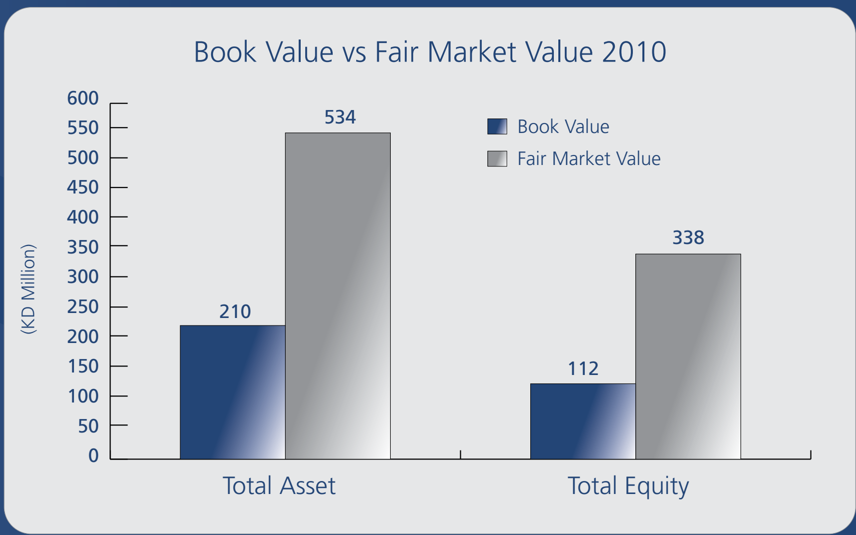
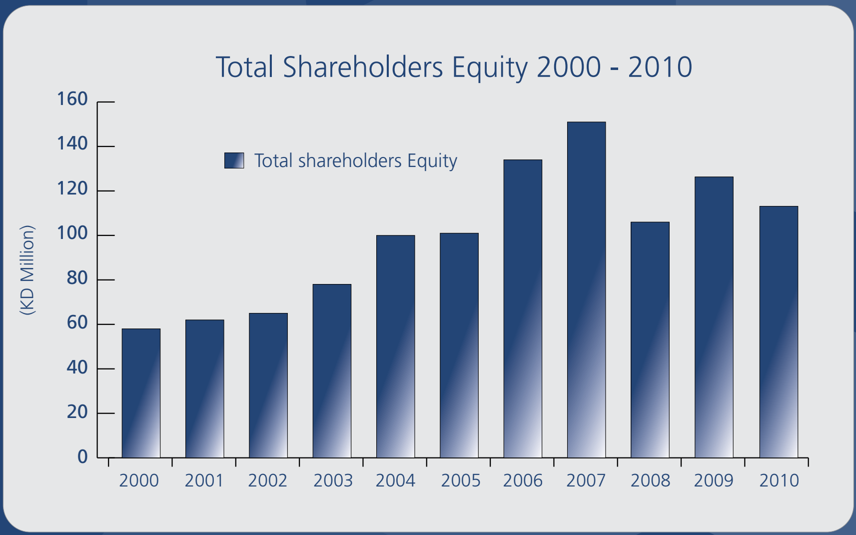
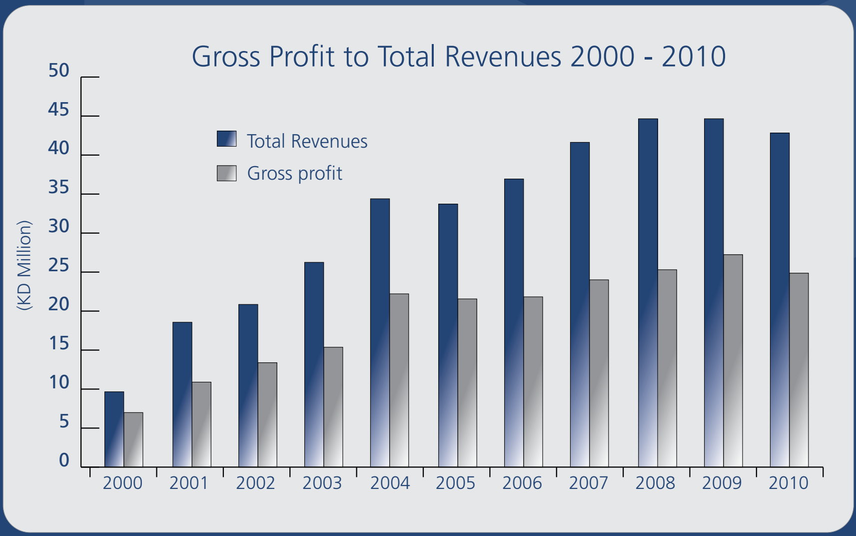




- The fair value for the company assets as evaluated by independent professional evaluators in the GCC & Europe 534/M KD (210/M Book value)
- Total fair market value for the company share holders equity is estimated to be 338/M KD (112/M KD Book value)


Total Shareholders Equity 2000 - 2010
Total shareholders Equity
(KD Million)
160
140
120
100
80
60
40
20
0
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010


Gross Profit to Total Revenues 2000 - 2010
Total Revenues
Gross profit
(KD Million)
50
45
40
35
30
25
20
15
10
5
0
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010

Board Members

Ghazi Fahad AlNafisi
Chairman and Managing Director

Faisal Abdul Mohsen Al-Khatrash
Vice Chairman

Anwar Abdulaziz Al-Usaimi
Deputy Managing Director

Ahmad Faisal Al-Zabin
Board Member

Youssef Essa Al-Othman
Board Member

Abdulrahman Abdulaziz Al-Babtain
Board Member

Abdulaziz Ghazi AlNafisi
Board Member

Marzouk Fajhan Al-Mutairi
Board Member

Executive Management

Ghazi Fahad AlNafisi	Chairman and Managing Director
Anwar Abdulaziz Al-Usaimi	Deputy Managing Director
Abdulaziz Ghazi AlNafisi	Investment Group Head
Hany A. Abdelnour	Finance and Accounting Group Head
Nasser Bader Al-Ghanim	Senior Manager, Foreign Investment
Eng. Kifah Georges	Senior Manager, Construction
Abdul Nasser Al-Turkait	Senior Manager, IT
Mohammed Khalil Al-Musaibeeh	Senior Manager, Accounting
Eng. Bader Khalifah Al-Adsani	Manager, Property Department
Ali Jassim Abul	Assistant Manager, Human Resource & Administration

Chairman's Statement

Dear Shareholders,

It gives me great pleasure to present to you, on behalf of the Board of Directors, the annual report and the closing accounts of Salhia Real Estate Company for the year ended December 31, 2010.

Global economies have slightly improved during the year 2010, reflecting positively on the local economy performance. Throughout the years, we have continued to maximize the Company's asset base. Further, we have also exited certain financial investments that amounted to lowering our liabilities by approximately K.D. 45 million, from K.D. 128 million in 2009 to K.D. 83 million in 2010, a drop of circa 35%.

As a summary of the financial performance for year 2010, the Company has realized a profit amounting to K.D. 10.2 million which represents a profit of 26 Fils per share, as compared with a profit of K.D. 7.2 million which represents a profit of 19 Fils per share, for last year, an increase of 41%.

The Company's total assets amounted to K.D. 209 million as compared with K.D. 262 million for 2009 that is a reduction equivalent to 20%. The reasons for this decrease is due to the fact that the Company has liquidated some financial investments totaling of K.D. 40 million, in addition to the depreciation of the Company's properties and the provisions for some losses due to the drop in property value.

The shareholder's equity decreased from K.D. 119 million to K.D. 111 million as compared with last year, a 7% decrease. As mentioned previously, mainly due to the liquidation of financial investments which was reflected in the value of the accumulated changes in the fair value of the investments. As a result, the book value has dropped to 287 Fils for this year as compared to 311 Fils for last year.

The Company's revenues remained relatively stable, generating K.D.42.9 million in 2010. Revenues in 2009 amounted to K.D. 44.2 million.

Taking into consideration that all previous financial figures were recorded on the basis of historical cost, and were naturally booked in the financial statements of 2010.

With regards to the actual market value of the Company's assets, which were assessed by professional valuers at the end of 2010, the value amounted to K.D. 534 million and ownership equity at the amount of K.D. 339 million, increasing the book value per share to 867 Fils.

Honorable Shareholders,

In conclusion, I would like to express my appreciation and gratitude to all Shareholders of Salhia, its Board of Directors and employees in all departments for their efforts and support to achieve the aspired success of the Company. Praying to Allah to continue His blessings on us all and preserve our beloved country under the leadership of His Highness Sheikh Sabah Al-Ahmed Al-Jaber Al-Sabah, the Amir of Kuwait, the Crown Prince His Highness Sheikh Nawaf Al-Ahmed Al-Jaber Al-Sabah and the Prime Minister Sheikh Nasser Al-Mohamed Al-Ahmed Al-Sabah and his judicious government.

Ghazi Fahad Alnafisi

Chairman and Managing Director

Salhia Real Estate Company

Report
of the board
Of Directors

Local Investments

Salhia Commercial Complex

Salhia Commercial Complex has long been regarded as Kuwait's premier shopping and office complex since its establishment in 1978. Its prestigious stores that exhibit the world's most renowned brands, the upper floors of luxury office areas along with its continuous modernization and enhancement program, all contributed to maintaining its primary position. The year 2010, signals seventeen consecutive years of 100% occupancy rate.

Salhia Plaza

Salhia Plaza's spacious area has become an integral component of Salhia Commercial Complex, which provides a perfect strip of cafes and restaurants, a fountain and an elegant landscape courtyard.

Since completion in 2007, the Plaza quickly became an attraction for visitors.

Sahab Tower

Sahab Tower continues to be one of the most prominent developments in Kuwait City, occupied by a number of major multi-national corporations and leading Kuwaiti companies. The tower includes three levels designed for commercial activities and a 20-storey office space. The Sahab Tower also achieved a 100% occupancy rate for the twelfth consecutive year.

JW Marriott Hotel

The JW Marriott continues to be a primary attraction for visiting professionals and families requiring the highest levels of luxury and personal treatment. Located in the heart of Kuwait City, all business functions are just minutes away.

This property is a premiere 16-storey hotel with 73 suites providing superior luxury and exclusive services, 313 rooms furnished to meet the highest standards, outstanding conference and meeting facilities, and 5 superb restaurants.

After many years of refurbishment and modernization, the hotel is now widely recognized as one of the finest in the Middle East and a standard setter for opulence and luxury throughout Marriott's global network especially after winning "Best Business Hotel" by Business Traveller Magazine for continuous years.

Arraya Commercial Centre

Arraya Commercial Centre has become a coveted address for leading boutique retailers with luxury brands of jewelry, clothing, accessories and beauty products, complemented by a wide selection of restaurants and cafes. Arraya Commercial Centre is a major mixed-use development project located in the eastern part of Kuwait City. It includes a 31-storey office tower, a major conference and events venue, a recreational Plaza and the Courtyard Marriott Hotel. The project is serviced by a 1,400 vehicle multi-storey car park.

During 2010, new international brands and food outlet opened. Several highlights of the year were the holding of new various social, cultural and community events that served and attracted many visitors to the centre.

Arraya Plaza

Arraya Commercial Centre also comprises an outdoor plaza area at its centre with sophisticated tensile fabric shading set over a spacious area. It is finished with luxurious architectural finishes and incorporates innovative lighting techniques. The plaza provides a perfect venue for restaurants, events, and shopping.

Arraya Tower

Adjacent to Arraya Commercial Complex is Arraya Tower. At 300 meters high, it is one of Kuwait's highest office buildings. The 60 floor tower is serviced by 16 elevators securing easy mobility between floors along with highly advanced security system connecting all areas to ensure the safety and comfort of tenants.

It consists of a column free office layouts, with areas ranging from 520 m² to 740 m², offering modern offices, with the latest information and communications technology.

Activity continued during 2010 of leasing for the few remaining office space to local and international companies, with total occupancy rate reaching 85%.

Courtyard Marriott Hotel

Incorporated as part of the Arraya Commercial Centre, this 4-star hotel successfully offers a high quality hotel located close to Kuwait City's business district adding life and elegance to the area.

With 264 rooms including 39 suites, a large atrium restaurant and a special gourmet restaurant, a roof-top swimming pool, superbly equipped health club and a 24-hour business centre, the Courtyard Marriott Hotel continues to be a primary attraction for visiting professionals and families.

Arraya Ballroom

The Courtyard Marriott Hotel manages and offers one of the leading luxury ballrooms in the country. It comprises more than 1,500 m² of meeting space, bridal suites and two floors of offices. The grand ballroom can be divided into six separate halls, or one large space with a floor area totaling 1,500 m² and a five-meter ceiling height. Equipped with the latest technology, audio-visual equipments and designed to meet the extensive requirements of clients.

Al-Asima Project

Al-Asima project is one of the largest construction projects to be carried out by the private sector in Kuwait with a total cost of circa K.D. 240 million. Salhia retains a 50% stake of Al-Asima Real Estate Company, which owns Al-Asima project.

Site work began after securing all formal approvals, but was halted by notification from the Ministry of Finance pending execution of a leasing agreement. Salhia has worked hard with the Ministry of Finance and other concerned authorities in order to resume work.

The Company has been working diligently with the Ministry of Finance and other concerned authorities to clarify the nature of Al-Asima project and that it should not be subjected to Build Operate Transfer (B.O.T) laws.

With regards to the litigation between the Company and Ministry of Finance - State Properties Department, the Company has signed a legal settlement with the Ministry of Finance renouncing the lawsuit filed against the Ministry in return for expediting approval and signing on all contracts and leases of Al-Asima project. Salhia is therefore optimistic and anticipates to receive the official State Properties Department contract in due course in favor of the shareholders interests.

Local Investments –Non Real Estate

With regards to Salhia's non-real estate investments, careful analysis was conducted prior to entering into these investments with a main objective of creating a diversified portfolio. In line with these efforts, the Company focused on leading shares in local and GCC markets creating a balance between risk and return.

Instability of the economic and political environment is still witnessed and have negatively effected the performance indicator of the Kuwait Stock Exchange and the Gulf Markets.

During the course of the year, the Company systematically divested some of its investments realizing reasonable returns for its shareholders and allowing liquidity to invest in any upcoming opportunities.

Due to Salhia's conservative strategy in implementing the most conservative policy of the latest professional accounting standards, the Company recorded provisional losses at the value of K.D.1,908,032 for these investments.

Report
of the board
Of Directors

International Investments

United Kingdom
KPI Properties

The UK commercial property market has generally continued to improve during 2010. An increasing number of investors from around the world, including established UK buyers, have been active, driving up the prices of investment properties with long term income from strong tenants. The level of activity and demand has been driven by a relative shortage of supply.

Both commercial and residential markets in Central London have remained strong with prices, in some cases, reaching pre 2007 levels.

However, some sectors of the market, including secondary and older industrial property has not benefitted from such an improvement. This has largely been caused by the continuing lack of finance available from banks as well as uncertainty. The banking industry is still recovering from the crises of the last 2-3 years and is very cautious in their lending strategies. The result is depressed "paper" values, even when the income streams from investments have not changed.

The unwillingness of banks to lend on property other than well let, long leased investment stock and, in some cases, pre-let development opportunities has also had an inevitable impact on the development sector which has also been slow to recover. However, the lack of development will, in the medium term, result in selective shortages of available accommodation and this will lead to rental growth. Major London developers are already re-starting significant developments in the recognition of this future shortage of supply.

During 2011 KPI's strategy is centered upon maximizing the rental income from the portfolio via hands-on asset management to ensure that valuations, which have stabilized, will be sustainable. As the UK economy starts to recover, an increased number of opportunities to recommence development across the portfolio might be witnessed.

Continuing advancement is being made on the mixed use town centre scheme at Farnborough. Sainsbury have now been trading for nearly a year and New Look started trading in December 2010. A number of discussions are being held with different traders over the remaining units.

The 150,000 square feet Warwickshire College at the Company's Rugby site was completed in July 2010 despite the insolvency of the main contractor.

Elephant & Castle is trading strongly and occupancy remains high. The shopping centre continues to perform very well as a standing investment and refurbishment and letting programmes are on course. The proposed Southwark Regeneration of the surrounding area has moved forward with Lendlease having finally signed a revised redevelopment agreement with the Local Authority and further discussions are being held with Lendlease about the future and potential redevelopment of the centre. Negotiations are at hand on many of the various properties in the portfolio, including planning, development, leasing and other transactions.

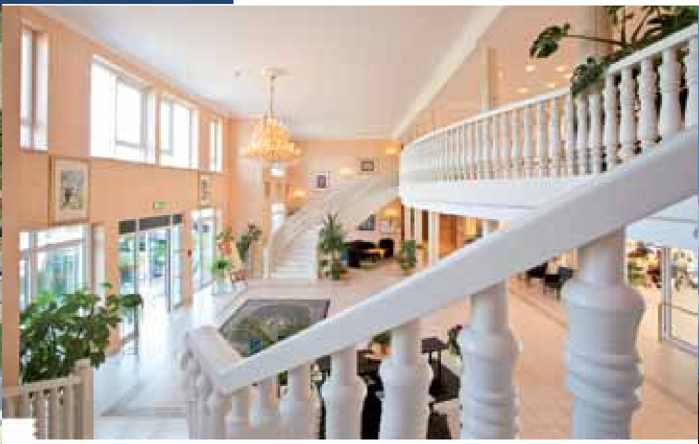
While valuers remain cautious about reflecting changes in the market, the principal aim of the company has been to increase income on all projects and properties and to continue to make progress on all the developments in the portfolio.

Salhia International Investments Ltd.

Beorma Quarter-Birmingham

Salhia Jersey Limited ("SJL"), a Jersey based company and wholly owned subsidiary (Salhia International Investment Limited) has been created to benefit from the current UK tax regime. Salhia Investments (Birmingham) Limited (wholly owned by SJL) is shortly to acquire the shareholding of Ingleby (1733) Limited, a UK entity, owning properties in central Birmingham which are being held for a major mixed-use city centre development.

The City Council of Birmingham have formulated the Big City Plan to ensure co-ordinated and structured development takes place throughout the City to maximize all opportunities involving public and private capital investment. The Birmingham Project, known as The Beorma Quarter, Digbeth is situated in the centre of the City of Birmingham comprising a mixed use office, hotel, and residential development.



The master plan and initial detailed planning consent were obtained in November 2009 and has resulted in the Beorma project being recognized as a valuable and important part of the City of Birmingham regeneration proposals. The scheme will provide space in excess of 59,500 m gross area.

In recognition of market conditions, the development is proposed in three phases, subject to pre-letting to suitable tenants. The intention is to commence site preparation in readiness for the start of construction of Phase 1 during 2011 as heads of terms have now been agreed on a satisfactory institutional basis with appropriate tenants. Phases 2 & 3 will follow on the basis of similar risk averse conditions.

Drawbridge Securities Limited

Drawbridge Securities Limited was established to acquire options for land transactions and to maximize value through planning negotiations and consent. The company has had three principle projects within the portfolio but is actively researching alternative schemes capitalizing on depressed market conditions to source suitable opportunities on favorable terms.

The construction of the high specification office building in Southampton held in joint venture with Deeley Properties, was commenced early in 2006 and was completed in May 2007. The construction and subsequent investment finance has been provided by Lloyds Bank. All four floors have been let on institutional terms to major UK tenants resulting in a large element of surplus funding which is being used to reduce the debt element of the mortgage.

The Peterborough project comprising some 1.4 million m of freehold land held under option is subject to a proposed planning application for rail related distribution warehousing towards the end of 2011 by the joint venture partner Gazeley Ltd, a wholly owned subsidiary of Dubai World. Substantial capital sums will be released through profit sharing arrangements following the successful approval of any planning application.

Germany
Haddia Holding

Haddia Holding GMBH, 90.98% owned by Salhia Real Estate, through its subsidiary DANA manages a total of 1,580 units in 4 properties for assisted living apartments and 13 nursing homes. All properties are located in North Western region of Germany. The properties are owned by SAREC, a fully owned subsidiary of Haddia. The head office is located in Hannover. The group employs around 900 employees. Haddia has been focusing on high quality service and property to provide best living conditions for elderly citizens. Haddia is considered one of the best private operators of senior citizens properties in North of Germany. In 2010, several properties of Haddia received best grades under the grading system set by the health insurance companies. This fact and other activities of the group contributed in achieving an 89% occupancy rates during 2010.

In the beginning of 2014, it is expected that the need for new investments in the field of nursing homes will reach 2 billion Euros annually. Haddia has been developing new concepts to deal with this growth and the changing market conditions in coming years.

Bahrain

Salhia Real Estate Company is developing approximately K.D. 43 million mixed-use tower in a prime location in Bahrain Bay. The circular tower offers 36,000 m² rentable office spaces, 7,900 m² retail and includes almost 900 underground car parking spaces. Due to the tower's distinguished circular architecture it will provide spectacular 360 degree views throughout Bahrain Bay. The design will also incorporate elevators which will provide panoramic views as they ascend and terraces offering beautiful scenery of the Bay and beyond.

Oman

The Real Estate sector in Oman has played a pivotal role in its economic transformation and helped to achieve its vision "Oman 2020" in diversifying from Oil as a major source of income to other allied activities such as manufacturing and tourism. Recognizing this vision, Salhia invested an amount of K.D 1,491,295 equaling 5% of the shares of Global Real Estate Investment Company (GLOREI), headquartered in the Sultanate of Oman. The primary purpose of the company is to invest in the real estate and construction sector.

Salhia also acquired six parcels of land with a total area of 135,000 m and a total value of K.D 4,738,420, in 2010. Salhia is in the process of establishing and registering two new companies in Oman in accordance with the laws of the Sultanate. The principal functions of these companies is buying, selling, renting, operating, and constructing residential and non residential plots. At the present time, the company is undertaking best use studies on its land holdings.

International Investment- Non Real Estate

Salhia created an investment portfolio that was structured to generate returns to back the company's development plans. The portfolio also aimed to diversify its core asset class.

In 2010, Salhia recovered its provisional loss of K.D. 5,578,632 due to liquidating most of its existing investments with a total amount of K.D. 37,754,877 except for a single investment valued at circa $3 million. The proceeds from the portfolio were predominantly used to deleverage Salhia's liabilities and to redirect some funds to the company's other projects.

Information Technology

Salhia's Information Technology goal is to provide quality information technology services and solutions to the users. To accomplish this, the company employs highly skilled personnel.

As security plays a major part in the information technology department, Salhia IT team has completed enhancing the security of the internet to prevent unnecessary in and out traffic. In addition, some of the network components have been upgraded for higher bandwidth capacity, planning of storage expansion for the email system and backup operation.

In line with the company's continued commitment to enhancing its information technology, Salhia updated its corporate website (www.salhia.com) providing the latest information of its organization.

Human Resources

Salhia Real Estate Company broadened its employee's base through implementing Kuwaitization policy to its human resources. The company is committed to human investment through continuous training and development of its staff.

Salhia implemented a strategy which depends on the involvement and contribution of employees and the senior management to attain these goals. Therefore, it ensures that staff members are equipped with the latest skills and knowledge through participation in reputable local and international training programs.

FINANCIAL HIGHLIGHTS

Ernst & Young
Al Aiban, Al Osaimi & Partners
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13001 Safat, Kuwait
Baitak Tower, 18-21st Floor
Safat Square
Ahmed Al Jaber Street
Tel : 2245 2880/2295 5000 - Fax: 2245 6419
Email: kuwait@kw.ey.com

Rödl
Middle East
Burgan - International Accountants

Ali Al Hassawi & Partners
P.O. Box: 22351 Safat 13084 Kuwait
Sharq – Dasman Complex – Block 2 – 9 Floor
Tel: 22464574-6 /22426862-3
Fax: 22414956
Email: info-kuwait@rodlme.com
www.rodlme.com

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SALHIA REAL ESTATE COMPANY K.S.C. (CLOSED)

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Salhia Real Estate Company K.S.C. (Closed) (the "Parent Company") and Subsidiaries (collectively 'the Group'), which comprise the consolidated statement of financial position as at 31 December 2010 and the consolidated statement of income, consolidated comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls 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 the 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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SALHIA REAL ESTATE COMPANY K.S.C. (CLOSED) (CONTINUED)

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

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

WALEED A. AL OSAIMI
LICENCE NO. 68 A
OF ERNST & YOUNG

ALI A. AL-HASAWI
LICENSE NO.30-A
RÖDL MIDDLE EAST
BURGAN – INTERNATIONAL
ACCOUNTANTS

7 March 2011
Kuwait

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2010

	Note	2010 KD	2009 KD
Revenues		**42,995,724**	44,213,336
Operating costs		**(17,894,944)**	(17,249,380)
Gross profit		**25,100,780**	26,963,956
Share in joint venture's results	8	**1,163,735**	(271,773)
Share of associate's results	14	**(1,427,815)**	(1,389,735)
General and administrative expenses		**(4,535,700)**	(4,372,819)
Depreciation	9,10	**(6,238,917)**	(5,042,706)
Sales and marketing expenses		**(823,324)**	(856,746)
Investment income	3	**8,878,706**	7,773,641
Foreign exchange loss		**(331,031)**	(856,859)
Interest income		**245,843**	75,734
Other income		**206,328**	1,169,948
Impairment loss on financial assets available for sale	7	**(4,157,730)**	(9,513,832)
(Charge for) reversal of impairment loss on real estate properties	9	**(2,541,349)**	1,059,157
Finance costs		**(4,719,480)**	(6,263,287)
Profit before tax		**10,820,046**	8,474,679
Foreign tax		**(461,006)**	(1,075,728)
PROFIT BEFORE CONTRIBUTION TO KFAS, NLST, ZAKAT AND DIRECTORS' FEES		**10,359,040**	7,398,951
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		**(97,140)**	(35,015)
National Labour Support tax (NLST)		**(264,435)**	(202,295)
Zakat		**(107,933)**	(76,514)
Directors' fees	18	**(120,000)**	(135,000)
PROFIT FOR THE YEAR		**9,769,532**	6,950,127
Attributable to:			
Equity holders of the Parent Company		**10,203,837**	7,248,686
Non-controlling interests		**(434,305)**	(298,559)
		9,769,532	6,950,127
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITYHOLDERS OF THE PARENT COMPANY	4	**26 fils**	19 fils

The Attached Notes 1 to 28 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 KD	2009 KD
Profit for the year		**9,769,532**	6,950,127
Other comprehensive (loss) income			
Net movement in cumulative change in fair value		**(11,110,556)**	1,337,431
Realised on sale of financial assets available for sale	3	**(5,240,650)**	(3,218,652)
Impairment loss transferred to consolidated statement of income	7	**4,157,730**	9,513,832
Exchange differences arising on translation of foreign operations		**(1,406,880)**	699,353
Other comprehensive income for the year included in consolidated statement of changes in equity		**(13,600,356)**	8,331,964
Total comprehensive (loss) income for the year		**(3,830,824)**	15,282,091
Attributable to:			
Equity holders of the Parent Company		**(3,013,610)**	15,563,745
Non-controlling interests		**(817,214)**	(281,654)
		(3,830,824)	15,282,091

The attached notes 1 to 28 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Note	2010 KD	2009 KD
ASSETS			
Cash and cash equivalents	5	**7,384,622**	7,472,144
Inventories		**305,110**	336,880
Accounts receivable and other assets	6	**6,434,726**	9,627,574
Financial assets available for sale	7	**23,405,050**	63,798,084
Investment in associate	14	**-**	-
Interest in joint venture	8	**10,290,764**	9,040,006
Investment properties	9	**66,078,372**	68,786,388
Property and equipment	10	**95,785,162**	103,280,478
TOTAL ASSETS		**209,683,806**	262,341,554
LIABILITIES, DEFERRED GAIN AND TOTAL EQUITY			
LIABILITIES			
Due to banks and financial institution	11	**1,399,085**	33,015,794
Accounts payable and other liabilities	12	**17,304,659**	17,148,147
Bank loans	13	**64,376,959**	77,921,038
TOTAL LIABILITIES		**83,080,703**	128,084,979
DEFERRED GAIN	14	**14,354,122**	12,926,307
EQUITY			
Share capital	15	**40,592,531**	39,922,126
Share premium		**27,524,906**	27,524,906
Treasury shares	16	**(3,439,031)**	(2,428,530)
Treasury shares reserve		**1,807,235**	1,807,235
Statutory reserve	17	**19,727,484**	18,648,149
Voluntary reserve	17	**19,727,484**	18,648,149
General reserve	19	**-**	4,250,000
Retained earnings		**9,667,784**	2,282,984
Cumulative change in fair value		**(1,425,588)**	10,767,888
Foreign currency translation reserve		**(2,472,526)**	(1,448,555)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		**111,710,279**	119,974,352
Non-controlling interests		**538,702**	1,355,916
TOTAL EQUITY		**112,248,981**	121,330,268
TOTAL LIABILITIES, DEFERRED GAIN AND TOTAL EQUITY		**209,683,806**	262,341,554

Ghazi Fahad Alnafisi
Chairman and Managing Director

Faisal Abdul Mohsen Al-Khatrash
Vice Chairman

The attached notes 1 to 28 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

Attributable to equity holders of the Parent Company

	Share capital	Share premium	Treasury shares	Treasury shares reserve	Statutory reserve	Voluntary reserve	General reserve	Employee share options plan reserve	Retained earnings	Cumulative change in fair values	Foreign currency translation reserve	Subtotal	Non-controlling interests	Total equity
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
Balance at 1 January 2010	39,922,126	27,524,906	(2,428,530)	1,807,235	18,648,149	18,648,149	4,250,000	-	2,282,984	10,767,888	(1,448,555)	119,974,352	1,355,916	121,330,268
Profit (loss) for the year	-	-	-	-	-	-	-	-	10,203,837	-	-	10,203,837	(434,305)	9,769,532
Other comprehensive (loss)	-	-	-	-	-	-	-	-	-	(12,193,476)	(1,023,971)	(13,217,447)	(382,909)	(13,600,356)
Total comprehensive income (loss)	-	-	-	-	-	-	-	-	10,203,837	(12,193,476)	(1,023,971)	(3,013,610)	(817,214)	(3,830,824)
Purchase of treasury shares	-	-	(1,010,501)	-	-	-	-	-	-	-	-	(1,010,501)	-	(1,010,501)
Employee share options (Note 20)	-	-	-	-	-	-	-	1,582,156	-	-	-	1,582,156	-	1,582,156
Employee share options exercised (Note 20)	670,405	-	-	-	-	-	-	(1,582,156)	911,751	-	-	-	-	-
Dividends (Note 18)	-	-	-	-	-	-	-	-	(5,822,118)	-	-	(5,822,118)	-	(5,822,118)
Transfer from reserve (Note 19)	-	-	-	-	-	-	(4,250,000)	-	4,250,000	-	-	-	-	-
Transfer to reserves	-	-	-	-	1,079,335	1,079,335	-	-	(2,158,670)	-	-	-	-	-
Balance at 31 December 2010	**40,592,531**	**27,524,906**	**(3,439,031)**	**1,807,235**	**19,727,484**	**19,727,484**	**-**	**-**	**9,667,784**	**(1,425,588)**	**(2,472,526)**	**111,710,279**	**538,702**	**112,248,981**
Balance at 1 January 2009	39,837,848	27,524,906	(1,072,354)	1,807,235	18,259,091	18,259,091	4,250,000	227,549	(3,806,930)	3,135,277	(2,131,003)	106,290,710	(30,135)	106,260,575
Profit (loss) for the year	-	-	-	-	-	-	-	-	7,248,686	-	-	7,248,686	(298,559)	6,950,127
Other comprehensive income	-	-	-	-	-	-	-	-	-	7,632,611	682,448	8,315,059	16,905	8,331,964
Total comprehensive loss	-	-	-	-	-	-	-	-	7,248,686	7,632,611	682,448	15,563,745	(281,654)	15,282,091
Purchase of treasury shares	-	-	(1,356,176)	-	-	-	-	-	-	-	-	(1,356,176)	-	(1,356,176)
Employees share options exercised	84,278	-	-	-	-	-	-	(227,549)	143,271	-	-	-	-	-
Loss on partial sale of subsidiary	-	-	-	-	-	-	-	-	(523,927)	-	-	(523,927)	(52,450)	(576,377)
Non-controlling interests arising on partial sale of subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	1,720,155	1,720,155
Transfer to reserve	-	-	-	-	389,058	389,058	-	-	(778,116)	-	-	-	-	-
Balance at 31 Dec 2009	**39,922,126**	**27,524,906**	**(2,428,530)**	**1,807,235**	**18,648,149**	**18,648,149**	**4,250,000**	**-**	**2,282,984**	**10,767,888**	**(1,448,555)**	**119,974,352**	**1,355,916**	**121,330,268**

The attached notes 1 to 28 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 KD	2009 KD
OPERATING ACTIVITIES			
Profit before contribution to KFAS, NLST, Zakat & Directors' fees		**10,359,040**	7,398,951
Adjustments for:			
Share in joint venture's results net of related tax	8	**(879,175)**	504,302
Share in associate's results		**1,427,815**	1,389,735
Depreciation		**6,238,917**	5,042,706
Provision for employees' terminal benefits		**630,200**	666,684
Investment income		**(8,878,706)**	(7,773,641)
Gain on sale of properties		**(5,296)**	(15,498)
Foreign exchange loss		**331,031**	856,859
Interest income		**(245,843)**	(75,734)
Finance costs		**4,719,480**	6,263,287
Impairment loss of financial assets available for sale		**4,157,730**	9,513,832
Charge for (reversal of) impairment loss on real estate properties		**2,541,349**	(1,059,157)
		20,396,542	22,712,326
Changes in operating assets and liabilities			
Inventories		**31,770**	29,685
Accounts receivable and other assets		**3,192,848**	(3,324,542)
Accounts payable and other liabilities		**13,111**	(1,924,036)
Cash from operations		**23,634,271**	17,493,433
Employees' terminal benefits paid		**(429,118)**	(252,487)
KFAS paid		**(35,015)**	-
National Labour Support Tax paid		**(202,295)**	-
Zakat paid		**(76,514)**	-
Directors' fees paid		**(135,000)**	-
Net cash from operating activities		**22,756,329**	17,240,946
INVESTING ACTIVITIES			
Purchase of financial assets available for sale		**(3,488,367)**	(4,439,978)
Proceeds from sale of financial assets available for sale		**32,770,845**	13,809,051
Additions to investment properties and property & equipment		**(3,334,140)**	(6,181,619)
Proceeds from sale of investment properties and property and equipment		**70,818**	43,234
Investment income received		**3,638,056**	4,554,989
Interest income received		**245,843**	75,734
Net cash from investing activities		**29,903,055**	7,861,411
FINANCING ACTIVITIES			
Proceeds from issue of shares under employee share options plan		**670,405**	84,278
Purchase of treasury shares		**(1,010,501)**	(1,356,176)
Proceeds from bank loans obtained		**21,491,428**	11,578,436
Bank loans repaid		**(31,651,116)**	(17,320,670)
Loans from financial institution received (repaid)		**(12,447,713)**	476,830
Finance costs paid		**(4,718,281)**	(6,302,838)
Dividends paid		**(5,744,543)**	-
Net cash used in financing activities		**(33,410,321)**	(12,840,140)
INCREASE IN CASH AND CASH EQUIVALENTS		**19,249,063**	12,262,217
Cash and cash equivalents at the beginning of the year		**(13,008,964)**	(25,271,181)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	5	**6,240,099**	(13,008,964)

The attached notes 1 to 28 form part of these consolidated financial statements

1 CORPORATE INFORMATION

The consolidated financial statements of Salhia Real Estate Company K.S.C. (Closed) (the "Parent Company") and Subsidiaries (collectively "the Group") for the year ended 31 December 2010 were authorised for issue in accordance with a resolution of the Parent Company's Board of Directors on 7 March 2011. The general assembly of the shareholders of the Parent Company has the power to amend these consolidated financial statements after issuance.

The Group comprises Salhia Real Estate Company K.S.C. (Closed) and its subsidiaries listed in Note 21.

The Parent Company is a Kuwaiti Shareholding Company incorporated on September 16, 1974 and is listed on the Kuwait Stock Exchange. The Group's main activities comprise real estate leasing and development of commercial properties and hotel operations in Kuwait and care home operation in Germany. Surplus funds are invested in real estate and securities portfolios managed by specialist investment managers.

The Parent Company's registered address is Salhia Complex, Mohammed Thunayan Al-Ghanim, P.O. Box 23413 Safat 13095 Kuwait.

2.1 BASIS OF PREPARATION

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

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

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

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company for the year ended 31 December 2010 and the financial statements of its subsidiaries prepared to a date not earlier than three months of the Parent Company's year end as disclosed in Note 21

Subsidiaries are those enterprises controlled by the Parent Company. Control exists when the Parent Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Parent Company obtained control, and continue to be consolidated until the date that such control ceases. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of statement of income from the date of acquisition or up to the date of disposal, as appropriate.

The financial statements of the subsidiary companies are consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. All intra-group balances and transactions, including intra-group profits and unrealised gains and losses and dividends resulting from intra-group transactions are eliminated in full on consolidation. Adjustments are made for non-uniform accounting policies.

Non-controlling interests represent the net assets (excluding goodwill) of consolidated subsidiaries not attributable directly, or indirectly, to the equity holders of the Parent Company. Equity and net income attributable to non-controlling interests are shown separately in the consolidated statement of financial position, consolidated statement of income, consolidated statement of comprehensive income and consolidated statement of changes in shareholders' equity

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

2.2 BASIS OF CONSOLIDATION (continued)

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

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

2.3 CHANGES IN ACCOUNTING POLICIES

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous year, except for the adoption of the following new and amended IASB Standards and International Financial Reporting Interpretations Committee (IFRIC) Interpretations during the year:

- IFRS 2: Share-based Payment: Group cash-settlement share-based payment transactions
- IFRIC Interpretation 17: Distributions of non-cash assets to owners

The major changes in the new and amended Standards are as follows:

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

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

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

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

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

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 9 Financial Instruments: Classification and Measurement
The standard is effective for annual periods beginning on or after 1 January 2013. The IFRS 9 will ultimately replace IAS 39 in its entirety. The application of IFRS 9 will result in amendments to the classification and measurement of financial assets and liabilities of the consolidated financial statements of the Group.

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

IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (Amendment)
The amendment to IAS 32 is effective for annual periods beginning on or after 1 February 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

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

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

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

- IFRS 3: *Business Combinations*
- IFRS 7: *Financial Instruments: Disclosures*
- IAS 1: *Presentation of Financial Statements*
- IAS 27: *Consolidated and Separate Financial Statements*

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition
- Rental income is recognised on a straight-line basis over the lease term.
- Interest income is recognized as it accrues using the effective interest rate method ("EIR").
- Hotel and care home income represents the invoiced value of services provided during the year.
- Dividend income is recognized when the Group's right to receive payment is established.
- Gain on sale of property is recognized when the sale has been consummated and the contracts have been signed, the significant risks and rewards of ownership have passed to the buyers and the Group has no continuing involvement in the property.
- Gain on sale of investments is recognized on a trade date basis.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Finance costs

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

The interest capitalized is calculated using the weighted average cost of borrowing after adjusting for borrowing associated with specific development. Where borrowings are associated with specific developments, the amount capitalized is the gross interest incurred on those borrowing less any investment income arising on their temporary investment. Interest is capitalized as from the commencement of the development work until the date of practical completion. The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalized in the purchase cost of a site of property acquired specifically for redevelopment, but only where activities necessary to prepare the asset for redevelopment are in progress.

Taxation

Kuwait Foundation for the Advancement of Sciences (KFAS)

The Group calculates the contribution to KFAS at 1% of profit for the year (net of accumulated losses brought) after accounting for the transfer to statutory reserve.

National Labour Support Tax (NLST)

The Group calculates the NLST in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit for the year. In determining taxable profit, profit of associates and subsidiaries subject to NLST and cash dividends from listed companies subject to NLST are deducted.

Zakat

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

Taxation on overseas subsidiaries

Taxation on overseas subsidiaries is calculated on the basis of the tax rates applicable and prescribed according to the prevailing laws, regulations and instructions of the countries where these subsidiaries operate.

Business combinations and goodwill

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

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

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date.

Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in consolidated statement of income or as other comprehensive income. If the contingent consideration is classified as equity, it shall not be re-measured until it is finally settled within equity.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)
Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised over for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in consolidated statement of income.

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

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

Property acquisitions and business combinations
Where property is acquired through the acquisition of acquisition of corporate interests, management of the Parent Company considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents the acquisition of a business. The basis of the judgment is included in significant accounting judgments, estimates and assumptions disclosures.

Where such acquisitions are not judged to be an acquisition of a business, they are not treated as business combinations. Rather, the cost to acquire the corporate entity is allocated between the identifiable assets and liabilities of the entity based on their relative fair values at the acquisition date. Accordingly, no goodwill or additional deferred taxation arises. Otherwise, corporate acquisitions are accounted for as business combinations.

Cash and cash equivalents
For purpose of the consolidated statement of cash flows, cash and cash equivalents are short-term, highly liquid investments including short-term fixed deposits that are readily convertible to known amounts of cash with original maturities up to three months from the date of acquisition and that are subject to an insignificant risk of change in value, net of due to banks contractually due within three months.

Financial instruments – initial recognition and subsequent measurement

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

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through statement of income, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and bank balances, short-term fixed deposits, receivables and financial assets available for sale.

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

(i) Financial assets (continued)

Subsequent measurement (continued)

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement such financial assets are subsequently measured at amortised cost using the effective yield method adjusted for impairment losses, if any. Losses arising from impairment are recognised in the consolidated statement of income.

Financial assets available for sale
Financial assets available for sale include equity securities. Equity securities classified as available for sales are those, which neither classified as held for trading nor designated at fair value through statement of income. Investments in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, financial assets available for sale are subsequently measured at fair value with unrealised gains or losses recognised as cumulative changes in fair values in other comprehensive income until the investment is derecognised or determined to be impaired, at which time the cumulative gain or loss is removed from the cumulative changes in fair values and recognised in the consolidated statement of income. Investments whose fair value cannot be reliably measured are stated as cost less impairment losses, if any.

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

(ii) Impairment and uncollectibility of financial assets (continued)

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

In relation to accounts receivable, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

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

All financial liabilities are recognised initially at fair value and in case of loans and borrowings, plus directly attributable transactions costs.

The Group's financial liabilities include accounts payable, bank loans and due to banks and financial institution. At 31 December 2010, the Group did not have any financial liabilities at fair value through statement of income.

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

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

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

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

Fair values
Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and the fair value estimates.

Underlying the definitions of fair value is the presumption that the Group is a going concern without any intention or requirement to materially curtail the scale of its operations or to undertake a transaction on adverse terms.

Fair value of financial instruments
For financial instruments that are actively 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 reporting date. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

Financial instruments with no reliable measures of their fair values and for which no fair value information could be obtained are carried at their initial cost less impairment in value.

Amortised cost
This is computed using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of income. After such reversal, the depreciation charge is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Inventories
Inventories of food and beverages are valued at the lower of cost and net realizable value after making due allowance for any expired or slow-moving items. Cost is determined by the first-in, first-out method.

Net realizable value is based on estimated selling price less any further costs expected to be incurred on sale.

Inventories of operating supplies are valued at cost less due allowance for any obsolete or slow-moving items. Cost is determined on a weighted average basis.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

Interest in joint venture

The Group has an interest in a joint venture which is a jointly controlled entity. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venture has an interest.

Under the equity method, the interest in joint venture is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the investee. Goodwill relating to a joint venture is included in the carrying amount of the investment and is not amortised. The Group recognises in the consolidated statement of income its share of the results of the joint venture from the date that influence effectively commenced until the date that it effectively ceases. Distributions received from the joint venture reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Group's share in the joint venture arising from changes in the joint venture's equity. Where there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes in the consolidated statement of comprehensive income.

Unrealised gains on transactions with joint venture are eliminated to the extent of the Group's share in the joint venture. Unrealized losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred. An assessment for impairment of interest in joint venture is performed when there is an indication that the asset has been impaired, or that impairment losses recognised in prior years no longer exist.

The joint venture's financial statements are prepared to the Parent Company's reporting date or to a date not earlier or later than three months of the Parent Company's reporting date. Where practicable, appropriate adjustments for non-uniform accounting policies are made to the joint venture's financial statements to bring them in line with Group accounting policies.

Investment in associate

An associate is an entity over which the Group exerts significant influence. Investment in associate is accounted for under the equity method of accounting.

Under the equity method, the investment in associate is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the investee. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. The Group recognises in the consolidated statement of income its share of the results of the associate from the date that influence effectively commenced until the date that it effectively ceases. Distributions received from the associate reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Group's share in the associate arising from changes in the associate's equity. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes in the consolidated statement of comprehensive income.

Unrealised gains on transactions with associate are eliminated to the extent of the Group's share in the associate. Unrealized losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred. An assessment for impairment of investments in associates is performed when there is an indication that the asset has been impaired, or that impairment losses recognised in prior years no longer exist.

The associate's financial statements are prepared to the Parent Company's reporting date or to a date not earlier than three months of the Parent Company's reporting date. Where practicable, appropriate adjustments for non-uniform accounting policies are made to the associate's financial statements to bring them in line with Group accounting policies.

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at depreciated cost less provision for impairment. Buildings are depreciated using the straight line method over their estimated useful lives which vary between 10 to 50 years.

The carrying amounts are reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amount, and where carrying values exceed their recoverable amount, properties are written down to their recoverable amount.

Investment property is derecognised when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of income in the year of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Properties under construction

Properties under construction are carried at cost less any impairment in value. Costs are those expenses incurred by the Group that are directly attributable to the construction of asset.

The carrying values of properties under construction are 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 values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and any impairment in value. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of income during the financial year in which they are incurred.

Freehold land is not depreciated. Depreciation on other assets is provided on a straight line basis at rates calculated to write-off the cost of each asset over its expected useful life as follows:

- Buildings and related immovable equipment 10 to 50 years
- Furniture and equipment 10 years
- Motor vehicles 5 years

The carrying amounts are reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amount, and where carrying values exceed their recoverable amount, assets are written down to their recoverable amount.

The useful economic lives of property and equipment are reviewed at each financial year and revised for significant change where necessary.

Capital work in progress

Capital work in progress is carried at cost less any impairment in value. Costs are those expenses incurred by the Group that are directly attributable to the construction of asset. Once completed the asset is transferred to the respective assets class.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

Capital work in progress (continued)
The carrying values of capital work in progress are 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 values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

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

Share-based payment transactions
The Group operates an equity-settled, share-based employee share options plan (ESOP). Under the terms of the plan, share options are granted to eligible employees and are exercisable at the end of the vesting period. The fair value of the options is recognized as an expense over the vesting period with a corresponding effect in equity. The fair value of the options is determined using the Black-Scholes option pricing model.

The proceeds received from the exercise of the share options are credited to share capital (nominal value) and share premium when the options are exercised.

Provisions
A provision is recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be incurred to settle the obligation.

Contingencies
Contingent liabilities are not recognized on the consolidated statement of financial position. They are disclosed in the consolidated financial statement unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized on the consolidated statement of financial position, but disclosed in the consolidated financial statement when an inflow of economic benefits is probable.

Foreign currency translation

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

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are included within foreign currency gain or loss in the consolidated statement of income.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation (continued)

Transactions and balances (continued)
Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at closing rate.

Group companies
As at the reporting date, the assets and liabilities of foreign subsidiaries, and the carrying values of foreign associates and joint venture investments, are translated into the Parent Company's presentation currency (the Kuwaiti Dinars) at the rate of exchange ruling at the reporting date, and their statement of incomes are translated at the weighted average exchange rates for the year. Exchange differences arising on translation are taken directly to other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to the particular foreign operation is recognised in the consolidated statement of income.

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

Judgements
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:

Business combinations
The Group acquires subsidiaries that own real estate. At the time of acquisition, the Group considers whether the acquisition represents the acquisition of a business. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made of the extent to which significant processes are acquired and, in particular, the extent of ancillary services provided by the subsidiary (e.g., maintenance, cleaning, security, bookkeeping, hotel services, etc.). The significance of any process is judged with reference to the guidance in IAS 40 about ancillary services.

When the acquisition of subsidiaries does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognised.

Classification of real estate
Management of the Group decides on acquisition of a developed and under development property whether it should be classified as trading, investment property or properties and equipment.

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

The Group classifies property as property and equipment when it is acquired for owner occupation.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Judgements (continued)

Classification of equity investments
All investments are classified as available for sale.

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

Impairment of receivables
An estimate of the collectible amount of receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

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

Valuation of unquoted equity instruments
Valuation of unquoted equity instruments is normally based on one of the following:
- Recent arm's length market transactions;
- Current fair value of another instrument that is substantially the same;
- An earnings multiple or industry specific earnings multiple;
- 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 factors for unquoted equity investments requires significant estimation. There are a number of investments where this estimation cannot be reliably determined. As a result, these investments are carried at cost less impairment (see note 7).

3 INVESTMENT INCOME

	Note	***2010 KD***	*2009 KD*
Gain on sale of financial assets available for sale		**5,240,650**	3,218,652
Dividend income		**910,776**	673,193
Interest income from managed portfolio		**2,727,280**	3,881,796
		8,878,706	7,773,641

4 BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITYHOLDERS OF THE PARENT COMPANY

Basic:
Basic earnings per share attributable to equity holders of the Parent Company is computed by dividing the profit for the year attributable to equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares).

Diluted:
Diluted earnings per share attributable to the equity holders of the Parent Company is computed by dividing the profit for the year attributable to the equity holders of the Parent Company, adjusted for the effect of conversion of employees share option, by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all employees share options. The Parent Company does not have outstanding share options under the ESOP as at 31 December 2010.

	2010	*2009*
Profit for the year attributable to equity holders of the Parent Company (KD)	**10,203,837**	7,248,686
Weighted average number of ordinary shares outstanding during the year (excluding treasury shares)	**390,800,336**	389,598,516
Basic and diluted earnings per share attributable to equity holders of the Parent Company	**26 fils**	19 fils

5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated statement of cash flows include the following:

	2010 KD	*2009 KD*
Cash and bank balances	**4,645,101**	3,561,088
Short-term fixed deposits (maturing within three months)	**2,739,521**	3,911,056
Cash and cash equivalents as per consolidated statement of financial position	**7,384,622**	7,472,144
Due to banks contractually due within three months (Note 11)	**(1,144,523)**	(20,481,108)
Cash and cash equivalents as per consolidated statement of cash flows	**6,240,099**	(13,008,964)

Bank balances represent non-interest bearing current bank accounts held with local commercial banks.

Short-term fixed deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

6 ACCOUNTS RECEIVABLE AND OTHER ASSETS

	2010 KD	2009 KD
Hotel guests and care home residents receivables	**1,506,908**	1,720,696
Rent receivable	**325,101**	141,359
Due from related parties (Note 22)	**1,635,975**	1,633,734
Staff receivables (Note 22)	**702,470**	576,789
Deposits and prepaid expenses	**488,094**	696,259
Advance payments to contractors	**143,566**	41,105
Other receivables	**1,632,612**	3,709,775
Receivable from partial sale of subsidiary	**-**	1,107,857
	6,434,726	9,627,574

As at 31 December 2010 and 31 December 2009, the Group did not have significant receivables that were impaired.

Hotel guests and care home residents receivables and rent receivable are non-interest yielding and are generally on 30-90 days terms.

Movement in the impairment of hotel guests and care home residents receivables and rent receivable was as follows:

	2010 KD	2009 KD
At 1 January	**236,643**	263,402
Release (charge) of impairment for the year	**20,279**	(13,961)
Impairment written off	**(35,662)**	(12,798)
At 31 December	**221,260**	236,643

As at 31 December, the analysis of hotel guests and care home residents receivables and rent receivable that were past due but not impaired is as follows:

		Past due but not impaired					
	Neither past due nor impaired KD	< 30 days KD	30 to 60 days KD	60 to 90 days KD	90 to 120 days KD	> 120 days KD	Total KD
2010	**141,269**	**983,221**	**271,169**	**96,669**	**38,966**	**300,715**	**1,832,009**
2009	152,930	1,065,749	183,319	80,424	31,703	347,930	1,862,055

Hotel guests and care home residents receivables and rent receivable include amounts denominated in the following major currencies:

	2010 KD	2009 KD
Kuwaiti Dinar	**1,626,853**	1,639,150
EURO	**205,156**	222,905
	1,832,009	1,862,055

7 FINANCIAL ASSETS AVAILABLE FOR SALE

	2010 KD	2009 KD
Managed portfolios	**8,672,381**	41,715,892
Managed funds	**543,904**	225,541
Unquoted securities	**14,188,765**	21,856,651
	23,405,050	63,798,084

	2010 KD	2009 KD
Local investments	**8,409,308**	15,308,480
Foreign investments	**14,995,742**	48,489,604
	23,405,050	63,798,084

Managed portfolios represent local and foreign equity investments and are carried at market bid prices and fair values as reported by the portfolio managers. During the year, the Parent Company recorded an impairment loss of KD 1,497,519 and KD 62,528 (2009: KD 4,153,229 and KD 2,489,270) against local and foreign equity investments respectively.

Managed portfolios include an investments portfolio with a carrying value of KD 1,075,245 (2009: KD 27,540,200) managed by a foreign financial institution which was partly funded by a short-term facility amounting to KD 254,562 (2009: KD 12,534,686) obtained through the same foreign financial institution. The facility is secured by the investments portfolio (see Note 11).

Investments in managed funds are carried at the latest net asset value provided by the fund managers.

Unquoted securities amounting to KD 8,579,282 (2009: KD 10,232,735) are carried at cost less impairment since fair values cannot be reliably estimated and the investment managers have been unable to indicate any estimates of the range within which fair values might lie. The management recorded an impairment loss of KD 1,658,484 (2009: 2,871,333) against these investments based on the most recently available information to them.

Unquoted securities include an investment with a carrying value of KD 5,609,483 (2009: KD 11,623,916) measured at fair value determined by a valuation technique. During the year, the Group recorded a revaluation loss of KD 4,935,405 (2009: KD 2,214,915) in other comprehensive income and recorded an impairment loss of KD 939,199 (2009: KD Nil) in consolidated statement of income.

Determination of fair value and fair value hierarchy
The Group uses the following hierarchy for determining and disclosing the fair value of financial assets available for sale by valuation technique:

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

31 December 2010	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Managed portfolios	8,672,381	-	-	8,672,381
Managed funds	-	543,904	-	543,904
Unquoted securities	-	-	5,609,483	5,609,483
	8,672,381	543,904	5,609,483	14,825,768

7 FINANCIAL ASSETS AVAILABLE FOR SALE (continued)

31 December 2009	*Level 1* *KD*	*Level 2* *KD*	*Level 3* *KD*	*Total* *KD*
Managed portfolios	41,715,895	-	-	41,715,895
Managed funds	-	225,541	-	225,541
Unquoted securities	-	-	11,623,916	11,623,916
	41,715,895	225,541	11,623,916	53,565,352

During the year ended 31 December 2010, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

8 INTEREST IN JOINT VENTURE

This represents the Group's 50% (2009: 50%) interest in a United Kingdom based joint venture entity, Key Property Investments, engaged in real estate leasing and development.

	2010 ***KD***	*2009* *KD*
Carrying amount of the investment in the joint venture:		
At 1 January	**9,040,006**	10,956,432
Share in the joint venture's results	**1,163,735**	(271,773)
Share in the joint venture's tax	**(284,560)**	(232,529)
Foreign currency translation adjustment	**371,583**	(1,412,124)
At 31 December	**10,290,764**	9,040,006
Share of joint venture entity's statement of financial position:		
Current assets	**3,621,634**	688,611
Long-term assets	**42,182,267**	46,663,207
Current liabilities	**(3,031,137)**	(196,812)
Long-term liabilities	**(32,482,000)**	(38,115,000)
Net assets	**10,290,764**	9,040,006
Share of joint venture entity's revenue and results:		
Revenues	**7,018,353**	13,123,731
Results after tax	**879,175**	(504,302)

9 INVESTMENT PROPERTIES

	Freehold land KD	*Buildings KD*	*Properties under construction KD*	*Total KD*
Balance at 1 January 2010	19,469,238	16,626,601	32,690,549	68,786,388
Depreciation charge for the year	-	(1,745,782)	-	(1,745,782)
Transfers from property under construction	3,777,151	29,058,502	(32,835,653)	-
Additions	-	29,202	1,633,110	1,662,312
Impairment loss	(2,541,349)	-	-	(2,541,349)
Foreign currency translation adjustment	(39,665)	-	(43,532)	(83,197)
Balance at 31 December 2010	**20,665,375**	**43,968,523**	**1,444,474**	**66,078,372**
Cost	25,495,698	58,327,125	1,444,474	85,267,297
Accumulated depreciation	-	(14,358,602)	-	(14,358,602)
Impairment	(4,830,323)	-	-	(4,830,322)
Balance at 31 December 2010	**20,665,375**	**43,968,523**	**1,444,474**	**66,078,372**

	Freehold land KD	*Buildings KD*	*Properties under construction KD*	*Total KD*
Balance at 1 January 2009	18,410,081	17,142,776	-	35,552,857
Depreciation charge for the year	-	(588,134)	-	(588,134)
Transfers from property and equipment	-	-	32,640,195	32,640,195
Additions	-	71,959	-	71,959
Reversal of impairment loss	1,059,157	-	-	1,059,157
Foreign currency translation adjustment	-	-	50,354	50,354
Balance at 31 December 2009	19,469,238	16,626,601	32,690,549	68,786,388
Cost	19,469,238	29,239,392	32,690,549	81,399,179
Accumulated depreciation	-	(12,612,791)	-	(12,612,791)
Balance at 31 December 2009	19,469,238	16,626,601	32,690,549	68,786,388

Investment properties with a carrying value of KD 39,849,251 (2009: KD 41,197,623) are mortgaged against bank loans (see note 13).

Investment properties with a carrying value of KD 4,738,420 (2009: KD 4,738,420) are registered in the name of a nominee. The nominee has confirmed in writing that the Parent Company is the beneficial owner of the properties.

The fair value of investment properties amounted to KD 222,354,986 (2009: KD 255,166,500) at the reporting date based on independent third party valuations provided by professionally qualified valuers using acceptable methods of valuation such as sales comparison and income capitalization.

Properties under construction amounting to KD 1,444,474 (2009: KD 32,690,549) are carried at cost as the fair value cannot be reliably determined until such time the construction is complete.

10 PROPERTY AND EQUIPMENT

	Freehold land KD	*Buildings KD*	*Furniture and equipment KD*	*Motor vehicles KD*	*Capital work in progress KD*	*Total KD*
Balance at 1 January 2010	13,209,623	76,318,520	9,230,524	80,584	4,441,227	103,280,478
Additions	-	-	741,195	38,416	892,217	1,671,828
Disposals	-	-	(65,522)	-	-	(65,522)
Transfers from capital work in progress	-	834,100	1,861,495	-	(2,695,595)	-
Depreciation charge for the year	-	(2,278,206)	(2,178,037)	(36,892)	-	(4,493,135)
Foreign currency translation adjustment	(562,319)	(3,835,732)	(157,810)	-	(52,626)	(4,608,487)
Balance at 31 December 2010	**12,647,304**	**71,038,682**	**9,431,845**	**82,108**	**2,585,223**	**95,785,162**
Cost	12,647,304	97,933,470	32,275,924	393,924	2,585,223	145,835,845
Accumulated depreciation	-	(26,894,788)	(22,844,079)	(311,816)	-	(50,050,683)
Net carrying amount at 31 December 2010	**12,647,304**	**71,038,682**	**9,431,845**	**82,108**	**2,585,223**	**95,785,162**

Freehold land and buildings with a carrying value of KD 16,269,122 (2009: KD 16,547,654) are mortgaged against bank loans (Note 13).

10 PROPERTY AND EQUIPMENT (continued)

	Freehold land KD	*Buildings KD*	*Furniture and equipment KD*	*Motor vehicles KD*	*Capital work in progress KD*	*Total KD*
Balance at 1 January 2009	12,888,347	74,647,341	10,232,412	114,552	33,398,791	131,281,443
Additions	-	5,347	264,443	34,175	5,805,695	6,109,660
Disposals	-	-	(8,617)	(17,933)	(1,459)	(28,009)
Transfers from capital work in progress	-	1,750,344	737,503	-	(2,487,847)	-
Transfers to investment properties	-	-	-	-	(32,640,195)	(32,640,195)
Depreciation charge for the year	-	(2,317,306)	(2,087,056)	(50,210)	-	(4,454,572)
Foreign currency translation adjustment	321,276	2,232,794	91,839	-	366,242	3,012,151
Balance at 31 December 2009	13,209,623	76,318,520	9,230,524	80,584	4,441,227	103,280,478
Cost	13,209,623	102,039,892	30,158,926	372,856	6,866,491	152,647,788
Accumulated depreciation	-	(25,721,372)	(20,928,402)	(292,272)	-	(46,942,046)
Accumulated Impairment loss	-	-	-	-	(2,425,264)	(2,425,264)
Net carrying amount at 31 December 2009	13,209,623	76,318,520	9,230,524	80,584	4,441,227	103,280,478

11 DUE TO BANKS AND FINANCIAL INSTITUTION

	2010 KD	2009 KD
Due to banks (Note 5)	**1,144,523**	20,481,108
Due to financial institution	**254,562**	12,534,686
	1,399,085	33,015,794

Due to banks represents bank overdraft subject to effective interest rate ranging from 4.5% to 5% per annum (2009: 4.5% to 5.25% per annum).

Due to financial institution represents a short-term facility obtained from a foreign financial institution to fund investments purchased through the same foreign financial institution (see note 7). The facility is secured by the investments portfolio with a carrying value of KD 1,075,227 (2009: KD 27,540,200) managed by the foreign financial institution. Under the terms of the facility agreement, repayments of the facility are funded by the proceeds from sale of investments in the portfolio.

12 ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2010 KD	2009 KD
Accounts payable	**5,072,376**	4,916,455
Retentions payable	**1,174,786**	1,234,749
Due on purchase of investment property	**1,150,520**	1,175,195
Accrued expenses	**1,724,674**	1,644,805
Deposits from tenants, hotel and care home guests	**683,598**	538,454
Rents received in advance	**1,039,679**	1,514,003
Employees' terminal benefits	**3,915,727**	3,714,645
Provisions	**153,685**	147,663
Kuwait Foundation for the Advancement of Sciences	**97,140**	35,015
National Labour Support Tax	**264,435**	202,295
Zakat	**107,933**	76,514
Directors' fees	**120,000**	135,000
Other payables	**1,800,106**	1,813,354
	17,304,659	17,148,147

13 BANK LOANS

Bank loans are denominated in the following currencies:

	2010 KD	2009 KD
Kuwaiti Dinars	**34,333,336**	35,756,618
Euro	**30,043,623**	34,426,920
Japanese Yen	-	1,710,500
US Dollars	-	6,027,000
	64,376,959	77,921,038

13 BANK LOANS (continued)

The loans are contractually due for repayment as follows:

	2010 KD	2009 KD
Instalments payable within one year	**15,108,079**	29,895,249
Instalments payable within one year to two years	**7,831,419**	6,778,284
Instalments payable within two years to three years	**7,891,368**	4,185,727
Instalments payable within three years to four years	**7,954,811**	4,254,934
Instalments payable after four years	**25,591,282**	32,806,844
	64,376,959	77,921,038

The loans are repayable in equal periodic installments over variable periods of time with maturities extending to December 2030.

The Kuwaiti Dinar loans carry variable interest rates, which range from 2% to 2.5% per annum (2009: 2% to 2.75% per annum) over the Central Bank of Kuwait discount rate. The interest rate on these loans reprises when the Central Bank of Kuwait discount rate changes. The foreign currency loans carry both variable and fixed interest rates which range from 1.5% to 2.5% per annum (2009: 1.5% to 2.5% per annum) over LIBOR. The variable interest rate loans re-price every 3 to 6 months.

Bank loans of the Group with a carrying value of KD 12,000,000 (2009: KD 19,800,451) are secured by investment properties with a carrying value of KD 39,849,251 (2009: KD 41,197,623) and freehold land and buildings with a carrying value of KD 16,269,122 (2009: KD 16,547,654) owned by the Group. Loans amounting to KD 30,034,623 (2009: KD 34,426,920) have been obtained by subsidiaries under the terms of which lenders have no recourse to the Parent Company in the event of default.

14 INVESTMENT IN ASSOCIATE / DEFERRED GAIN

	2010 KD	*2009 KD*
Investment in associate	**40,000,000**	40,000,000
Elimination of gain on sale of real estate asset	**(49,056,614)**	(49,056,614)
Share of associate's results adjustment	**(5,297,508)**	(3,869,693)
Deferred gain	**(14,354,122)**	(12,926,307)
Opening balance	**(12,926,307)**	(11,536,572)
Share of associate's results for the year	**(1,427,815)**	(1,389,735)
Deferred gain	**(14,354,122)**	(12,926,307)

The investment in associate represents the Group's 50% equity interest in Al Asima Real Estate Company K.S.C. whose principal activity is real estate development.

During the year 2006, the Parent Company sold a real estate asset with a carrying value of KD 16,536,771 to its associate resulting in a gain of KD 98,113,228 of which the Parent Company recorded KD 49,056,614 after eliminating the share of the gain attributable to its interest in the associate's equity. The excess of the gain over the carrying value of the associate has been accounted for as a deferred gain. Deferred gain will be offset against future increases in the carrying value of the associate until the deferred gain is fully utilised.

14 INVESTMENT IN ASSOCIATE / DEFERRED GAIN (continued)

	2010 KD	2009 KD
Share of associate's statement of financial position:		
Assets (Non-current)	**61,742,991**	61,742,991
Liabilities (Non-current)	**(26,592,503)**	(25,164,688)
Net assets	**35,150,488**	36,578,303
Adjustment to properties under development	**(49,504,610)**	(49,504,610)
Net assets after adjustment	**(14,354,122)**	(12,926,307)

15 SHARE CAPITAL

As at 31 December 2010, the Parent Company's authorised, issued and fully paid share capital consist of 405,925,305 shares of 100 fils each (2009: 399,221,255 shares of 100 fils each).

During the year, the Parent Company's authorised and paid up share capital increased by 6,704,052 shares for the issuance of shares under employees share options plans (see not 20).

The Board of Directors of the Parent Company's has proposed to increase the authorised share capital of the Parent Company by 25% from KD 40,592,531 to KD 50,740,664 by a new issuance of 101,481,326 shares at a nominal value of 100 fils per share and a share premium of 75 fils per share amounting to KD 7,611,099. This proposal is subject to the approval of the annual general assembly of the shareholders of the Parent Company.

16 TREASURY SHARES

At 31 December 2010, the Parent Company held 15,220,000 of its own shares (2009: 11,020,000), equivalent to 3.75% (2009: 2.76%) of the total issued share capital at that date. The market value of these shares at the reporting date was KD 4,413,800 (2009: KD 2,402,360). Reserves of the Parent Company equivalent to the cost of the treasury shares have been ear-marked as non distributable.

17 STATUTORY AND VOLUNTARY RESERVES

As required by the Commercial Companies Law and the Parent Company's articles of association, 10% of profit for the year before contribution to KFAS, NLST, Zakat and directors' fees and after offsetting accumulated losses brought forward, is required to be transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve equals or exceeds 50% of paid-up share capital. Distribution of this 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.

As required by the Parent Company's articles of association, 10% of profit for the year before contribution to KFAS, NLST, Zakat and Directors' fees after offsetting accumulated losses brought forward is required to be transferred to voluntary reserve. Such transfer may discontinue by a resolution at the General Assembly.

18 DIVIDENDS DISTRIBUTION/DIRECTORS' FEES

At the annual general assembly of the shareholders of the Parent Company held on 12 April 2010, the shareholders approved the distribution of cash dividends of 15 fils per share amounting to KD 5,822,118 for the year ended 31 December 2009 (2008: Nil).

For the year ended 31 December 2010, the Parent Company's Board of Directors has proposed cash dividends of 20 fils (2009: 15 fils) per share. This proposal is subject to the approval of the annual general assembly of the shareholders of the Parent Company and completion of legal formalities.

Directors' fees of KD 120,000 (2009: KD 135,000) are subject to approval by the annual general assembly of the shareholders of the Parent Company.

19 GENERAL RESERVE

Following the approval of shareholders at the annual general assembly of the shareholders of the Parent Company held on 12 April 2010, the general reserve balance was transferred to retained earnings.

20 EMPLOYEE SHARE OPTIONS PLAN

At the annual general assembly of the shareholders of the Parent Company held on 12 April 2010, the shareholders approved the issuance of 6,704,052 shares at a nominal value of 100 fils per share under an employee share options plan. Following the approval, the eligible employees exercised their share options under the employee share option plan. As a result, the Parent Company issued 6,704,052 shares at 100 fils each and recognised expense of KD 911,751 related to equity-settled share-based payment transactions within general and administrative expenses in the consolidated statement of income.

All share options under the ESOP were granted, vested and exercised during the year.

21 SUBSIDIARIES

Details of subsidiaries are set out below:

Name of the company	*Percentage of ownership*		*Country of incorporation*	*Reporting date*	*Principal activity*
	2010	*2009*			
Directly held:					
Haddia Holding GMBH	**90.89%**	90.89%	Germany	31 Dec 2010	Holding company
Drawbridge Securities Limited	**50.00%**	50.00%	United Kingdom	30 Nov 2010	Property development
Ingelby Limited	**50.00%**	50.00%	United Kingdom	30 Sep 2010	Property development
Bunyan Al-Salhia Project Management Company W.L.L.	**100.00%**	100.00%	Kuwait	31 Dec 2010	Project management
Held through Haddia Holding GMBH:					
SAREC GMBH	**100.00%**	100.00%	Germany	31 Dec 2010	Leasing of properties
Dana Semiorenresidenzen und Pflegeheime GMBH	**100.00%**	100.00%	Germany	31 Dec 2010	Company for further operations
Dana Senioreneinrichtungen GMBH	**40.00%**	40.00%	Germany	31 Dec 2010	Care home operator
Dana Ambulante Pfegedienste GMBH	**40.00%**	40.00%	Germany	31 Dec 2010	Care home service provider
Dana Services GMBH (Gredo GMBH)	**40.00%**	40.00%	Germany	31 Dec 2010	Care home catering service provider

During the year ended 31 December 2010, the Group continued to consolidate Drawbridge Securities Limited, Ingelby Limited, Dana Senioreneinrichtungen GMBH, Dana Ambulante Pfegedienste GMBH and Dana Services GMBH (Gredo GMBH) as the Group has the power to govern the financial and operating policies of these companies so as to obtain benefits from their activities.

22 RELATED PARTY TRANSACTIONS

Related parties represent the major shareholders, associate and joint venture entities, directors and key management personnel of the Group, and companies which are controlled by them or over which they have significant influence. Pricing policies and terms of these transactions are approved by the Parent Company's management.

Transactions with related parties included in the consolidated statement of income are as follows:

	Associate	*Major shareholders*	*Other related parties*	***Total 2010***	*Total 2009*
	KD	*KD*	*KD*	***KD***	*KD*
Management income	17,000	-	-	***17,000***	17,000

Balances with related parties included in the consolidated statement of financial position are as follows:

	Associate	*Major shareholders*	*Other related parties*	***Total 2010***	*Total 2009*
	KD	*KD*	*KD*	***KD***	*KD*
Amounts due from related parties	1,635,975	-	-	***1,635,975***	1,633,734
Staff receivables	-	311,606	390,864	***702,470***	576,789

Compensation of key management personnel
The remuneration of key management personnel of the Group during the year were as follows:

	2010 KD	*2009 KD*
Short-term benefits	**394,855**	451,816
Employees' end of service benefits	**239,450**	140,188
	634,305	592,004

23 SEGMENTAL INFORMATION

Primary segment information

Management monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss as explained in the table below.

Segment results include revenue and expenses directly attributable to a segment.
- Real estate operations: Consist of development and leasing of properties.
- Hotel operations: Consist of the hotel hospitality services provided through JW Marriott Hotel – Kuwait, Courtyard Marriott Hotel-Kuwait and Arraya Ball Room - Kuwait.
- Care home operations: Consist of care home activities provided by subsidiary companies.

23 SEGMENTAL INFORMATION (continued)

The following is the detail of the above segments, which constitutes the Group's operating segments:

	31 Dec 2010				31 Dec 2009			
	Real estate operations KD	**Hotel operations KD**	**Care home operations KD**	**Total KD**	*Real estate operations KD*	*Hotel operations KD*	*Care home operations KD*	*Total KD*
Segment revenue	**16,291,618**	**11,605,494**	**15,098,612**	**42,995,724**	13,432,806	14,781,995	15,998,535	44,213,336
Segment operating costs	**(2,333,133)**	**(4,729,108)**	**(10,832,703)**	**(17,894,944)**	(1,579,195)	(4,549,050)	(11,121,135)	(17,249,380)
Segment gross profit	**13,958,485**	**6,876,386**	**4,265,909**	**25,100,780**	11,853,611	10,232,945	4,877,400	26,963,956
Share in joint venture's results	**1,163,735**	**-**	**-**	**1,163,735**	(271,773)	-	-	(271,773)
Share of associate's results	**(1,427,815)**	**-**	**-**	**(1,427,815)**	(1,389,735)	-	-	(1,389,735)
Depreciation	**(3,126,959)**	**(1,894,730)**	**(1,217,228)**	**(6,238,917)**	(1,815,475)	(1,952,026)	(1,275,205)	(5,042,706)
(Charge for) reversal of impairment loss on real estate properties	**(2,541,349)**	**-**	**-**	**(2,541,349)**	1,059,157	-	-	1,059,157
Other operating expenses	**(3,136,601)**	**(1,030,633)**	**(1,191,790)**	**(5,359,024)**	(1,616,263)	(2,301,042)	(1,312,260)	(5,229,565)
Foreign tax	**(268,879)**	**-**	**(192,127)**	**(461,006)**	(250,143)	-	(825,585)	(1,075,728)
Segment results	**4,620,617**	**3,951,023**	**1,664,764**	**10,236,404**	7,569,379	5,979,877	1,464,350	15,013,606
Interest income				**245,843**				75,734
Investment income				**8,878,706**				7,773,641
Finance costs				**(4,719,480)**				(6,263,287)
Impairment loss of financial assets available for sale				**(4,157,730)**				(9,513,832)
Other non-operating (loss) income				**(124,703)**				313,089
Profit before contribution to KFAS, NLST, Zakat and Directors' fees				**10,359,040**				7,398,951
Unallocated expenses				**(589,508)**				(448,824)
Profit for the year				**9,769,532**				6,950,127
Other information:								
Segment assets	**151,927,871**	**4,635,520**	**42,829,651**	**199,393,042**	153,926,467	49,433,524	49,941,557	253,301,548
Investment in joint venture	**10,290,764**	**-**	**-**	**10,290,764**	9,040,006	-	-	9,040,006
Total assets	**162,218,635**	**4,635,520**	**42,829,651**	**209,683,806**	162,966,473	49,433,524	49,941,557	262,341,554
Segment liabilities	**49,005,048**	**2,149,585**	**31,926,070**	**83,080,703**	88,831,228	2,821,932	36,431,819	128,084,979
Capital expenditure	**3,103,607**	**-**	**230,533**	**3,334,140**	6,006,931	-	174,688	6,181,619

23 SEGMENTAL INFORMATION (continued)

Geographic information

The Group operates in two geographical markets: Kuwait and GCC and Europe. The following table shows the distribution of the Group's segment revenues, assets and capital expenditure.

	31 December 2010			*31 December 2009*		
	Kuwait and GCC	***Europe***	***Total***	*Kuwait and GCC*	*Europe*	*Total*
	KD	***KD***	***KD***	*KD*	*KD*	*KD*
Revenue	**27,897,112**	**15,098,612**	**42,995,724**	28,158,135	16,055,201	44,213,336
Assets	**160,838,910**	**48,844,896**	**209,683,806**	198,095,518	64,246,036	262,341,554
Capital expenditure	**1,585,734**	**1,748,406**	**3,334,140**	4,723,185	1,458,434	6,181,619

24 RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Group's principal financial liabilities comprise non-derivatives financial instruments such as bank loans, due to banks and financial institutions and account payables. The main purpose of these financial liabilities is to fund the Group's operations. The Group has various financial assets such as accounts receivable, cash and bank balances and short-term fixed deposits, which arise directly from its operations. The Group also holds financial assets available for sale.

The main risk arising from the Group's financial instruments are market risk, credit risk and liquidity risk.

The Parent Company's Board of Directors and Executive Committee are ultimately responsible for overall risk management including setting, reviewing and agreeing policies for managing each of these risks which are summarised below.

Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, foreign currency risk and equity price risk. Financial instruments affected by market risk include loans and borrowings, deposits, financial assets available for sale.

The sensitivity analyses in the following sections relate to the position as at 31 December 2010 and 2009.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and the proportion of financial instruments in foreign currencies are all constant.

The analyses exclude the impact of movements in market variables on the carrying value of provisions and on the non-financial assets and liabilities of foreign operations.

The following assumptions have been made in calculating the sensitivity analyses:
- The statement of financial position sensitivity relates to financial assets available for sale.
- The sensitivity of the relevant statement of income item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 December 2010 and 2009.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Group is exposed to interest rate risk with respect to its bank balances, short-term fixed deposit, due to banks and financial institution, and bank loans which are both at fixed floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between floating rate and fixed rate borrowings.

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

24 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

Interest rate risk (continued)
The following table illustrates the sensitivity of the profit for the year to a reasonable possible change of interest rate in terms of basis points with effect from the beginning of the year. The calculation is based on the Group's financial instruments held at each reporting date. All other variables are held constant.

	Increase/decrease in basis points	*Effect on profit before KFAS, NLST, Zakat and Directors' fees KD*
2010		
Kuwaiti Dinar	**25**	**(791,095)**
Kuwaiti Dinar	**-25**	**791,095**
Euro	**25**	**(751,903)**
Euro	**-25**	**751,903**
US Dollar	**25**	**(6,364)**
US Dollar	**-75**	**19,092**
GBP	**25**	**(27,801)**
GBP	**-50**	**55,602**
2009		
Kuwaiti Dinar	25	(1,375,389)
Kuwaiti Dinar	-50	275,078
Euro	25	(861,160)
Euro	-25	861,160
US Dollar	50	(92,808)
US Dollar	-75	1,392,126
GBP	50	(6,013)
GBP	-25	30,067

Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional and presentation currency) and the Group's net investments in foreign subsidiaries.

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

Currency risk principally arises from the Group's exposure to investments in overseas markets and borrowings in foreign currency. The Group is exposed to changes rates of US Dollar, Japanese Yen, Euro and Great Britain Pounds. To mitigate the Group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored. The Group does not hedge foreign currency exposures.

24 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

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

	2010 KD Equivalent	*2009 KD Equivalent*
US Dollar	**7,528,932**	29,918,652
Japanese Yen	**-**	(1,649,566)
Euro	**1,763,097**	114,802
Pound Sterling	**(804,825)**	80,921

The effect on profit and equity as a result of change in currency rate which is attributed to changes in the fair value of monetary assets and liabilities, with all other variables held constant is shown below:

	2010			*2009*		
Currency	**Change in currency rate in %**	**Effect on profit KD**	**Effect on other comprehensive income KD**	*Change in currency rate in %*	*Effect on profit KD*	*Effect on other comprehensive income KD*
US Dollar	**2%**	**5,091**	**(155,670)**	3%	(553,897)	1,451,456
Japanese Yen	**2%**	**-**	**-**	4%	(65,983)	-
Euro	**10%**	**(179,558)**	**-**	6%	81	6,807
Pound Sterling	**6%**	**(18,434)**	**-**	15%	7,287	4,851

Equity price risk
Equity price risk arises from changes in the fair values of equity investments. Equity price risk is managed by the direct investment department of the Parent Company through diversification of investments in terms of geographical distribution and industry concentration. The Group's quoted investments include securities listed on the Kuwait Stock Exchange and a portfolio of foreign investments (managed by foreign financial institutions) sensitive to recognised international indices.

The effect on other comprehensive income in equity (as a result of a change in the fair value of financial assets available for sale at 31 December 2010) due to a reasonably possible change in market indices, with all other variables held constant is as follows:

	2010		*2009*	
Market indices	**Change in equity price %**	**Effect on other comprehensive income KD**	*Change in equity price %*	*Effect on other comprehensive income KD*
Kuwait	+/-5	**169,058**	+/-5	856,053
International	+/-5	**75,597**	+/-5	22,880

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 manages credit risk by setting limits for individual counter-parties, and groups of counter-parties and for geographical and industry segments. The Group also monitors credit exposures, and continually assesses the creditworthiness of counterparties. In addition, the Group obtains security where appropriate and limits the duration of exposures.

24 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

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

	2010 KD	*2009 KD*
Bank balances	**4,346,218**	3,539,822
Short-term fixed deposits	**2,739,521**	3,911,056
Accounts receivable (Note 6)	**1,832,009**	1,862,055
Total exposure of credit risk	**8,917,748**	9,312,933

The credit risk exposure for bank balances and is not considered to be significant because the counterparties are reputable, financially sound financial institutions.

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The maximum exposure to a single counter party is KD 860,853 (2009: KD 1,024,871). There are no significant concentrations of credit risk within the Group.

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

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. The Group objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans.

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2010 and 31 December 2009 based on contractual undiscounted payments:

Year ended 31 December 2010	***Within 3 months KD***	***3 to 6 months KD***	***6 to 12 months KD***	***Over one year KD***	***Total KD***
Due to banks and financial institution	**1,399,085**	**-**	**-**	**-**	**1,399,085**
Accounts payable and accruals	**5,822,584**	**3,242,499**	**1,571,563**	**6,668,013**	**17,304,659**
Bank loans	**8,398,022**	**3,313,049**	**6,526,047**	**59,758,504**	**77,995,622**
TOTAL LIABILITIES	**15,619,691**	**6,555,548**	**8,097,610**	**66,426,517**	**96,699,366**

Year ended 31 December 2009	*Within 3 months KD*	*3 to 6 months KD*	*6 to 12 months KD*	*Over one year KD*	*Total KD*
Due to banks and financial institution	33,022,479	-	-	-	33,022,479
Accounts payable and accruals	6,355,815	2,517,233	1,305,822	6,967,520	17,146,390
Bank loans	3,828,358	3,798,954	26,635,079	64,248,550	98,510,941
TOTAL LIABILITIES	43,206,652	6,316,187	27,940,901	71,216,070	148,679,810

24 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)
The table below shows the contractual expiry by maturity of the Group's contingent liabilities and commitments.

Financial liabilities 2010	*Within 3 months KD*	*3 to 12 months KD*	*1 to 5 years KD*	*Total KD*
Contingent liabilities	**-**	**16,667,615**	**-**	**16,667,615**
Commitments	**3,453,376**	**11,526,071**	**-**	**14,979,447**
Total	**3,453,376**	**28,193,686**	**-**	**31,647,062**
2009				
Contingent liabilities	-	16,272,190	-	16,272,190
Commitments	2,974,646	3,823,900	-	6,798,546
Total	2,974,646	20,096,090	-	23,070,736

25 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below summarises the maturity profile of the Group's assets and liabilities. The maturity profile of short-term fixed deposits, accounts receivable and other asset, accounts payable and accruals, interest bearing loans and borrowings at the year end is based on contractual repayment arrangements. The maturity profile for the remaining assets is determined based on the management estimate of liquidation of those financial assets. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

The maturity profile of assets and liabilities was as follows:

31 December 2010 ASSETS	*Within 3 months KD*	*3 to 6 months KD*	*6 to 12 months KD*	*Over one year KD*	*Total KD*
Cash and bank balances	7,384,622	-	-	-	7,384,622
Inventories	305,110	-	-	-	305,110
Accounts receivables and other assets	1,221,788	2,674,666	419,186	2,119,086	6,434,726
Financial assets available for sale	-	-	5,411,232	17,993,818	23,405,050
Investment in joint venture	-	-	-	10,290,764	10,290,764
Investment properties	-	-	-	66,078,372	66,078,372
Property and equipment	-	-	-	95,785,162	95,785,162
TOTAL ASSETS	**8,911,520**	**2,674,666**	**5,830,418**	**192,267,202**	**209,683,806**
LIABILITIES					
Due to banks and financial institution	1,399,085	-	-	-	1,399,085
Accounts payable and accruals	5,822,584	3,242,499	1,571,563	6,668,013	17,304,659
Bank loans	7,521,881	2,525,274	5,060,920	49,268,884	64,376,959
TOTAL LIABILITIES	**14,743,550**	**5,767,773**	**6,632,483**	**55,936,897**	**83,080,703**

25 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

31 December 2009 ASSETS	*Within 3 months KD*	*3 to 6 months KD*	*6 to 12 months KD*	*Over one year KD*	*Total KD*
Cash and bank balances	7,472,144	-	-	-	7,472,144
Inventories	336,880	-	-	-	336,880
Accounts receivables and other assets	1,786,176	4,863,199	911,874	2,066,325	9,627,574
Financial assets available for sale	-	-	11,569,229	52,228,855	63,798,084
Investment in joint venture	-	-	-	9,040,006	9,040,006
Investment properties	-	-	-	68,786,388	68,786,388
Property and equipment	-	-	-	103,280,478	103,280,478
TOTAL ASSETS	9,595,200	4,863,199	12,481,103	235,402,052	262,341,554
LIABILITIES					
Due to banks and financial institution	33,015,794	-	-	-	33,015,794
Accounts payable and accruals	6,355,815	2,517,233	1,305,822	6,969,277	17,148,147
Bank loans	3,073,691	3,077,404	23,744,154	48,025,789	77,921,038
TOTAL LIABILITIES	42,445,300	5,594,637	25,049,976	54,995,066	128,084,979

26 FAIR VALUE OF FINANCIAL INSTRUMENTS

In the ordinary course of business the Group uses non-derivative financial instruments. The fair value of borrowings has been calculated by discounting the expected future cash flows at prevailing interest rates. The carrying values of variable rate short-term and long-term loans approximate their fair values because of the short- term reprising of interest rates. Fixed rate long term loans approximate their fair values because prevalent interest rates for similar loans are not significantly different from contractual rates. In the opinion of the Parent Company's management, carrying values of all other financial instruments are not significantly different from fair values except as noted in Note 7.

27 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may review the dividend payment to shareholders, return capital to shareholders or issue new shares.

27 CAPITAL MANAGEMENT (continued)

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, interest bearing loans and borrowings and other liabilities, less cash and bank balances and short-term fixed deposits. Capital includes equity attributable to the equity holders of the Parent Company less cumulative changes in fair values.

	2010 KD	2009 KD
Interest bearing loans and borrowings	**65,776,044**	110,936,832
Other liabilities	**17,304,659**	17,148,147
Less: cash and bank balances and short-term fixed deposits	**(7,384,622)**	(7,472,144)
Net debt	**75,696,081**	120,612,835
Equity attributable to the equity holders of the Parent Company	**111,710,279**	119,974,352
Less: cumulative changes in fair value	**1,425,588**	(10,767,888)
Total capital	**113,135,867**	109,206,464
Capital and net debt	**188,831,948**	229,819,299
Gearing ratio	**40%**	52%

28 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

At the reporting date, the Group had the following contingencies and capital commitments:

	2010 KD	2009 KD
Letters of guarantee	**16,667,615**	16,272,190
Construction projects	**14,979,447**	6,798,546
	31,647,062	23,070,736