

AL MAZAYA HOLDING COMPANY K.S.C. (HOLDING)
AND ITS SUBSIDIARIES
STATE OF KUWAIT

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
WITH
INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

The Shareholders
Al Mazaya Holding Company K.S.C. (Holding)
State of Kuwait

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Al Mazaya Holding Company K.S.C. (Holding) (the Parent Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as of December 31, 2010, and the 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 notes.

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 these 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Al Mazaya Holding Company K.S.C. (Holding) and its subsidiaries as of December 31, 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

Also in our opinion, the consolidated financial statements include the disclosures required by the Commercial Companies Law and the Parent Company's Articles of Association, and we obtained the information we required to perform our audit. In addition, proper books of account have been kept, physical stocktaking was carried out in accordance with recognized practice, and the accounting information given in the Director's Report is in agreement with the Parent Company's books. According to the information available to us, there were no contraventions during the year ended December 31, 2010 of either the Commercial Companies Law or of the Parent Company's Articles of Association which might have materially affected the Group's financial position or results of its operations.

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State of Kuwait
March 30, 2011

AL MAZAYA HOLDING COMPANY K.S.C. (HOLDING) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2010

(All amounts are in Kuwaiti Dinars)

<u>ASSETS</u>	Note	2010	2009
Cash and cash equivalents	3	20,483,961	28,180,304
Accounts receivable and other debit balances	4	9,685,383	31,531,428
Murabaha receivable		2,609,309	3,223,456
Properties held for trading	5	138,972,881	126,122,141
Investments available for sale	6	18,406,908	24,713,492
Investment in associates	7	13,263,803	10,414,824
Investment in joint ventures	8	11,525,814	11,790,446
Investment properties	9	115,374,019	100,232,287
Fixed assets	10	294,720	22,796,458
Leasehold land	11	1,547,470	1,620,248
Goodwill		3,091,732	3,091,732
Total assets		<u>335,256,000</u>	<u>363,716,816</u>
<u>LIABILITIES AND EQUITY</u>			
Liabilities:			
Bank overdraft	13	4,971,120	5,073,936
Accounts payable and other credit balances	12	125,823,543	107,223,322
Term loans	13	42,000,000	44,970,000
Wakala and Murabaha payables	14	8,500,000	8,500,000
Deferred consideration on acquisition of properties	15	30,070,031	31,464,443
Provision for end of service indemnity		257,276	283,952
Total liabilities		<u>211,621,970</u>	<u>197,515,653</u>
Equity:			
Share capital	16	49,947,675	49,947,675
Share premium	17	75,714,971	75,714,971
Statutory reserve	18	9,646,725	9,646,725
Voluntary reserve	18	6,711,805	9,646,725
Treasury shares reserve	18	-	701,077
Cumulative changes in fair value	18	(202,370)	56,055
Assets revaluation surplus	18	-	519,366
Foreign currency translation adjustments	18	981,425	1,478,702
Effect of changes in subsidiary's treasury shares		(457,645)	(457,645)
Effect of changes in subsidiary's equity		88,612	(156,410)
(Accumulated losses) retained earnings		(8,609,811)	4,220,515
		<u>133,821,387</u>	<u>151,317,756</u>
Treasury shares	20	(18,113,786)	(27,189,284)
Equity attributable to equity holders of the Parent Company		<u>115,707,601</u>	<u>124,128,472</u>
Non-controlling interests		7,926,429	42,072,691
Total equity		<u>123,634,030</u>	<u>166,201,163</u>
Total liabilities and equity		<u>335,256,000</u>	<u>363,716,816</u>

The accompanying notes (1) to (36) form an integral part of the consolidated financial statements


 Rashid Y. Al-Nafisi
 Chairman

AL MAZAYA HOLDING COMPANY K.S.C. (HOLDING) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2010
(All amounts are in Kuwaiti Dinars)

	Notes	2010	2009
Gross profit	21	4,475,217	12,182,475
Rental income		919,643	-
Management fees, commission and consultancy income	22	1,687,125	1,056,870
Net investment (loss) income	23	(1,725,645)	428,031
Group's share of results from associates	7	(493,477)	48,811
Gain from sale of an associate	7	546,743	-
Dilution gain	7	134,620	-
Group's share of results from joint ventures	8	(177,737)	(226,592)
Loss on partial disposal of a subsidiary		-	(568,002)
Gain on waiver of capital subscription	4	-	7,308,045
Provisions no longer required	24	349,901	8,255,715
Murabaha income		131,077	45,637
Interest income		519,122	717,726
Other income		280,957	747,065
Impairment losses for properties held for trading	5	(1,912,000)	-
Changes in fair value of investment properties	9	(8,863,029)	(16,028,799)
Provisions for doubtful accounts	4	(158,565)	(800,889)
General and administrative expenses		(2,797,760)	(3,250,588)
Marketing expenses		(213,584)	(206,303)
Expenses related to equity settled share based payments		-	(122,543)
Depreciation and amortization	25	(371,274)	(385,567)
Expenses on completed projects		(77,285)	(43,917)
Foreign currency exchange differences		114,662	(774,095)
Finance charges		(2,670,351)	(2,386,362)
Net (loss) profit for the year		<u>(10,301,640)</u>	<u>5,996,718</u>
Attributable to:			
Equity holders of the Parent Company		(8,609,811)	5,153,053
Non-controlling interests		(1,691,829)	843,665
Net (loss) profit for the year		<u>(10,301,640)</u>	<u>5,996,718</u>
		<u>Fils</u>	<u>Fils</u>
(Loss) Earnings per share attributable to equity holders of the Parent Company	27	<u>(18.38)</u>	<u>11.46</u>

The accompanying notes (1) to (36) form an integral part of the consolidated financial statements

AL MAZAYA HOLDING COMPANY K.S.C. (HOLDING) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2010

(All amounts are in Kuwaiti Dinars)

	Notes	2010	2009
Net (loss) profit for the year		<u>(10,301,640)</u>	5,996,718
Other comprehensive income:			
Foreign currency translation adjustments		(497,277)	2,286,244
Investments available for sale	6	(546,170)	56,055
Assets revaluation surplus		<u>(519,366)</u>	<u>(103,873)</u>
Other comprehensive (loss) income for the year:		<u>(1,562,813)</u>	2,238,426
Total comprehensive (loss) income for the year		<u>(11,864,453)</u>	<u>8,235,144</u>
Attributable to:			
Equity holders of the Parent Company		(9,884,879)	7,322,912
Non-controlling interests		(1,979,574)	912,232
Total comprehensive (loss) income for the year		<u>(11,864,453)</u>	<u>8,235,144</u>

The accompanying notes (1) to (36) form an integral part of the consolidated financial statements

AL MAZAYA HOLDING COMPANY K.S.C. (HOLDING) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2010

(All amounts are in Kuwaiti Dinars)

	Attributable to equity holders of the Parent Company									
	Share Capital	Share premium	Other equity balances (Note 18)	Effect of changes in subsidiary's treasury shares	Effect of changes in subsidiary's equity	Retained earnings (Accumulated losses)	Treasury shares	Subtotal	Non-controlling interests	Total equity
Balance at December 31, 2008	45,406,980	75,714,971	19,708,993	(457,645)	57,768	4,638,767	(28,049,447)	117,020,387	38,458,291	155,478,678
Bonus shares (2008 - 10%) (Note 32)	4,540,695	-	-	-	-	(4,540,695)	-	-	-	-
Transfer to reserves	-	-	1,030,610	-	-	(1,030,610)	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	(848,642)	(848,642)	-	(848,642)
Sale of treasury shares	-	-	(860,812)	-	-	-	1,708,805	847,993	-	847,993
Effect of changes in subsidiary's treasury shares	-	-	-	-	(214,178)	-	-	(214,178)	(88,744)	(302,922)
Net movement in non-controlling interests	-	-	-	-	-	-	-	-	2,790,912	2,790,912
Total comprehensive income for the year	-	-	2,169,859	-	-	5,153,053	-	7,322,912	912,232	8,235,144
Balance at December 31, 2009	49,947,675	75,714,971	22,048,650	(457,645)	(156,410)	4,220,515	(27,189,284)	124,128,472	42,072,691	166,201,163
Purchase of treasury shares	-	-	-	-	-	-	(759,281)	(759,281)	-	(759,281)
Sale of treasury shares	-	-	(3,635,997)	-	-	(4,220,515)	9,834,779	1,978,267	-	1,978,267
Effect of changes in ownership percentage of a subsidiary	-	-	-	-	245,022	-	-	245,022	(974,905)	(729,883)
Net movement in non-controlling interests	-	-	-	-	-	-	-	-	(31,191,783)	(31,191,783)
Total comprehensive loss for the year	-	-	(1,275,068)	-	-	(8,609,811)	-	(9,884,879)	(1,979,574)	(11,864,453)
Balance at December 31, 2010	49,947,675	75,714,971	17,137,585	(457,645)	88,612	(8,609,811)	(18,113,786)	115,707,601	7,926,429	123,634,030

The accompanying notes (1) to (36) form an integral part of the consolidated financial statements

AL MAZAYA HOLDING COMPANY K.S.C. (HOLDING) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010
(All amounts are in Kuwaiti Dinars)

	2010	2009
Cash flows from operating activities:		
Net (Loss) Profit for the year	(10,301,640)	5,996,718
Adjustments for:		
Net investment loss (income)	1,725,645	(428,031)
Group's share of results from associates	493,477	(48,811)
Gain from sale of an associate	(546,743)	-
Dilution gain	(134,620)	-
Group's share of results from joint ventures	177,737	226,592
Loss on partial disposal of a subsidiary	-	568,002
Gain on waiver of capital subscription	-	(7,308,045)
Provisions no longer required	(349,901)	(8,255,715)
Murabaha income	(131,077)	(45,637)
Interest income	(519,122)	(717,726)
Impairment losses for Properties held for trading	1,912,000	-
Changes in fair value of investments properties	8,863,029	16,028,799
Provisions for doubtful accounts	158,565	800,889
Expenses related to equity settled share based payments	-	122,543
Depreciation and amortization	371,274	385,567
Foreign currency exchange differences	(114,662)	774,095
Finance charges	2,670,351	2,386,362
Provision for end of service indemnity	(23,768)	106,753
	<u>4,250,545</u>	<u>10,592,355</u>
Changes in operating assets and liabilities:		
Accounts receivable and other debit balances	22,152,037	4,915,507
Murabaha receivable	302,185	-
Properties held for trading	(22,727,738)	(26,165,536)
Investment properties	(9,933,242)	(9,380,400)
Accounts payable and other credit balances	30,443,370	18,977,276
Deferred consideration on acquisition of properties	(996,795)	(3,582,792)
	<u>23,490,362</u>	<u>(4,643,590)</u>
End of service indemnity paid	(2,611)	(37,450)
Net cash generated from (used in) operating activities	<u>23,487,751</u>	<u>(4,681,040)</u>
Cash flows from investing activities:		
Proceeds from sale of investments at fair value through income statement	-	1,258
Paid for purchase of investments available for sale	(11,003,541)	(47,011,510)
Proceeds from sale of investments available for sale	6,040,726	39,663,320
Proceeds from partial disposal of a subsidiary	-	3,239,441
Investment in associates	5,898,858	(616,075)
Investment in joint ventures	-	(215,133)
Investment in an unconsolidated subsidiary	-	268,400
Dividend income received	422,122	960,751
Murabaha income received	131,077	-
Interest income received	519,122	668,605
Paid against increase in equity holding of a subsidiary	1,866,266	(546,220)
Fixed assets	1,387,123	(14,836,930)
Net cash generated from (used in) investing activities	<u>5,261,753</u>	<u>(18,424,093)</u>

AL MAZAYA HOLDING COMPANY K.S.C. (HOLDING) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS (CONTD.)
FOR THE YEAR ENDED DECEMBER 31, 2010
(All amounts are in Kuwaiti Dinars)

	<u>2010</u>	<u>2009</u>
Cash flows from financing activities:		
Bank overdrafts	(102,816)	(19,807)
Term loans	(2,970,000)	-
Purchase of treasury shares	(759,281)	(848,642)
Purchase of subsidiary's treasury shares	-	(409,311)
Finance charges paid	(2,670,351)	(2,262,565)
Wakala and Murabaha payables	-	2,430,000
Proceeds from sale of treasury shares	1,978,267	847,993
Movement in non-controlling interests	(31,921,666)	2,790,912
Net cash (used in) generated from financing activities	<u>(36,445,847)</u>	<u>2,528,580</u>
Net decrease in cash and cash equivalents	(7,696,343)	(20,576,553)
Cash and cash equivalents at the beginning of the year	<u>28,180,304</u>	<u>48,756,857</u>
Cash and cash equivalents at the end of the year (Note 3)	<u><u>20,483,961</u></u>	<u><u>28,180,304</u></u>

The accompanying notes (1) to (36) form an integral part of the consolidated financial statements.

AL MAZAYA HOLDING COMPANY K.S.C. (HOLDING) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010

(All amounts are in Kuwaiti Dinars)

1. Incorporation and activities

Al Mazaya Holding Company - K.S.C. (Holding) was incorporated on November 7, 1998 under the Commercial Companies Law No. 15 of 1960 and amendments thereto.

The Parent Company is engaged in investment in local and foreign companies, real estate properties and consultancy services.

The registered office of the Parent Company is at Salhia Complex, Fahed Al Salem Street, P.O. Box 3546, Safat 13036, Kuwait.

The number of employees as at December 31, 2010 was 94 (2009 -103).

These consolidated financial statements were approved for issue by the Board of Directors on March 30, 2011. The shareholders' General Assembly has the power to amend these consolidated financial statements after issuance.

2. Significant accounting policies

The accompanying consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standard Board (IASB).

Significant accounting policies are summarized as follows:

a) Basis of preparation

The consolidated financial statements are presented in Kuwaiti Dinars and are prepared under the historical cost convention, except for the following items that are stated at their fair value:

- Quoted investments available for sale
- Investment properties

The accounting policies applied by the Group are consistent with those used in the previous year except for the changes due to implementation of the following new and amended International Financial Reporting Standards as of January 1, 2010:

IAS 1 (Amendment), "Presentation of financial statements"

The Amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or noncurrent. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the Group has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Amendment did not have a material impact on the Group's consolidated financial statements.

AL MAZAYA HOLDING COMPANY K.S.C. (HOLDING) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010

(All amounts are in Kuwaiti Dinars)

IFRS 2 (Amendment), "Group cash-settled and share-based payment transactions"

In addition to incorporating IFRIC 8, "Scope of IFRS 2", and IFRIC 11, "IFRS 2 – Group and treasury share transactions", the amendments expand on the guidance in IFRIC 11 to address the classification of Group arrangement that were not covered by that interpretation. The Amendment did not have a material impact on the Group's consolidated financial statements.

Revised IFRS 3

IFRS 3 introduces significant changes in the accounting for business combinations occurring after the effective date. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs and future reported results. It did not have a material impact on the Group's consolidated financial statements.

IFRS 5 (Amendment), "Measurement of non-current assets (or disposal groups) classified as held-for-sale"

The Amendment is part of the IASB's annual improvements project published in April 2009. The Amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The Amendment did not have a material impact on the Group's consolidated financial statements.

IAS 7 "Statement of cash flows"

The Amendment is part of the IASB's annual improvements project published in April 2009. The Amendment explicitly states that only expenditure that results in recognizing an asset can be classified as a cash flow from investing activities.

IFRIC 17, "Distribution of non-cash assets to owners" (effective for annual periods beginning on or after on or after 1 July 2009).

The interpretation is part of the IASB's annual improvements project published in April 2009. 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. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable.

Amended IAS 27 "Consolidated and Separate Financial Statements"

IAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to gains or losses. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by IFRS 3 and IAS 27 will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interest.

IAS 38 (Amendment), "Intangible Assets"

The Amendment is part of the IASB's annual improvements project published in April 2009 and the Group adopted IAS 38 (Amendment) from the date IFRS 3 (Revised) is adopted. The Amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The Amendment did not result in a material impact on the Group's consolidated financial statements.

AL MAZAYA HOLDING COMPANY K.S.C. (HOLDING) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010

(All amounts are in Kuwaiti Dinars)

Standards and Interpretations issued but not yet effective

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

IFRS 9 "Financial Instruments"

The Standard, which will be effective for annual periods beginning on or after January 1, 2013, specifies how an entity should classify and measure its financial assets. It requires all financial assets to be classified entirely based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are measured either at amortized cost or fair value.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of IAS 39. They apply a consistent approach to classifying financial assets and replace the numerous categories of financial assets in IAS 39, each of which had its own classification criteria. They also result in one impairment method, replacing the numerous impairment methods in IAS 39 that arise from the different classification categories.

Others:

Amendments to IFRS 1	- Limited Exemption from Comparative Disclosures for First time Adopters
Amendments to IFRS 7 Disclosures	- Transfers of Financial Assets
IAS 24 (Revised in 2009)	- Related Party Disclosures
Amendments to IAS 32	- Classification of Rights Issues
Amendments to IFRIC 14	- Prepayments of a Minimum Funding Requirement
IFRIC 19	- Extinguishing Financial Liabilities With Equity Instruments

These amended standards are not expected to have a material impact on the Group's consolidated financial statements.

The preparation of the consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions in the process of applying the Group's accounting policies. Significant accounting judgments, estimates and assumptions are disclosed in Note 2(c).

b) Recognition / derecognition of financial assets and financial liabilities

A financial asset or a financial liability is recognized when the Group becomes a party to the contractual provisions of the instrument. Financial asset (in whole or in part) is derecognized when the contractual rights to the cash flows from the financial asset expire or when the Group transfers substantially all the risks and rewards of ownership or when the Group has neither transferred or retained substantially all the risks and rewards of ownership and when it no longer has control over the asset or a proportion of the assets. A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expired.

AL MAZAYA HOLDING COMPANY K.S.C. (HOLDING) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010

(All amounts are in Kuwaiti Dinars)

c) Critical accounting judgments, estimates and assumptions

The Group makes judgments, estimates and assumptions concerning the future. The preparation of the consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from the estimates.

a) Judgments

In the process of applying the Group's accounting policies which are described in Note 2, management has made the following judgments that have the most significant effect on the amounts recognized in the consolidated financial statements:

(i) Revenue Recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The determination of whether the revenue recognition criteria as specified under IAS 18 are met requires significant judgment.

(ii) Determination of contract cost

Determination of costs which are directly related to the specific contract or attributable to the contract activity in general requires significant judgment. The determination of contract cost has a significant impact upon revenue recognition in respect of long term contracts. The Group follows guidance of IAS 11 for determination of contract cost and revenue recognition.

(iii) Classification of Land

Upon acquisition of land, the Group classifies the land into one of the following categories, based on the intention of the management for the use of the land:

1) Properties held for trading

When the intention of the Group is either to sell land in the ordinary course of business or to develop land in order to sell it in the future, both the land and the construction are classified as properties held for trading.

2) Investment properties

When the intention of the Group is to earn rentals from land, hold land for capital appreciation, develop land in order to earn rentals or if the intention is not determined for land, the land is classified as investment property.

3) Fixed assets

When the intention of the Group is to develop a land in order to occupy it in the future, both the land and the construction costs are classified as work in progress – Fixed assets.

(iv) Provision for doubtful debts

The determination of the recoverability of the amount due from customers and the factors determining the impairment of the receivable involve significant judgment.

(v) Classification of investments

On acquisition of an investment, the Group classifies its investments as investments available for sale. The Group follows the guidance of IAS 39 on classifying its investments.

AL MAZAYA HOLDING COMPANY K.S.C. (HOLDING) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010

(All amounts are in Kuwaiti Dinars)

vi) Impairment of investments

The Group follows the guidance of IAS 39 to determine when an available-for-sale equity investment is impaired. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, a significant or prolonged decline in the fair value below its cost; and the financial health of and short term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow. The determination of what is "significant" or "prolonged" requires significant judgment.

(vii) Application of IFRIC 15 – Agreements for the construction of real estate.

The determination, whether the agreements within the scope of IAS 11– Construction Contracts or IAS 18 – Revenue, require significant judgment.

b) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimating uncertainty at the consolidated statement of financial position date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Fair value of unquoted equity investments

If the market for a financial asset is not active or not available, the Group establishes fair value by using valuation techniques which include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances. This valuation requires the Group to make estimates about expected future cash flows and discount rates that are subject to uncertainty.

(ii) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the "value in use" of the asset or the cash-generating unit to which the goodwill is allocated. Estimating a value in use requires the Group to make an estimate of the expected future cash-flows from the asset or the cash-generating unit and also choose an appropriate discount rate in order to calculate the present-value of the cash-flows.

(iii) Construction contracts

Revenue from construction contracts that are considered to be within the scope of IAS 11 are recognized in accordance with the percentage of completion method of accounting measured by reference to the physical percentage of completion. The revenue recognition as per the above criteria should correspond to the actual work completed. The determination of estimated costs and the application of percentage of completion method involve estimation. Further, the budgeted cost and revenue should consider the claims and variations pertaining to the contract.

(iv) Provision for doubtful debts

The extent of provision for doubtful debts involves estimation process. Provision for doubtful debts is made when there is an objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified. The benchmarks for determining the amount of provision or write-down include analysis, technical assessment and subsequent events. The provisions and write-down of receivables are subject to management approval.

(v) Revaluation of investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognized in the consolidated statement of income. The Group engaged an independent valuation specialist to determine fair value as at December 31, 2010. For the investment property the evaluator used a valuation technique based on a discounted cash flow model as there is a lack of comparable market data because of the nature of the property. The determined fair value of the investment properties is most sensitive to the estimated yield as well as the long term vacancy rate.

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d) Principles of consolidation

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. 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. Inter-company balances and transactions, including inter-company profits and unrealized 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.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholders' share of changes in equity since the date of the combination.

Non-controlling interests are measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. Losses are attributed to the non-controlling interest even if that results in a deficit balance. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- Derecognizes the cumulative foreign currency translation differences, recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in the consolidated statement of income; and
- Reclassifies the Parent Company's share of components previously recognized in other comprehensive income to the consolidated statement of income or retained earnings, as appropriate.

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The consolidated financial statements include the financial statements of Al Mazaya Holding Company - K.S.C. (Holding) (the Parent Company) and the following subsidiaries:

Subsidiaries	Country of incorporation	Percentage of ownership	
		2010 %	2009 %
Al Mazaya Real Estate Development Company – K.S.C. (Closed)	Kuwait	100	100
Al Mazaya Real Estate FZ/LLC and its subsidiaries:	U.A.E	100	100
Al Dana Real Estate Limited	U.A.E	100	100
Al Rayhan Real Estate Limited	U.A.E	100	100
Advantage General Trading Co. W.L.L.	U.A.E	100	100
Spectrum FZ / LLC	U.A.E	100	100
Mazaya Investments (DIFC) Limited	U.A.E	100	100
Al Mazaya Al Khalijia for General Trading and Contracting – Khalid S. Esbaitah and Partners – W.L.L.	Kuwait	100	100
Al Mazaya Arabian Real Estate Company – Khalid S. Esbaitah and Partners – W.L.L.	Kuwait	100	100
Al Mazaya International for Projects Management Company – Khalid S. Esbaitah and Partners – W.L.L.	Kuwait	100	100
Mazaya Lebanon Company - S.A.L. (Holding) and its subsidiary:	Lebanon	100	100
Mazaya Lamartien – S.A.L.	Lebanon	100	100
Seven Zones Real Estate Company K.S.C. (Closed)	Kuwait	100	100
First Dubai Real Estate Development Company - K.S.C. (Closed) and its subsidiaries:	Kuwait	93.23	63.98
United Circle General Contracting and Buildings – Abdulla Faisal Al Sultan and Partner – W.L.L.	Kuwait	100	-
Future International Project Management – W.L.L. and its subsidiary:	Kuwait	85	85
Waterfront Real Estate Company K.S.C. (Closed)	Kuwait	83.29	78.10
Mezzan Combined For General Trading - W.L.L. Company	Kuwait	100	-

During the year ended December 31, 2010, the Group has pledged 475 million shares from its investment in the subsidiary – First Dubai Real Estate Development K.S.C. (Closed) which represent 51% from the Group's ownership in the subsidiary against term loans. The fair market value of these pledged shares was KD 21,850,000 as of December 31, 2010 (Note 13). The Group has also pledged 5.6 million shares from its investment in the subsidiary – Waterfront Real Estate K.S.C. (Closed) which represent 6% from the Group's ownership in the subsidiary against term loans. The fair market value of these pledged shares was KD 142,240 as of December 31, 2010.

During the year ended December 31, 2010, the Group increased its direct holding of the subsidiary-Waterfront Real Estate Company - K.S.C. (Closed) by 5.1%, accordingly the Group's ownership percentage in this subsidiary became 83.29%. The consideration paid for acquiring the subsidiary's shares amounted to KD 1,866,266 while the respective book value was KD1,487,406. The difference between the consideration paid and the shares' book value amounted to KD 378,882 has been recognized in the equity of the Group.

Also during the year ended December 31, 2010 the Group increased its indirect holding of the subsidiary-First Dubai Real Estate Development Company - K.S.C. (Closed) by 28% through the acquiring a new subsidiary (note 2- d), accordingly the Group's ownership percentage in this subsidiary became 93.23%.

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The Consolidated financial position and the consolidated statement of income as of December 31, 2010 include the financial information for the new subsidiaries, United Circle General Contracting and Buildings – Abdulla Faisal Al Sultan and Partner – W.L.L and Mezzan Combined for General Trading - W.L.L. Company, while the comparative figures do not include such information. The consolidated accounts are as follow:

	<u>Amounts</u>
<u>Consolidated Statement of Financial Position</u>	
Cash and cash equivalents	72,227
<u>Consolidated Statement of Income</u>	
Other income	22,277
General and administrative expenses	3,518

e) Cash and cash equivalents

Cash and cash equivalents includes cash on hand and deposits held at call with banks and other short – term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

f) Receivables

Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivable is established when there is an objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated statement of income. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivable. Subsequent recoveries of amounts previously written off are credited in the consolidated statement of income.

g) Murabaha receivable

Murabaha receivable represents a sale of commodity with deferred installments. Murabaha receivable is stated net of impairment losses or provision for doubtful debts.

h) Properties held for trading

Properties acquired, constructed or in the course of construction for sale are classified as properties held for trading. Unsold properties are stated at cost or net realizable value which ever is less. Sold properties in the course of development are stated at cost plus attributable profit or loss less progress billings. The cost of properties held for trading under development includes the cost of land and other related expenditure which are capitalized as and when activities that are necessary to get the properties ready for sale are in progress. Net realizable value represents the estimated selling price less costs to be incurred in selling the property.

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i) Investments

The Group classifies its investments as investments available for sale. The classification depends on the purpose for which the investments were acquired and is determined at initial recognition by the management.

(i) Investments available for sale

Investments available for sale are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months from the end of the reporting period.

Purchases and sales of investments are recognized on trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through income statement.

After initial recognition, investments available for sale are subsequently carried at fair value. The fair values of quoted investments are based on current bid prices. If the market for an investment is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

Unrealized gains and losses arising from changes in the fair value of investments available for sale are recognized in cumulative changes in fair value in the consolidated statement of comprehensive income.

Where investments available for sale could not be measured reliably, these are stated at cost less impairment losses, if any.

When an investment available for sale is disposed off or impaired, any prior fair value earlier reported in the consolidated statement of comprehensive income is transferred to the consolidated statement of income.

An investment (in whole or in part) is derecognized either when: the contractual rights to receive the cash flows from the investment have expired; or the Group has transferred its rights to receive cash flows from the investment and either (a) has transferred substantially all the risks and rewards of ownership of the investment, or (b) has neither transferred nor retained substantially all the risks and rewards of the investment, but has transferred control of the investment. Where the Group has retained control, it shall continue to recognize the investment to the extent of its continuing involvement in the investment.

The Group assesses at the end of each reporting year whether there is an objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for investments available for sale, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in consolidated statement of income – is removed from the consolidated statement of comprehensive income and recognized in the consolidated statement of income. Impairment losses recognized in the consolidated statement of income on available for sale equity instruments are not reversed through the consolidated statement of income.

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j) Joint venture

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control that is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

Where a Group undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognized in the financial statements of the relevant group and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognized when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group reports its interests in jointly controlled entities using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Under the equity method, investments in joint ventures are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the joint venture, less any impairment in the value of individual investments.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of an associate.

Where the Group transacts with its jointly controlled entities, unrealized profits and losses are eliminated to the extent of the Group's interest in the joint venture.

k) Associates

Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policy decisions. The consolidated financial statements include the Group's share of the results and assets and liabilities of associates under the equity method of accounting from the date that significant influence effectively commences until the date that significant influence effectively ceases, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate which includes any long-term interests that, in substance, form part of the Group's net investment in the associate are not recognized except to the extent that the Group has an obligation or has made payments on behalf of the associate.

Gains or losses arising from transactions with associates are eliminated against the investment in the associate to the extent of the Group's interest in the associate.

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

l) Investment properties

Investment properties, which are properties constructed or in course of construction, held to earn rentals and/or for capital appreciation, are stated at their fair value at the end of the reporting period. Gains or losses arising from changes in the fair value of investment properties are included in the consolidated statement of income for the period in which they arise.

Property interest that is held under an operating lease is classified and accounted for as investment property when the property would otherwise meet the definition of an investment property and the lessee uses the fair value model.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains or losses arising on the retirement or disposal of an investment property are recognized in the consolidated statement of income.

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

m) Fixed assets

The initial cost of fixed assets comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to the consolidated statement of income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of fixed assets beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of fixed assets.

Fixed assets are stated at cost less accumulated depreciation and impairment losses. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the consolidated statement of income.

Land is not depreciated. Depreciation is computed on a straight-line basis over the estimated useful life of other fixed assets as follows:

	Useful life (Years)
Furniture and equipment	5
Leasehold improvements	3 - 5
Computers and softwares	3
Motor vehicles	5

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The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of fixed assets.

n) Leasehold land

Leasehold land represents a long term lease agreement. The Group amortizes the lease value over the lease period.

o) Goodwill

Goodwill arising on an acquisition of a subsidiary, jointly controlled entity or associate represents the excess of the cost of the acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities as at the date of the acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

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

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

The Group's policy for goodwill arising on the acquisition of an associate is described under "Investment in associates" in note 2(k).

Where there is an excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost, the Group is required to reassess the identification and measurement of the net identifiable assets and measurement of the cost of the acquisition and recognize immediately in the consolidated statement of income any excess remaining after that remeasurement.

p) Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of the fair value less costs to sell and value in use. 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.

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If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statement of income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

q) Accounts payable

Accounts payable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

r) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

s) Wakala and Murabaha payable

Wakala and Murabaha payables represent an agreement whereby the Group takes a certain amount of cash from another party, and invests it according to specific conditions in return for a certain fee (percentage of the amount invested). They are subsequently re-measured and carried out at amortized cost using the effective yield method. Costs of Wakala and Murabaha payable are expensed on a time proportion basis.

t) Provision for end of service indemnity

Provision is made for amounts payable to employees under the Kuwaiti Labor Law in the private sector and employees' contracts. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination at the end of the reporting period, and approximates the present value of the final obligation.

u) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

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v) Treasury shares

Treasury shares consist of the Parent Company's own shares that have been issued, subsequently reacquired by the Parent Company and not yet reissued or canceled. The treasury shares are accounted for using the cost method. Under the cost method, the weighted average cost of the shares reacquired is charged to a contra equity account. When the treasury shares are reissued, gains are credited to a separate account in equity (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 and then reserves.

Gains realized subsequently on the sale of treasury shares are first used to offset any recorded losses in the order of reserves, retained earnings and the gain on sale of treasury shares 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.

Where any Group's company purchases the Parent Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Parent Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs, is included in equity attributable to the Parent Company's equity holders.

w) Financial instruments

Financial assets and financial liabilities carried on the consolidated statement of financial position include cash and cash equivalents, accounts receivable and other debit balances, Murabaha receivable, investments available for sale, bank overdraft, accounts payable and other credit balances, term loans and Wakala and Murabaha payables. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies found in this Note.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains, and losses relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

x) Revenue recognition

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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i) Sale of properties:

Revenue on sale of properties under development classified under properties held for trading is recognized as follows:

- When the agreement is within the scope of IAS 11 – construction contracts, and its outcome can be estimated reliably, the Group recognizes the revenue by reference to the stage of completion of the contract activity in accordance with IAS 11.
- When the agreement is within the scope of IAS 18 – Revenue, Group recognizes revenue at time of completion. When the significant risks and rewards of ownership of real estate are being transferred from Group at a single time.

If there is a doubt about the future economic benefits flowing to the Group, the Group recognizes revenue based on the installment percentage.

Revenue on sale of plots of land is recognized on the basis of the full accrual method as and when all of the following conditions are met:

- A sale is consummated and contracts are signed;
- The buyer's investment, to the date of the consolidated financial statements, is adequate to demonstrate a commitment to pay for the property;
- The Group's receivable is not subject to future subordination;
- The Group has transferred to the buyer the usual risks and rewards of ownership in a transaction that is in substance a sale and does not have a substantial continuing involvement with the property; and
- Work to be completed is either easily measurable and accrued or is not significant in relation to the overall value of the contract.

If all except for the last criterion listed above are fulfilled, the percentage of completion method is adopted to recognize revenue.

The risk of the purchaser being able to rescind the contract for reasons stated in the contract which are dependent on the enactment of pending legislation and therefore outside the Group's control is considered by management to be remote.

Revenue on sale of apartments and villas is recognized on the basis of percentage of completion based on internal surveys of work performed as and when all the following conditions are met:

- The buyer's investment, to the date of the consolidated financial statements, is adequate to demonstrate a commitment to pay for the property;
- Construction is beyond a preliminary stage. The engineering, design work, construction contract execution, site clearance and building foundation are finished;
- The buyer is committed. The buyer is unable to require a refund except for non-delivery of the unit and, in certain cases, in the event of the non-enactment of pending legislation regarding freehold title and immigration visas. Management believes that the likelihood of the Group being unable to fulfill its contractual obligations for these reasons is remote; and
- The aggregate sales proceeds and costs can be reasonably estimated.

ii) Cost of revenue

Cost of revenue includes the cost of land and development costs. Development costs include the cost of infrastructure and construction.

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iii) Construction contracts

Revenue from construction contracts is recognized in accordance with the percentage of completion method of accounting measured by reference to the physical percentage of completion. Profit is only recognized when the contract reaches a point where the ultimate profit can be estimated with reasonable certainty. Claims, variation orders and incentive payments are included in the determination of contract profit when approved by contract owners. Anticipated losses on contracts are recognized in full as soon as they become apparent.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognized as expenses in the period in which they are incurred.

iv) Interest income

Interest income is recognized using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired receivables is recognized either as cash is collected or on a cost-recovery basis as conditions warrant.

v) Dividend income

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

vi) Rental income

Rental income is recognized when earned on a time apportionment basis.

vii) Gain on sale of investments

Gain on sale of investments is measured by the difference between the sale proceeds and the carrying amount of the investment at the date of disposal, and is recognized at the time of the sale.

viii) Management, commission and consultancy income

- Management fees are recognized on an accrual basis.
- Commission income and consultancy revenue are recognized at the time the related services are provided.

y) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

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

z) Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly are not included in these consolidated financial statements but are disclosed in the Notes to the consolidated financial statements.

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aa) Foreign currencies

Foreign currency transactions are translated into Kuwaiti Dinars at rates of exchange prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currency at the end of the reporting period are retranslated into Kuwaiti Dinars at rates of exchange prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in consolidated statement of income for the period. Translation differences on non-monetary items such as equity investments classified as available for sale are included in "cumulative changes in fair value" in the consolidated statement of comprehensive income.

The assets and liabilities of the foreign subsidiary are translated into Kuwaiti Dinars at rates of exchange prevailing at the end of the reporting period. The results of the subsidiary are translated into Kuwaiti Dinars at rates approximating the exchange rates prevailing at the dates of the transactions. Foreign exchange differences arising on translation are recognized directly in the consolidated statement of comprehensive income. Such translation differences are recognized in the consolidated statement of income in the period in which the foreign operation is disposed off.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

ab) Contingencies

Contingent liabilities are not recognized but disclosed in the consolidated financial statements except when the possibility of an outflow of resources embodying economic losses is remote.

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

ac) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is identified as the person being responsible for allocating resources, assessing performance and making strategic decisions regarding the operating segments.

3. Cash and cash equivalents

	<u>2010</u>	<u>2009</u>
Cash on hand and at banks	14,819,256	20,760,706
Short term bank deposits	5,600,000	7,182,970
Cash in investment portfolios	64,705	236,628
	<u>20,483,961</u>	<u>28,180,304</u>

The average effective interest rate on short term bank deposits was 1.75% per annum (2009 - 2%). These deposits have an average maturity of 30 days (2009 - 30 days).

There is no material difference between the fair value and the book value of cash and cash equivalents.

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Cash on hand and at banks include an amount of KD 11,999,716 (2009 – KD 18,140,492) representing restricted cash to be used only against construction work.

4. Accounts receivable and other debit balances

	2010	2009
Trade receivable (a)	6,058,934	5,142,216
Advance payments	2,302,053	11,938,128
Advances for capital subscription	-	7,163,163
Amounts due from related parties (Note 28)	887,114	5,365,299
Staff receivables	8,951	1,254,791
Other receivables	1,387,785	1,468,720
	<u>10,644,837</u>	<u>32,332,317</u>
Provision for doubtful accounts (b)	(959,454)	(800,889)
	<u>9,685,383</u>	<u>31,531,428</u>

The fair value of accounts receivable and other debit balances approximated their carrying values as at December 31, 2010.

a) Trade receivable

Trade receivable that are less than 1 year past due are not considered impaired. As of December 31, 2010, trade receivable amounting to KD 895,366 (2009 - KD 202,169) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivable is as follows:

	2010	2009
Less than 3 months	2,503,446	468,432
3 to 6 months	1,250,658	1,136,453
6 months to 1 year	450,010	2,534,273
Over 1 year	1,854,820	1,003,058
	<u>6,058,934</u>	<u>5,142,216</u>

b) Provision for doubtful accounts

The movement in the provision for doubtful accounts is as follows:

	2010	2009
Balance at the beginning of the year	800,889	16,346,304
Gain on waiver of capital subscription (i)	-	(7,308,045)
Charged during the year	158,565	800,889
Provision no longer required (ii) (Note 24)	-	(7,587,996)
Written off	-	(1,450,263)
Balance at the end of the year	<u>959,454</u>	<u>800,889</u>

Provisions, written off as uncollectible receivables and utilization of the provision for bad and doubtful debts are included in the consolidated statement of income

During the year ended December 31, 2008, the Group paid an amount of KD 14,534,904 for subscription in an investment which was classified under accounts receivable and other debit balances as advances for capital subscription since the share certificates relating to this investment were not issued up to the date of issuing the consolidated financial statements for the year ended December 31, 2008. Also, the Group has provided a 100% provision for the subscribed amount in 2008 consolidated financial statements due to the uncertainty pertaining to the existence and valuation of the investment. This resulted in a net book value of KD Nil relating to this investment subscription.

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(i) Gain on waiver of capital subscription

During the year ended December 31, 2009, the portfolio manager has compensated the Parent Company for 50% of this investment subscription by offering shares in several companies with a fair value of KD 7,308,045 as of that date, and accordingly recognized a gain amounting to KD 7,308,045 in the consolidated statement of income for the reversed provision.

(ii) Provision no longer required

Subsequent to the consolidated statement of financial position date December 31, 2009, the portfolio manager has compensated the Parent Company for remaining 50% of the investment subscription; accordingly the provision provided is no longer required.

c) The other classes within accounts receivable and other debit balances do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

5. Properties held for trading

	<u>2010</u>	<u>2009</u>
Balance at the beginning of the year	126,122,141	197,864,613
Additions	32,882,984	60,695,339
Disposals (Note 21)	(13,251,380)	(49,168,968)
Transferred to investment properties (Note 9)	(3,174,783)	(86,648,299)
Foreign currency translation adjustments	(1,694,081)	3,379,456
Impairment losses	(1,912,000)	-
Balance at the end of the year	<u>138,972,881</u>	<u>126,122,141</u>

6. Investments available for sale

	<u>2010</u>	<u>2009</u>
Quoted:		
Equity securities	2,496,543	1,393,094
Unquoted:		
Equity securities	4,419,702	17,235,067
Funds & Portfolios	11,490,663	6,085,331
	<u>18,406,908</u>	<u>24,713,492</u>

The movement during the year is as follows:

	<u>2010</u>	<u>2009</u>
Balance at the beginning of the year	24,713,492	24,251,504
Additions	11,003,541	47,011,510
Disposals	(4,032,005)	(39,925,963)
Transferred to investment in associates (Note 7)	(8,569,475)	(6,676,330)
Changes in fair value	(546,170)	56,055
Foreign currency translation adjustments	(5,987)	(3,284)
Impairment losses (Note 23)	(4,156,488)	-
Balance at the end of the year	<u>18,406,908</u>	<u>24,713,492</u>