ABYAAR REAL ESTATE DEVELOPMENT COMPANY K.S.C. (CLOSED) AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2010

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Abyaar Real Estate Development Company K.S.C. (Closed) (the parent company) and its subsidiary (together the "group"), which comprise the consolidated statement of financial position as at 31 December 2010 and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Except for the matter described in the "Basis for Qualified Opinion" below, we conducted our audit in accordance with International Standards of Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate for 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 parent company's management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained, except for the matters described in the "Basis for Qualified Opinion" below, is sufficient and appropriate to provide a basis for our audit opinion.

ERNST & YOUNG

Rödl Middle East
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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ABYAAR REAL ESTATE DEVELOPMENT COMPANY K.S.C. (CLOSED) (continued)

Basis for Qualified Opinion
As disclosed in Note 9, group has not recorded its share of results of an associate Abyaar Qatar Real Estate Development Company K.S.C. (Closed) as the group's management was not able to obtain audited financial statements of this associate. We were unable to satisfy ourselves as to the amounts included in the consolidated financial statements in respect of this associate by other audit procedures.

Qualified Opinion
In our opinion, except for the effect of the matter referred in the "Basis for Qualified Opinion" paragraph above, the consolidated financial statements present fairly, in all material respect, 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 Matters
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 except for the limitation described in the Basis for Qualified Opinion above, we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Commercial Companies Law of 1960, 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, nor of the articles of association have occurred during the year ended 31 December 2010 that might have had a material effect on the business of the 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

8 February 2011
Kuwait

CONSOLIDATED STATEMENT OF INCOME

Year ended 31 December 2010

	Notes	*2010* *KD*	*2009* *KD*
INCOME			
Rental income		**619,787**	702,947
Unrealized gain (loss) on revaluation of investment properties	7	**6,521,879**	(2,371,670)
(Loss) gain on foreign exchange		**(1,193,288)**	2,747,769
Other income		**37,894**	18,104
		5,986,272	1,097,150
EXPENSES			
Staff costs		**(621,438)**	(1,151,952)
General and administration expenses		**(1,862,040)**	(1,580,914)
Islamic finance costs		**(2,818,584)**	(2,723,968)
Advertising and marketing expenses		**(2,671)**	(597,069)
		(5,304,733)	(6,053,903)
OPERATING PROFIT (LOSS)		**681,539**	(4,956,753)
Impairment loss:			
Properties under development	6	**(3,391,949)**	(7,854,647)
Property and equipment	5	**(748,517)**	-
Provision for doubtful accounts receivable	12	**(1,537,986)**	(9,848,889)
Available for sale investments		-	(477,229)
TOTAL IMPAIRMENT LOSS		**(5,678,452)**	(18,180,765)
Share of results of joint ventures	8	-	(1,451,046)
Share of results of associates	9	-	(4,658,994)
LOSS FOR THE YEAR		**(4,996,913)**	(29,247,558)
BASIC AND DILUTED LOSS PER SHARE	4	**(4.77) fils**	(37.26) fils

The attached notes 1 to 25 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2010

	Notes	*2010* *KD*	*2009* *KD*
Total comprehensive loss for the year		**(7,131,063)**	(25,956,524)

The attached notes 1 to 25 form part of these consolidated financial statements.

Abyaar Real Estate Development Company K.S.C. (Closed) and Subsidiary

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	Notes	2010 KD	2009 KD
ASSETS			
Non-current assets			
Property and equipment	5	1,056,696	2,049,811
Properties under development	6	34,363,820	114,997,024
Investment properties	7	93,437,773	88,427,833
Investment in joint ventures	8	10,597,522	10,828,776
Investment in associates	9	13,496,479	10,966,922
Available for sale investments	10	4,383,456	4,465,034
		157,335,746	231,735,400
Current assets			
Trading properties	11	88,622,842	13,265,956
Accounts receivable and prepayments	12	23,720,533	23,930,951
Bank balances and cash	13	1,944,613	2,084,585
		114,287,988	39,281,492
TOTAL ASSETS		271,623,734	271,016,892
EQUITY AND LIABILITIES			
Equity			
Share capital	14	105,591,538	105,591,538
Share premium		26,430,246	26,430,246
Statutory reserve	15	3,586,118	3,586,118
General reserve	15	2,288	1,892,288
Treasury shares	16	(1,473,038)	(4,133,038)
Foreign currency translation reserve		1,156,884	3,291,034
Accumulated losses		(34,142,845)	(29,145,932)
Total equity		101,151,191	107,512,254
Non-current liabilities			
Murabaha payable	17	12,079,457	26,538,159
Istisna'a payable	18	1,962,715	2,478,367
Accounts payable and accruals	19	16,951,812	42,738,315
Employees' end of service benefits		142,729	191,999
		31,136,713	71,946,840
Current liabilities			
Obligations under finance lease		232,022	237,086
Murabaha payable	17	75,654,677	54,930,019
Istisna'a payable	18	1,308,080	631,508
Accounts payable and accruals	19	62,141,051	35,759,185
		139,335,830	91,557,798
Total liabilities		170,472,543	163,504,638
TOTAL EQUITY AND LIABILITIES		271,623,734	271,016,892

Marzooq R. Al-Rashdan
Chairman

The attached notes 1 to 25 form part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2010

	Notes	2010 KD	2009 KD
OPERATING ACTIVITIES			
Loss for the year		**(4,996,913)**	(29,247,558)
Adjustment for:			
Depreciation	5	**233,654**	233,031
Islamic finance costs		**2,818,584**	2,723,968
Provision for employees end of service benefits		**3,191**	42,936
Impairment of property and equipment		**748,517**	-
Impairment loss on properties under development	6	**3,391,949**	7,854,647
Provision for doubtful accounts receivable	12	**1,537,986**	9,848,889
Unrealized gain (loss) on revaluation of investment properties	7	**(6,521,879)**	2,371,670
Share of results of joint ventures	8	**-**	1,451,046
Share of results of associates	9	**-**	4,658,994
Impairment loss on available for sale investments			477,229
(Loss) gain on foreign exchange		**1,193,288**	(2,747,769)
		(1,591,623)	(2,332,917)
Changes in working capital:			
Accounts receivable and prepayments		**(4,790,654)**	(4,677,435)
Accounts payable and accruals		**2,438,326**	(24,340,448)
Cash used in operations		**(3,943,951)**	(31,350,800)
Islamic finance costs paid		**(2,818,584)**	(2,723,968)
Employees' end of service benefits paid		**(52,461)**	(25,516)
Net cash used in operating activities		**(6,814,996)**	(34,100,284)
INVESTING ACTIVITIES			
Additions to investment properties	7	**(506,654)**	(1,988,421)
Additions to properties under development	6	**(821,307)**	(3,830,043)
Additions to property and equipment	5	**(27,159)**	(38,072)
Cash inflow on acquisition of a subsidiary		**-**	34,619
Additions to investment in joint ventures	8	**-**	(1,404,010)
Net movement in restricted bank accounts		**10,748**	228,256
Net cash used in investing activities		**(1,344,372)**	(6,997,671)
FINANCING ACTIVITIES			
Proceeds from increase of share capital		**-**	54,296,784
Purchase of treasury shares		**-**	(2,025,996)
Proceeds from sale of treasury shares		**770,000**	2,458,907
Murabaha payable – net		**6,982,408**	(9,335,915)
Istisna'a payable – net		**277,736**	(3,782,074)
Net cash from financing activities		**8,030,144**	41,611,706
(DECREASE) INCREASE IN BANK BALANCE AND CASH		**(129,224)**	513,751
Bank balance and cash at 1 January		**1,034,879**	521,127
BANK BALANCE AND CASH AT 31 DECEMBER	13	**905,655**	1,034,879

The attached notes 1 to 25 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2010

	Share capital KD	*Share premium KD*	*Statutory reserve KD*	*General reserve KD*	*Treasury shares KD*	*Foreign currency translation reserve KD*	*(Accumulated losses) / retained earnings KD*	*Total KD*
Balance at 1 January 2010	105,591,538	26,430,246	3,586,118	1,892,288	(4,133,038)	3,291,034	(29,145,932)	107,512,254
Loss for the year	-	-	-	-	-	-	(4,996,913)	(4,996,913)
Other comprehensive loss	-	-	-	-	-	(2,134,150)	-	(2,134,150)
Total comprehensive loss for the year	-	-	-	-	-	(2,134,150)	(4,996,913)	(7,131,063)
Sale of treasury shares (Note 16)	-	-	-	(1,890,000)	2,660,000	-	-	770,000
Balance at 31 December 2010	**105,591,538**	**26,430,246**	**3,586,118**	**2,288**	**(1,473,038)**	**1,156,884**	**(34,142,845)**	**101,151,191**
Balance at 1 January 2009	53,363,750	24,361,250	3,586,118	2,371,182	(912,343)	-	101,626	82,871,583
Loss for the year	-	-	-	-	-	-	(29,247,558)	(29,247,558)
Other comprehensive income	-	-	-	-	-	3,291,034	-	3,291,034
Total comprehensive income (loss) for the year	-	-	-	-	-	3,291,034	(29,247,558)	(25,956,524)
Issue of share capital	52,227,788	2,068,996	-	-	-	-	-	54,296,784
Purchase of treasury shares	-	-	-	-	(2,025,996)	-	-	(2,025,996)
Sale of treasury shares	-	-	-	(478,894)	2,937,801	-	-	2,458,907
Treasury shares acquired on acquisition of a subsidiary	-	-	-	-	(4,132,500)	-	-	(4,132,500)
Balance at 31 December 2009	105,591,538	26,430,246	3,586,118	1,892,288	(4,133,038)	3,291,034	(29,145,932)	107,512,254

The attached notes 1 to 25 form part of these consolidated financial statements.

1 ACTIVITIES

The consolidated financial statements of Abyaar Real Estate Development Company K.S.C. (Closed) (the "parent company") and subsidiary (the "group") for the year ended 31 December 2010 were authorised for issue by the parent company's board of directors on 8 February 2011. The General Assembly of the parent company's shareholders has the power to amend these consolidated financial statements after issuance.

The registered office of the parent company is located at Al-Sahab Tower, Fahed Al Salem Street, Al Salhia, Kuwait City, P.O. Box 1426, Safat 13015 Safat, Kuwait.

The group is engaged in various types of real estate development activities. The group's business activities are all carried out within the Middle East region. All activities are conducted in accordance with Islamic Sharee'a as approved by Sharia Board.

2 FUNDAMENTAL ACCOUNTING CONCEPT

The group has prepared the consolidated financial statements under the going concern concept of accounting. As stated in the Note 17 and Note 18, at 31 December 2010, the group was unable to meet on due dates its murabaha and istisna'a payable obligations and amounts payable to a third party of approximately KD 52.6 million (2009: KD 37.5 million) and KD 34.8 million (2009: KD 24.1) respectively, and its current liabilities exceeded the current assets by approximately KD 25 million (2009: KD 52.3 million) at 31 December 2010. The management and the shareholders of the parent company have taken a number of actions to settle the group's liabilities and obtain longer term funding; some of which are described below:

- The group and a lender have reached mutual understanding to settle a murabaha payable of KD 24 million by transfer of a trading property to the lender. Management expects to sign the agreement upon finalization of legal formalities in the foreseeable future.
- The group is in discussion with its lenders to arrange for settlement, rescheduling and providing collateral coverage for its remaining murabaha payables.
- The group and a vendor have mutually agreed to settle payable for the purchase of a property amounting to KD 58 million by transfer of the same property back to the vendor. This will result in reduction in group's current and non-current liabilities by KD 49.5 million and KD 7.4 million respectively. The final agreement will be signed on completion of legal formalities.

Based on the above, and the fact that the group's total assets exceed its liabilities by approximately KD 101 million at 31 December 2010, the management considers that the group has adequate resources to continue in operational existence for the foreseeable future and accordingly the going concern basis continues to be adopted in preparing these consolidated financial statements.

Basis of preparation
The consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of investment properties and available for sale investments.

The consolidated financial statements have been presented in Kuwaiti Dinars (KD). However the functional currency of the group is United Arab Emirate Dirham (UAE Dirham).

Statement of compliance
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and applicable requirements of Ministerial Order No. 18 of 1990.

3 SIGNIFICANT ACCOUNTING POLICIES

Changes in accounting policies and disclosures

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the previous years, except for the adoption of IFRS 3 (Revised) – *Business Combinations* and consequential amendments to IAS 27 – *Consolidated and Separate Financial Statements*. The main changes in the group's accounting policies are as follows:

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

Application of the above standards did not have any impact on the consolidated financial statements of the group.

International Accounting Standards Board (IASB) Standards and International Financial Reporting Interpretations Committee (IFRIC) Interpretations issued but not adopted

The following IASB Standards and Interpretations have been issued but are not yet mandatory, and have not yet been adopted by the group:

IFRS 9 'Financial Instruments: Classification and measurement: (applicable for reporting periods beginning on or after 01 January 2013):

The standard was issued in November 2009 and becomes effective for financial years beginning on or after 1 January 2013. The new standard enhances the ability of investors and other users of financial information to understand the accounting of financial assets and reduces complexity. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used. The application of IFRS 9 is under local regulatory review for adoption in the State of Kuwait.

This new standard will have implications for the measurement, classification and disclosure requirements of the group's investment securities.

IAS 24 (Revised 2009) Related Party Disclosures: (applicable retrospectively for annual periods beginning on or after 1 January 2011)

The revised standard was issued in November 2009 and becomes effective for annual period beginning on or after 1 January 2011. The revised standard simplifies the definition for a related party and provides a partial exemption from the disclosure requirements for government – related entities. The application of this standard is not expected to have a material impact on the consolidated financial statements of the group.

Basis of consolidation

The consolidated financial statements include the financial statements of the parent company and its subsidiary for the year ended 31 December 2010. The financial statements of the subsidiary are prepared for the same reporting year as the parent company, using consistent accounting policies. The consolidated financial statements include the following subsidiary:

Name of the company	*Country of incorporation*	*Interest in equity* *2010*	*2009*	*Principal activities*
Al Ain National for General Trading Company W.L.L.	Kuwait	100%	100%	Real Estate

The subsidiary has been accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition.

Subsidiaries are those enterprises controlled by the group. Control exists when the group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)
All inter-company balances and transactions, including intercompany profits and unrealised profits and losses are eliminated on consolidation. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Revenue recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received. The following specific recognition criteria must also be met before revenue is recognized:

- Rental income is recognized on a straight line basis over the lease term.
- Income from sale of properties is recognized when significant risks and rewards of ownership have passed to the buyer and the amount of sale proceeds can be measured reliably.

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. Capitalization 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.

Property and equipment
Property and equipment is stated at cost, less accumulated depreciation and any impairment in value.

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

• Buildings	30 years
• Furniture and fixtures	3 years
• Computers	1-4 years
• Vehicles	3- 5 years

The carrying values of property and equipment 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, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the consolidated statement of income as the expense is incurred.

Properties under development
Properties under development are developed for future sale in the ordinary course of business, rather than to be held for rental or capital appreciation and are stated at lower of cost and net realizable value. Upon completion these are transferred to trading properties. Cost includes freehold rights for land, amounts paid to contractors for construction, borrowing costs, planning and design costs, cost of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs. Net realizable value is based on estimated selling price in the ordinary course of the business, based on market prices at the statement of financial position date, less costs to completion and the estimated cost of sale.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties
Investment properties comprise developed properties and properties under development held to earn rentals or for capital appreciation or both. Property held under lease is classified as investment property when the definition of an investment property is met and it is accounted for as a finance lease. Investment properties are initially recorded at cost, including transaction cost. Subsequent to initial recognition, investment properties are carried at fair value. Gains and losses arising from changes in the fair value of investment properties are included in the consolidated statement of income.

Investment property is derecognized when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment property are recognized in the consolidated statement of income in the year of disposal.

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Investment in joint ventures
The group has interests in joint ventures which are jointly controlled entities. 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.

The investment in a joint venture is accounted for under the equity method of accounting. Under the equity method of accounting, the initial investment is recorded at cost and the carrying amount is increased or decreased to recognize the group's share of profits or losses and other changes in equity of the joint venture. Distributions received from joint venture reduce the carrying amount of the investment.

Investment in associates
The group's investment in associates is accounted for under the equity method of accounting. These are entities over which the group exercises significant influence and which are neither subsidiaries nor joint ventures. Investment in associates is carried in the statement of financial position at cost, plus post-acquisition changes in the group's share of net assets of the associate, less any impairment in value. Distributions received from an associate reduce the carrying amount of the investment. The consolidated statement of income reflects the group's share of the results of its associates.

Unrealized profits and losses resulting from transactions between the group and its associate are eliminated to the extent of the group's interest in the associate.

Available for sale investments
All investments are initially recognised at cost, being the fair value of the consideration given including acquisition charges associated with the investment. After initial recognition, investments are remeasured at fair value, unless fair values cannot be reliably measured, in which case, these investments are carried at cost less any impairment loss. Valuation gains and losses arising from remeasurement to fair value are classified as a separate component of equity until the investment is derecognised or the investment is determined to be impaired. On derecognition or impairment, the cumulative gain or loss previously reported in other comprehensive income is included in the consolidated statement of income for the year.

Trading properties
Trading properties are held for short term purposes and are carried at the lower of cost and net realizable value determined on an individual basis. Cost comprises the purchase cost of real estate and other expenses incurred in order to complete the transaction. Net realizable value is based on estimated selling price in the ordinary course of the business less any further costs to be incurred on disposal of real estate.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Cash and cash equivalents
For the purpose of the statement of cash flows, cash and cash equivalents consist of cash in hand and bank balances excluding balance in restricted bank accounts.

Treasury shares
Treasury shares consist of the parents company's own shares that have been issued, subsequently reacquired by the group and not yet sold or cancelled. The treasury shares are accounted for using the cost method. When treasury shares are sold, gains are credited to a separate equity account (treasury shares reserve), which is not distributable. Any realized 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 realized subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and treasury shares reserve account. No cash dividends are paid 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.

Employees' end of service benefits
The group provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its national employees, the group also makes contributions to Public Authority for Social Security calculated as a percentage of the employees' salaries. The group's obligations are limited to these contributions, which are expensed when due.

Murabaha payable
Murabaha payable represents amounts payable on a deferred settlement basis for assets purchased under murabaha arrangements. Murabaha payables are stated at the total amount of the payable less profit deferred. Profit payable is expensed on a time apportionment basis taking account of the profit rate attributable and the balance outstanding.

Istisna'a payable
Istisna'a is a sale contract between a contract owner and a contractor whereby the contractor based on an order from the contract owner undertakes to manufacture or otherwise acquire the subject matter of the contract according to specifications, and sells it to the contract owner for an agreed upon price and method of settlement whether that be in advance, by instalments or deferred to a specific future time. Istisna'a payable is carried at amortised cost.

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

Leases
Finance leases, which transfer to the group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of finance charge on the remaining balance of the liability. Finance charges are charged to the consolidated statement of income.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term. Operating lease payments are recognised as expense on straight line basis over the lease term.

Certain property interests held for investment purposes by the group under operating lease are classified as investment properties and accounted for as if they were in the nature of finance leases.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions
Provisions are recognized when the group has a present obligation (legal or constructive) as a result of a past event, it is probable 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. Where the group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income net of any reimbursement.

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

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 profit before deductions for the year. As per law, income from associates, cash dividends from listed companies which are subjected to NLST have been deducted from the profit for the year.

Zakat
The group calculates Zakat in accordance with the requirements of Law No. 46 of 2006 at 1% of profit before deductions for the year.

Recognition and derecognition of financial assets and liabilities
A financial asset or a financial liability is recognized when the group becomes a party to the contractual provisions of the instrument. A financial asset (in whole or in part) is de-recognized when the contractual rights to cash flows from the financial asset expire, the group has transferred substantially all the risks and rewards and when it has neither transferred nor retained substantially all the risks and rewards of ownership or when it no longer has control over the asset or proportion of the asset. A financial liability is de-recognized when the obligation specified in the contract is discharged, cancelled or expired.

Trade and settlement date accounting
All "regular way" purchases and sales of financial assets are recognized on the trade date i.e. the date that the entity commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Impairment of financial assets
An assessment for a group of financial assets is made at each statement of financial position date to determine whether there is objective evidence that a specific group of financial asset may be impaired. If such evidence exists, an impairment loss is recognised in the consolidated statement of income.

Impairment is determined as follows:

(a) for assets carried at amortised cost, impairment is based on estimated cash flows discounted at the original effective rate of return;
(b) for assets carried at fair value, impairment is the difference between cost and fair value; and
(c) for assets carried at cost, impairment is the difference between cost and present value of future cash flows discounted at the current market rate of return for a similar financial asset.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the financial asset no longer exist or have decreased and the decrease can be related objectively to an event occurring after the impairment was recognised. Reversals of impairment losses are recognized in the consolidated statement of income to the extent the carrying value of the asset does not exceed its amortized cost at the reversal date. Reversals in respect of equity instruments classified as available-for-sale are recognized statement of other comprehensive income.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Offsetting
Financial assets and financial liabilities are only offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and the group intends to settle on a net basis so as to realize the assets and liabilities simultaneously.

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 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 recognized in the consolidated statement of income. After such a 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.

Foreign currencies
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency at the rate of exchange ruling at the statement of financial position date. All differences are taken to the consolidated statement of income. Non monetary items that are measured in terms of historical costs in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Translation gains or losses on non monetary items are recognized in the consolidated statement of comprehensive income and are included in equity as part of the fair value adjustment on securities available for sale, unless part of an effective hedging strategy.

The assets and liabilities of the group are translated from UAE Dirham into Kuwaiti Dinar at the rate of exchange ruling at the statement of financial position date and income statement is translated at weighted average exchange rate for the year. The exchange difference arising on the translation are recognized in the consolidated statement of comprehensive income and are included in equity.

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 operation or to undertake a transaction on adverse terms.

Available for sale investments
For investments traded in organized financial markets, fair value is determined by reference to stock exchange quoted market bid prices at the close of business on the statement of financial position date.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values (continued)

For investments where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to recent arm's length market transactions, an earnings multiple, or an industry specific earnings multiple or a value based on a similar publicly traded company, or is based on the expected cash flows of the investment, or the underlying net asset base of the investment. Fair value estimates take into account liquidity constraints and assessment for any impairment.

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

Investment properties

For investment properties comprising developed properties and properties under development, fair value is supported by indicative market prices. Valuation is carried out by independent valuers who hold a recognised and relevant professional qualification and who have recent experience in the location and category of the investment property being valued.

Judgements

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

Classification of real estate

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

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

The group classifies property as investment property if it is acquired or developed or is in the process of development to generate rental income or for capital appreciation, or for undetermined future use.

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

Classification of real estate

Management decides on acquisition of an investment whether it should be classified as carried at fair value through income statement or available for sale. All investments of the group are classified as available for sale.

Impairment of investments

The group treats available for sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgement.

Estimation uncertainty

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

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's length market transactions;
- current fair value of another instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- Other valuation models.

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

Valuation of investment properties

Valuation of investment properties are based on the valuation made by an independent valuer who holds a recognised and relevant professional qualifications and relevant experience.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimation uncertainty (continued)

Impairment of accounts receivable
The group's management reviews periodically its accounts receivables to assess whether a provision for impairment should be recorded in the consolidated statement of income. In particular, considerable judgement by management is required in the estimation of amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgement and uncertainty.

Estimation of net realisable value for trading properties and properties under development
Trading properties and properties under development are stated at the lower of cost and net realisable value (NRV). NRV for completed trading properties is assessed with reference to market conditions and prices existing at the reporting date and is determined by the group having taken suitable external advice and in the light of recent market transactions.

NRV in respect of properties under development is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less estimated costs to complete construction and less an estimate of the time value of money to the date of completion.

4 BASIC AND DILUTED LOSS PER SHARE

Basic and diluted loss per share is calculated by dividing the loss for the year by the weighted average number of shares outstanding during the year.

There are no dilutive potential ordinary shares.

	2010	*2009*
	KD	*KD*
Loss for the year	**(4,996,913)**	(29,247,558)
	Shares	*Shares*
Weighted average number of shares outstanding during the year	**1,047,423,032**	784,907,228
Basic and diluted loss per share	**(4.77) fils**	(37.26) fils

5 PROPERTY AND EQUIPMENT

2010	*Buildings* *KD*	*Furniture and fixtures* *KD*	*Computers* *KD*	*Vehicles* *KD*	*Total* *KD*
Cost					
At 1 January 2010	1,660,700	572,264	206,410	27,110	2,466,484
Additions	-	26,908	251	-	27,159
Impairment	(748,517)	-	-	-	(748,517)
Foreign currency adjustment	(35,465)	(13,174)	(4,409)	(579)	(53,627)
At 31 December 2010	**876,718**	**585,998**	**202,252**	**26,531**	**1,691,499**
Depreciation					
At 1 January 2010	85,904	213,798	104,159	12,812	416,673
Depreciation for the year	52,569	110,583	65,354	5,148	233,654
Foreign currency adjustment	(3,198)	(7,970)	(3,878)	(478)	(15,524)
At 31 December 2010	**135,275**	**316,411**	**165,635**	**17,482**	**634,803**
Net carrying amount					
At 31 December 2010	**741,443**	**269,587**	**36,617**	**9,049**	**1,056,696**

2009	*Buildings* *KD*	*Furniture and fixtures* *KD*	*Computers* *KD*	*Vehicles* *KD*	*Total* *KD*
Cost					
At 1 January 2009	1,582,108	544,333	182,511	26,070	2,335,022
Additions	15,719	6,139	16,214	-	38,072
Foreign currency adjustment	62,873	21,792	7,685	1,040	93,390
At 31 December 2009	1,660,700	572,264	206,410	27,110	2,466,484
Depreciation					
At 1 January 2009	30,910	99,800	37,306	7,402	175,418
Depreciation for the year	53,148	110,154	64,501	5,228	233,031
Foreign currency adjustment	1,846	3,844	2,352	182	8,224
At 31 December 2009	85,904	213,798	104,159	12,812	416,673
Net carrying amount					
At 31 December 2009	1,574,796	358,466	102,251	14,298	2,049,811

Building with carrying value of KD 741,443 (2009: Nil) is mortgaged as collateral against murabaha payable (Note 17).

6 PROPERTIES UNDER DEVELOPMENT

	2010 ***KD***	*2009* *KD*
At 1 January	**114,997,024**	135,227,727
Additions	**821,307**	3,830,043
Reclassified to trading properties (Note 11)	**(75,640,187)**	(206,488)
Transfer to investment properties (Note 7)	-	(20,675,473)
Impairment loss	**(3,391,949)**	(7,854,647)
Foreign currency adjustment	**(2,422,375)**	4,675,862
At 31 December	**34,363,820**	114,997,024

Properties under development represent the cost of freehold properties and subsequent development cost incurred. The properties are located in United Arab Emirates, Egypt and Saudi Arabia.

During the current year, the management reclassified certain vacant plots of land from properties under development to trading properties. Reclassification was made based on management's decision not to develop these plots of land and to sell them in the foreseeable future.

At the reporting date, properties under development with a carrying value of KD 32,253,152 (2009: KD 9,775,000) are mortgaged as collateral against murabaha payable (Note 17).

7 INVESTMENT PROPERTIES

	KD	*KD*
At 1 January	**88,427,833**	61,896,358
Additions	**506,654**	1,988,421
Additions during the year on acquisition of subsidiary	-	2,964,246
Transfer from properties under development (Note 6)	-	20,675,473
Unrealized gain (loss) on revaluation	**6,521,879**	(2,371,670)
Foreign currency adjustment	**(2,018,593)**	3,275,005
At 31 December	**93,437,773**	88,427,833
Comprising:		
Properties under development	**86,124,566**	80,725,133
Developed properties	**7,313,207**	7,702,700
At 31 December	**93,437,773**	88,427,833

Investment properties include certain plots of land located in United Arab Emirates acquired by the group (through an arrangement with a related party) under build-operate-transfer agreements. These plots of land are held under operating leases and are classified and accounted for as investment properties; accordingly, the operating leases for the land are accounted for as finance leases. At the reporting date the carrying value of these properties is KD 33,945,647 (2009: KD 31,871,700).

At the reporting date, investment properties with a carrying value of KD 56,999,547 (2009: KD 26,365,130) are mortgaged as collateral against murabaha payable (Note 17).

8 INVESTMENT IN JOINT VENTURES

	2010 ***KD***	*2009* *KD*
At 1 January	**10,828,776**	16,713,991
Additions	-	1,404,010
Disposal	-	(6,508,425)
Share of results	-	(1,451,046)
Foreign currency adjustment	**(231,254)**	670,246
At 31 December	**10,597,522**	10,828,776

The group has a 50% interest in Al Marj FZC and Elite Investment Company LLC, which are jointly controlled entities involved in real estate development. The balance represents the cost of land acquired for contribution to these joint ventures.

The group has not recorded share of results of joint venture due to no change in the fair value of real estate properties held by these joint ventures during the current year.

Fair value of investment in joint ventures is not materially different from carrying value.

9 INVESTMENT IN ASSOCIATES

	Country of	*% equity interest*		*Activities*
Name of the company	*Incorporation*	***2010***	*2009*	
Abyaar Qatar Real Estate Development. Company K.S.C. (Closed)	Kuwait	**21%**	21%	Real Estate Development
Makan United Real Estate	Kuwait	**20%**	20%	Real Estate
Tamec General Trading and Contracting Co. W.L.L.	Kuwait	**20%**	20%	General Trading and Contracting
Al Jaddaf Real Estate Co. K.S.C. (Closed)	Kuwait	**36.5%**	36.5%	Real Estate Development
Bayan Mo'atamada General Trading Company W.L.L.	Kuwait	**26.7**	-	Real Estate Development

9 INVESTMENT IN ASSOCIATES (continued)

	2010 *KD*	*2009* *KD*
At 1 January	**10,966,922**	15,081,917
Fair value of net tangible assets acquired	**2,549,597**	-
Share of results	-	(4,658,994)
Foreign currency adjustment	**(20,040)**	543,999
At 31 December	**13,496,479**	10,966,922

During the current year, parent company has acquired 26.7% shares in Bayan Mo'atamada General Trading Company W.L.L. on final settlement of receivable on sale of properties under development due from a related party (Note 12).

Investment in an associate amounting to KD 4,139,603 (2009: KD 4,740,281) is mortgaged as collateral against murabaha payable (Note 17).

The following table illustrates summarized financial information of the group's investment in associates:

	2010 *KD*	*2009* *KD*
Share of associates' statement of financial position:		
Assets	**13,790,355**	11,353,507
Liabilities	**(847,505)**	(847,505)
Net assets	**12,942,850**	10,506,002
Share of the associates' revenue and loss:		
Revenue	-	32,954
Loss	-	(4,658,994)

The associates are not listed on any stock exchange.

During the current year, group has not recorded its share of results (2009: loss of KD 2,320,311) of an associate Abyaar Qatar Real Estate Development Company K.S.C. (Closed) with carrying value of KD 4,139,603 (2009: 4,139,603), as the group was unable to obtain audited financial statements of this associate as at 31 December 2010.

10 AVAILABLE FOR SALE INVESTMENTS

These represent investments in unquoted securities and unquoted managed funds amounting to KD 4,383,456 (2009: KD 4,465,034) and are carried at cost, less impairment, if any, due to the unpredictable nature of their future cash flows and lack of other suitable methods for arriving at a reliable fair value of these investments. There is no active market for these financial assets and the group intends to hold them for the long term. Management has performed a review of its unquoted equity investments to assess whether impairment has occurred in the value of these investments. Based on the latest available financial information, management is of the view that no further impairment provision is required as at 31 December 2010 in respect of these investments.

Available for sale investment amounting to KD 2,507,605 (2009: KD 2,562,325) is mortgaged as collateral against murabaha payable (Note 17).

11 TRADING PROPERTIES

	2010 *KD*	*2009* *KD*
At 1 January	**13,265,956**	12,548,687
Reclassified from properties under development (Note 6)	**75,640,187**	206,488
Foreign currency adjustment	**(283,301)**	510,781
At 31 December	**88,622,842**	13,265,956

Trading properties are mortgaged as collateral against murabaha payable (Note 17).

12 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2010 *KD*	*2009* *KD*
Receivable on sale of properties under development due from related parties (Note 20)	-	4,101,734
Receivable on sale of properties under development due from third parties	**4,521,205**	4,810,697
Prepaid expenses and commissions	**2,599,190**	2,729,860
Advance for purchase of property and equipment	**2,123,797**	2,128,995
Other amounts due from related parties (Note 20)	-	36,867
Construction cost receivable	**11,193,825**	7,770,998
Other receivables	**3,282,516**	2,351,800
	23,720,533	23,930,951

During the current year, the parent company reached settlement agreement for receivable on sale of properties under development due from related parties. Under the terms of the agreement, the parent company has acquired 26.7% shares in an associate Bayan Mo'atamada General Trading Company W.L.L. amounting to KD 2,549,597 (Note 20). The difference between the net receivable balance and the fair value of investment in the associate amounting to KD 1,532,246 is recorded as a provision for doubtful accounts receivable in the consolidated statement of income.

As at 31 December 2010, gross receivable on sale of properties under development of KD 7,582,405 (2009: KD 18,802,804) were impaired. Movements in the provision for doubtful receivable on sale of properties under development are as follows:

	2010 *KD*	*2009* *KD*
At 1 January	**9,848,889**	-
Charge for the year	**1,532,246**	9,848,889
Written off	**(8,319,935)**	-
At 31 December	**3,061,200**	9,848,889

Other receivables are stated net of provision for doubtful debts of KD 5,740 as at 31 December 2010 (2009: Nil).

13 BANK BALANCES AND CASH

	2010	*2009*
	KD	*KD*
Cash	**6,357**	6,474
Bank balances	**1,938,256**	2,078,111
	1,944,613	2,084,585
Less: Restricted bank balances	**(1,038,958)**	(1,049,706)
	905,655	1,034,879

Restricted bank balances represent amounts held in escrow accounts. The group cannot use these amounts until fulfilment of obligations related to construction and completion of certain projects.

14 SHARE CAPITAL

The share capital of the parent company consists of:

	2010	*2009*
	KD	*KD*
Authorized ordinary shares of 100 fils each	**106,727,500**	106,727,500
Issued and fully paid ordinary shares of 100 fils each	**105,591,538**	105,591,538

At 31 December 2010, issued and fully paid up capital of the parent company amounted to 1,055,915,380 shares (2009: 1,055,915,380 shares) of 100 fils each.

15 RESERVES

a) Statutory reserve

In accordance with the Commercial Companies Law and the parent company's Articles of Association, no transfer has been made to statutory reserve, since losses have been incurred during the year.

Distribution of the reserve is limited to the amount required to enable the payment of a dividend of 5% of paid up share capital to be made in years when retained earnings are not sufficient for the payment of dividend of that amount.

b) General reserve

In accordance with the parent company's Articles of Association, no transfer has been made to general reserve, since losses have been incurred during the year. The parent company may resolve to discontinue such annual transfers in accordance with a resolution of the parent company's ordinary general meeting based on proposal submitted by the parent company's board of directors.

16 TREASURY SHARES

During the year the group sold 14,000,000 treasury shares at a loss of KD 1,890,000. The balance of treasury shares at the end of the year was 7,750,000 shares (representing 0.73% from the total outstanding shares) carried at cost of KD 1,473,038 (31 December 2009: KD 4,133,038) and with a market value of KD 217,250 (31 December 2009: KD 1,065,995).

17 MURABAHA PAYABLE

Murabaha payable has been disclosed as follows:

	2010 *KD*	*2009* *KD*
Non current:		
Gross amount	**12,323,899**	29,820,993
Less: deferred profit payable	**(244,442)**	(3,282,834)
	12,079,457	26,538,159
Current:		
Gross amount	**77,300,566**	56,291,376
Less: deferred profit payable	**(1,645,889)**	(1,361,357)
	75,654,677	54,930,019

The fair value of murabaha payable approximates the carrying value as at 31 December 2010. The effective rate of profit payable approximates 7.5% (2009: 9%) per annum.

As at 31 December 2010, group was unable to meet its murabaha payable obligations of KD 51,730,453 (2009: KD 37,245,519) and suspended the principal repayments on murabaha payable. For subsequent developments, see Note 2.

Murabaha payable amounting to KD 41,435,127 (2009: KD 29,956,777) is secured by way of collaterals in the form of property and equipment amounting to KD 741,443 (2010: Nil) (Note 5), properties under development amounting to KD 32,253,152 (2009: KD 9,775,000) (Note 6), investment properties amounting to KD 56,999,547 (2009: KD 26,365,130) (Note 7), investment in associates amounting to KD 4,139,603 (2009: KD 4,740,281) (Note 9), available for sale investments amounting to KD 2,507,605 (2009: KD 2,562,325) (Note 10) and trading properties amounting to KD 12,982,655 (2009: KD 13,265,956) (Note 11).

18 ISTISNA'A PAYABLE

Istisna'a finance payable has been disclosed as follows:

	2010 *KD*	*2009* *KD*
Non current		
Gross	**2,392,450**	2,997,168
Less: deferred profit payable	**(429,735)**	(518,801)
	1,962,715	2,478,367
Current		
Gross	**1,437,880**	916,746
Less: deferred profit payable	**(129,800)**	(285,238)
	1,308,080	631,508

Istisna'a payable has a maturity period of 4 years with an effective rate of profit payable of approximately 9% (2009: 9%) per annum. The Istisna'a payable is secured by a charge over the underlying assets in the project.

As at 31 December 2010, group has past due istisna'a payable obligation of KD 839,767 (2009: KD 246,928).

19 ACCOUNTS PAYABLE AND ACCRUALS

	2010 KD	*2009 KD*
Non current		
Advances from customers	**9,328,591**	9,978,315
Payable on purchase of property under development	**7,623,221**	32,760,000
	16,951,812	42,738,315

	2010 KD	*2009 KD*
Current		
Amounts due to related parties (Note 20)	**991,122**	509,819
Provision for government fees	**59,586**	60,887
Accrued expenses	**1,443,502**	1,327,919
Payable on purchase of property under development	**51,553,195**	27,800,661
Other payables	**8,093,646**	6,059,899
	62,141,051	35,759,185

As at 31 December 2010, payable on purchase of property under development amounting to KD 34,799,510 (2009: KD 23,955,210) is past due.

20 RELATED PARTY TRANSACTIONS

Related parties represent associates, major shareholders, directors and key management personnel of the group, and entities controlled, jointly controlled or significantly influenced by such parties.

These represent transactions with certain parties entered into by the group in the ordinary course of business. Pricing policies and terms of these transactions are approved by the group's management.

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

	Total 2010 KD	*Total 2009 KD*
Finance costs	**-**	13,052
Provision for doubtful receivables	**1,532,246**	6,755,889

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

	Major shareholders KD	*Associates KD*	*Total 2010 KD*	*Total 2009 KD*
Amounts due from related parties (Note 12)	-	-	-	4,138,601
Amounts due to related parties (Note 19)	968,900	22,222	991,122	509,819
Acquisition of investment in an associate (Note 12)	2,549,597	-	2,549,597	-

Key management compensation:

	2010 KD	*2009 KD*
Short term benefits	**162,699**	236,600
Employees' end of service benefits	**61,403**	68,199
Total	**224,102**	304,799

21 COMMITMENTS AND CONTINGENCIES

At 31 December 2010 the group has commitments in respect of future capital expenditure and outstanding letter of credits amounting to KD 2,000,000 (31 December 2009: KD 65,870,070) and KD 22,923 (2009: Nil) respectively relating to properties under development.

At 31 December 2010 the group has provided bank guarantees in the ordinary course of business amounting to Nil (31 December 2009: KD 688,747) from which it is anticipated that no material liabilities will arise.

22 SEGMENT INFORMATION

For management purpose the group is organised into three major geographical segments:

- United Arab Emirates (UAE)
- Kuwait
- Egypt and other GCC countries (excluding Kuwait and UAE)

Management monitors the operating results of its geographical units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on return on investments. The group does not have any inter-segment transactions.

	UAE		*Kuwait*		*Egypt and other GCC countries*		*Total*	
	2010 KD	*2009 KD*	***2010 KD***	*2009 KD*	***2010 KD***	*2009 KD*	***2010 KD***	*2009 KD*
Segment revenue	**5,986,272**	1,097,150	**-**	-	**-**	-	**5,986,272**	1,097,150
Depreciation	**(116,827)**	(116,516)	**(116,827)**	(116,515)	**-**	-	**(233,654)**	(233,031)
Impairment loss on properties under development	**(1,083,746)**	(1,149,825)	**-**	-	**(2,308,203)**	(6,704,822)	**(3,391,949)**	(7,854,647)
Provision for accounts receivables	**(1,537,986)**	(9,848,889)	**-**	-	**-**	-	**(1,537,986)**	(9,848,889)
Unrealized loss on revaluation of investment properties	**-**	(2,371,670)	**-**	-	**-**	-	**-**	(2,371,670)
Impairment of available for sale investments	**-**	-	**-**	(190,000)	**-**	(287,229)	**-**	(477,229)
Share of results of associates	**-**	-	**-**	(4,658,994)	**-**	-	**-**	(4,658,994)
Segment result	**1,464,013**	(12,958,432)	**(4,152,723)**	(9,160,878)	**(2,308,203)**	(7,128,248)	**(4,996,913)**	(29,247,558)
Segment assets	**177,209,420**	168,176,119	**15,080,412**	19,281,812	**79,333,902**	83,558,961	**271,623,734**	271,016,892
Segment liabilities	**20,426,271**	27,067,070	**91,762,311**	77,936,109	**58,283,961**	58,501,459	**170,472,543**	163,504,638

23 RISK MANAGEMENT

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 is exposed to credit risk, liquidity risk and market risk. Market risk is subdivided into interest rate risk and foreign currency risk. It is also subject to operating risks.

The Board of Directors of the parent company are ultimately responsible for the overall risk management approach and for approving the risk strategies and principles.

23.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The group monitors credit exposures and continually assesses the creditworthiness of counterparties.

Maximum exposure to credit risk
The group's policy is to enter into arrangements only with recognised, creditworthy counter parties. The maximum exposure with respect to credit risk arising from financial assets of the group, which comprise receivables and bank balances and cash, is equal to the carrying amount of these instruments.

Risk concentrations of the maximum exposure to credit risk
The maximum credit exposure to any client or counterparty as of 31 December 2010 was KD 18,776,230 (2009: KD 13,375,272) before taking account of collateral or other credit enhancements.

The group's receivable is primarily from clients located in Dubai, United Arab Emirates.

Collateral and other credit enhancements
Receivable on sale of properties under development amounting to KD 4,521,205 (2009: KD 4,810,697) are secured by way of title documents of the property.

Credit quality for class of financial assets that are neither past due not impaired
Neither internal credit grading system nor external credit grades are used by the group to manage the credit quality of receivables. Receivable balances are monitored on an ongoing basis with the result that the group's exposure to bad debts is not significant.

Financial asset by class that are individualy impaired

	Gross exposure KD	*Impairment provision KD*
At 31 December 2010		
Accounts receivable	**18,776,230**	**3,061,200**

	Gross exposure KD	*Impairment Provision KD*
At 31 December 2009		
Accounts receivable	18,802,804	9,848,889

23 RISK MANAGEMENT (continued)

23.2 Liquidity risk

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

The table below summarizes the maturity profile of the group's financial liabilities at 31 December 2010 and 31 December 2009 based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately and are included in less than three months.

Financial liabilities	*Less than 3 months KD*	*3 to 12 months KD*	*1 to 5 years KD*	*Total KD*
31 December 2010				
Murabaha payable	**64,514,756**	**12,785,810**	**12,323,899**	**89,624,465**
Istisna'a payable	**1,138,824**	**299,056**	**2,392,450**	**3,830,330**
Obligations under lease finance	**232,022**	**-**	**-**	**232,022**
Accounts payables and accruals	**37,284,631**	**24,856,420**	**16,951,812**	**79,092,863**
Total financial liabilities	**103,170,233**	**37,941,286**	**31,668,161**	**172,779,680**
31 December 2009				
Murabaha payable	39,836,577	16,454,799	29,820,993	86,112,369
Istisna'a payable	611,163	305,582	2,997,168	3,913,913
Obligations under lease finance	237,086	-	-	237,086
Accounts payables and accruals	12,695,289	23,063,897	42,738,315	78,497,501
Total financial liabilities	53,380,115	39,824,278	75,556,476	168,760,869

The group is dependent on availability of the continued support from the financial institutions. As at 31 December 2010, murabaha and istisna'a payable of KD 52,570,220 (31 December 2009: KD 37,492,447) and amounts payable to a third party (a vendor) of KD 34,799,510 (31 December 2009: KD 23,955,210) matured but not settled. The group is in the process of restructuring its debt obligations, see Note 2. The management is confident that they will be able to renew the terms of matured murabaha and istisna'a payables and amounts due to a third party.

The table below shows the contractual expiry by maturity of the group's contingent liabilities and commitments.

Financial liabilities	*Less than 3 months KD*	*3 to 12 months KD*	*1 to 5 years KD*	*Total KD*
2010				
Contingent liabilities	**-**	**-**	**-**	**-**
Commitments	**822,923**	**1,200,000**	**-**	**2,022,923**
2009				
Contingent liabilities	-	688,747	-	688,747
Commitments	3,870,070	12,000,000	50,000,000	65,870,070

23.3 Market Risk

Market risk is the risk that the value of an asset will fluctuate as a result of changes in market prices. Market risks arise for open positions in interest rate, currency and equity product, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, foreign exchange rates and equity prices. Market risk is managed on the basis of pre-determined asset allocations across various asset categories, a continuous appraisal of market conditions and trends and the directors' estimate of long and short term changes in fair value.

23 RISK MANAGEMENT (continued)

23.3 Market Risk (continued)

22.3.1 Interest rate risk
Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The group's borrowings are in the form of Murabahas or Istisna'a which are Islamic financing instruments with a fixed rate of profit. Consequently the group is not exposed to interest rate risk.

23.3.2 Currency risk
Currency risk is managed on the basis of limits determined by the parent company's Board of Directors and a continuous assessment of the group's open positions and current and expected exchange rate movements. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the group does not hedge foreign currency exposures.

The effect on loss before KFAS, NLST and Zakat (due to change in the fair value of monetary assets and liabilities), as a result of 1% change in currency rate against the UAE Dirham from levels applicable at the year end, with all other variables held constant is shown below:

	Currency	*Change in currency rate in %*	*Decrease in loss KD*
31 December 2010	**KD**	**+1**	**44,779**
31 December 2009	KD	+1	382,171

23.4 Operational risk
Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the group is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes.

24 FAIR VALUES OF FINANCIAL INSTRUMENTS

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. Underlying the definition of fair value is the presumption that the group is a going concern without any intention, or need, to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms. Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of bank balances, available for sale investments and accounts receivables. Financial liabilities consist of murabaha payables, istisna'a payable, accounts payable and accruals and obligations under finance lease.

The fair values of financial instruments, with the exception of certain available for sale investments carried at cost (see Note 10) are not materially different from their carrying values as most of these assets and liabilities are of short term maturity or repriced immediately based on market movement in interest rates.

25 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 maximise 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 adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2010 and 31 December 2009, however, due to the global credit and liquidity crisis, the management is in the process of assessing its debt and capital requirements; see Note 2.

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, finance costs bearing Murabahas and Istsna'a, trade and other payables, less cash and cash equivalents. Capital represents total equity of the group.

	2010	*2009*
	KD	*KD*
Islamic financing (Murabaha and Istnsa'a)	**91,004,929**	84,578,053
Other liabilities	**79,467,614**	78,926,585
Less: bank balance and cash	**(1,056,696)**	(2,049,811)
Net debt	**169,415,847**	161,454,827
Equity	**101,151,191**	107,512,254
Gearing ratio	**167%**	150%