

Interim condensed consolidated financial information and review report

Al Mal Investment Company – KSC (Closed) and Subsidiaries

Kuwait

30 September 2010 (Unaudited)

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Review report

To the board of directors of
Al Mal Investment Company – KSC (Closed)
Kuwait

Report on review of interim condensed consolidated financial information

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Al Mal Investment Company (A Kuwaiti Closed Shareholding Company) (“the parent company”) and its subsidiaries (collectively “the group”), as of 30 September 2010 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine-month period then ended. The parent company’s management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the basis of presentation set out in note 2. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity.” A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with the basis of presentation set out in note 2.

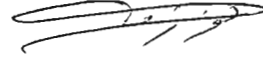
Report on review of other legal and regulatory requirements

Based on our review, the interim condensed consolidated financial information is in agreement with the books of the parent company. We further report that, to the best of our knowledge and belief, no violations of the Commercial Companies Law of 1960 or of the articles of association of the parent company, as amended, have occurred during the nine-month period ended 30 September 2010 that might have had a material effect on the business of the group or on its financial position.

We further report that, during the course of our review, we have not become aware of any material violations of the provisions of Law No.32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations, during the nine-month period ended 30 September 2010.



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Kuwait
8 November 2010

Interim condensed consolidated statement of income


	Note	Three months ended		Nine months ended	
		30 Sept. 2010 (Unaudited) KD	30 Sept. 2009 (Unaudited) KD	30 Sept. 2010 (Unaudited) KD	30 Sept. 2009 (Unaudited) KD
Income					
Realised gain/(loss) from sale of investments at fair value through profit or loss		-	31,911	(321)	(1,716,666)
Unrealised (loss)/gain from investments at fair value through profit or loss		(5,165)	(987,134)	593	(1,022,196)
Realised gain/(loss) on sale of available for sale investments		8,073	(3,136)	(17,286)	(131,083)
Dividend income		129,495	219,752	750,463	1,876,931
Share of results of associates		1,743,180	740,848	3,804,564	1,030,679
Profit/(loss) on sale of investment properties	10	-	607,232	106,913	(580,152)
Change in fair value of investment properties	10	-	282,665	(2,800,105)	(1,017,996)
Murabaha, sukuk & interest income		159,504	190,246	531,863	704,055
Net income from Tarasul Telecom		22,013	34,117	51,032	112,159
Profit on partial disposal of subsidiary	3	-	3,170,883	-	3,170,883
Profit on disposal of associate	9.6	16,026	-	16,026	-
Management fees and other income	4	450,930	679,665	825,591	982,942
Write back of provision for legal claim		-	861,000	-	861,000
		2,524,056	5,828,049	3,269,333	4,270,556
Expenses and other charges					
Finance costs		1,651,946	1,827,859	4,932,450	5,977,572
Staff costs		528,877	534,238	1,428,289	1,346,951
General and administrative expenses		329,276	695,039	1,142,508	1,435,311
Foreign exchange (gain)/loss		(607,855)	(223,736)	554,362	1,112,793
Impairment of available for sale investments	8.3	445,045	1,345,130	848,288	1,383,306
		2,347,289	4,178,530	8,905,897	11,255,933
Profit/(loss) for the period		176,767	1,649,519	(5,636,564)	(6,985,377)
Attributable to :					
Owners of the parent company		(8,999)	1,329,191	(3,941,790)	(6,957,928)
Non-controlling interests		185,766	320,328	(1,694,774)	(27,449)
		176,767	1,649,519	(5,636,564)	(6,985,377)
BASIC AND DILUTED (LOSS)/EARNINGS					
PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY					
	5	(0.02) Fils	2.55 Fils	(7.46) Fils	(13.69) Fils

Interim condensed consolidated statement of comprehensive income

	Three months ended		Nine months ended	
	30 Sept. 2010 (Unaudited) KD	30 Sept. 2009 (Unaudited) KD	30 Sept. 2010 (Unaudited) KD	30 Sept. 2009 (Unaudited) KD
Profit/(loss) for the period	176,767	1,649,519	(5,636,564)	(6,985,377)
Other comprehensive income:				
Exchange differences arising on translation of foreign operations	(485,549)	53,456	(309,513)	631,549
Available for sale investments:				
- Net changes in fair value arising during the period	(291,479)	(823,282)	(1,197,652)	(783,650)
- Transferred to consolidated statement of income on sale	(8,076)	50,297	3,345	81,075
- Transferred to consolidated statement of income on impairment	445,045	1,345,130	848,288	1,383,306
Share of other comprehensive income of associates	-	(39,171)	75,866	(22,006)
Total other comprehensive income for the period	(340,059)	586,430	(579,666)	1,290,274
Total comprehensive income for the period	(163,292)	2,235,949	(6,216,230)	(5,695,103)
Total comprehensive income attributable to:				
Owners of the parent company	(293,608)	1,910,985	(4,451,899)	(5,667,654)
Non-controlling interests	130,316	324,964	(1,764,331)	(27,449)
	(163,292)	2,235,949	(6,216,230)	(5,695,103)

Interim condensed consolidated statement of financial position

	Note	30 Sept. 2010 (Unaudited) KD	31 Dec. 2009 (Audited) KD	30 Sept. 2009 (Unaudited) KD
Assets				
Cash and cash equivalents	6	7,492,924	11,800,687	14,731,925
Investments at fair value through profit or loss		2,731,411	2,682,849	3,172,064
Accounts receivable and other assets	7	28,172,036	25,899,620	28,017,367
Available for sale investments	8	29,728,252	31,940,550	33,886,337
Investment in murabaha and sukuk		6,438,070	6,806,434	6,869,080
Investment in associates	9	27,051,712	31,116,487	30,295,142
Investment properties	10	81,383,325	81,973,269	83,600,187
Property and equipment		1,126,353	1,206,600	1,195,951
Intangible asset		3,929,733	3,562,674	-
Goodwill		90,332	90,332	90,332
Total assets		188,144,148	197,079,502	201,858,385
Liabilities and equity				
Liabilities				
Accounts payable and other liabilities	14	21,740,800	18,895,129	19,031,392
Borrowings	11	54,528,385	60,157,756	59,853,464
Bonds payable	12	33,320,000	33,320,000	33,320,000
Employees' end of service indemnity		413,367	348,791	304,631
Total liabilities		110,002,552	112,721,676	112,509,487
Equity				
Share capital	13	52,828,125	52,828,125	52,828,125
Share premium		18,375,000	18,375,000	18,375,000
Statutory reserve		4,802,301	4,802,301	4,802,301
Voluntary reserve		4,802,301	4,802,301	4,802,301
Foreign currency translation reserve		589,828	753,918	666,712
Cumulative changes in fair value		(85,255)	260,764	(519,272)
Accumulated losses		(20,024,722)	(16,082,932)	(10,678,385)
Equity attributable to owners of the parent company		61,287,578	65,739,477	70,276,782
Non-controlling interests		16,854,018	18,618,349	19,072,116
Total equity		78,141,596	84,357,826	89,348,898
Total liabilities and equity		188,144,148	197,079,502	201,858,385


 Loay Jassim Al-Kharafi
 Chairman and Managing Director

Interim condensed consolidated statement of changes in equity (Unaudited)

	Equity attributable to owners of the parent company							Non-controlling interests		Total
	Share capital KD	Share premium KD	Statutory reserve KD	Voluntary reserve KD	Foreign currency translation reserve KD	Cumulative changes in fair value KD	Accumulated losses KD	Sub-total KD	Non-controlling interests KD	
Balance as at 1 January 2010	52,828,125	18,375,000	4,802,301	4,802,301	753,918	260,764	(16,082,932)	65,739,477	18,618,349	84,357,826
Losses for the period	-	-	-	-	-	-	(3,941,790)	(3,941,790)	(1,694,774)	(5,636,564)
Other comprehensive income for the period	-	-	-	-	(164,090)	(346,019)	-	(510,109)	(69,557)	(579,666)
Total comprehensive income for the period	-	-	-	-	(164,090)	(346,019)	(3,941,790)	(4,451,899)	(1,764,331)	(6,216,230)
Balance as at 30 September 2010	52,828,125	18,375,000	4,802,301	4,802,301	589,828	(85,255)	(20,024,722)	61,287,578	16,854,018	78,141,596

Notes set out on pages 9 to 17 form an integral part of the interim condensed consolidated financial information.

Interim condensed consolidated statement of changes in equity (Unaudited) (continued)

	Equity attributable to owners of the parent company										Non-controlling interests	Total
	Share capital KD	Share premium KD	Treasury shares KD	Statutory reserve KD	Voluntary reserve KD	Foreign currency translation reserve KD	Cumulative changes in fair value KD	(Accumulated losses)/ retained earnings KD	Sub-total KD	Sub-total KD		
Balance as at 1 January 2009	52,828,125	18,375,000	(11,035,307)	4,802,301	4,802,301	57,169	(1,200,003)	3,876,408	72,505,994	10,235,433	82,741,427	
Change in non-controlling interests if treasury shares	-	-	-	-	-	-	-	-	-	8,864,132	8,864,132	
Share sale of treasury shares	-	-	11,035,307	-	-	-	-	(7,596,865)	11,035,307	-	11,035,307	
Share repurchases with owners	-	-	(11,035,307)	-	-	-	-	(7,596,865)	(7,596,865)	-	(7,596,865)	
Share repurchases for the period	-	-	-	-	-	609,543	680,731	(6,957,928)	(6,957,928)	(27,449)	(6,985,377)	
Share repurchases comprehensive income for the period	-	-	-	-	-	609,543	680,731	(6,957,928)	(5,667,654)	(27,449)	(5,695,103)	
Balance as at 30 September 2009	52,828,125	18,375,000	-	4,802,301	4,802,301	666,712	(519,272)	(10,678,385)	70,276,782	19,072,116	89,348,898	

Notes set out on pages 9 to 17 form an integral part of the interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows

	Note	Nine months ended 30 Sept. 2010 (Unaudited) KD	Nine months ended 30 Sept. 2009 (Unaudited) KD
OPERATING ACTIVITIES			
Loss for the period		(5,636,564)	(6,985,377)
Adjustments for:			
Impairment of available for sale investments		848,288	1,383,306
(Profit)/loss on sale of investment property		(106,913)	580,152
Change in fair value of investment properties		2,800,105	1,017,996
Realised loss on sale of available for sale investments		17,286	131,083
Realised gain on sale of associate		(16,026)	-
Dividend income		(750,463)	(1,876,931)
Share of results of associates		(3,804,564)	(1,030,679)
Profit on partial disposal of subsidiary		-	(3,170,883)
Depreciation		136,091	110,367
Gain on sale of property and equipment		-	(500)
Write back of provision for legal claim		-	(861,000)
Provision for employees end of service benefits		146,376	116,086
Murabaha, sukuk & interest income		(531,863)	(704,055)
Finance costs		4,932,450	5,977,572
Foreign exchange gain on non-operating assets and liabilities		(334,278)	(2,897,886)
		(2,300,076)	(8,210,749)
Changes in operating assets and liabilities:			
Investments at fair value through profit or loss		(48,562)	12,410,962
Accounts receivable and other assets		(2,272,416)	(3,247,509)
Accounts payable and other liabilities		3,142,244	(8,762,392)
Cash used in operations		(1,478,810)	(7,809,688)
Employee end of service benefits paid		(81,800)	(9,307)
Net cash used in operating activities		(1,560,610)	(7,818,995)
INVESTING ACTIVITIES			
Additions to available for sale investments		-	(734,061)
Net change murabaha and sukuk		368,364	1,492,208
Additions to property and equipment		(55,844)	(185,735)
Proceeds from sale of associate		7,559,500	-
Proceeds from sale/redemption of available for sale investments		961,756	1,529,415
Proceeds from sale of property, plant and equipment		-	90,899
Proceeds from sale of investment properties		106,913	3,285,426
Additions to investment in associates		(397,557)	(1,160,933)
Additions to investment properties		(2,279,105)	(775,074)
Dividend received from associates		564,888	545,272
Dividend income received		750,463	1,783,049
Murabah, sukuk and Interest income received		531,863	346,226
Increase in blocked deposits		(1,900,000)	-
Net cash from investing activities		6,211,241	6,216,692
FINANCING ACTIVITIES			
Proceeds from loans		5,503,855	2,353,790
Repayment of loans		(11,133,225)	(15,184,261)
Proceeds from sale of treasury shares		-	3,438,442
Change in non-controlling interest		-	2,007,566
Finance costs paid		(5,229,024)	(4,670,450)
Net cash used in financing activities		(10,858,394)	(12,054,913)
Net decrease in cash and cash equivalents		(6,207,763)	(13,657,216)
Cash and cash equivalents at beginning of the period		11,800,687	28,389,141
Cash and cash equivalents at end of the period	6	5,592,924	14,731,925

The notes set out on pages 9 to 17 form an integral part of the interim condensed consolidated financial information.

Notes to the interim condensed consolidated financial information 30 September 2010 (Unaudited)

1 Incorporation and Activities

Al Mal Investment Company – KSC (Closed), (“the parent company”), is a Kuwaiti closed shareholding company established on 2 January 1980 under the Commercial Companies Law No. 15 of 1960 and amendments thereto. The parent company is regulated by the Central Bank of Kuwait as an investment company and its shares are listed on the Kuwait Stock Exchange. The parent company and its subsidiaries are together referred to as “the group”.

The principal objectives of the parent company are as follows:

- Investment in various economic sectors through participating in establishing specialised companies or purchasing securities or shares in those companies;
- Act as investment trustees and manage different investment portfolios for others; and
- Act as intermediary in borrowing operations in return for commission;

Further, the Parent Company has the right to participate and subscribe, in any way with other firms which operate in the same field or those which would assist in achieving its objectives in Kuwait and abroad and to purchase those firms or participate in their equity.

The address of the parent company’s registered office is PO Box 26308, Safat 13124, State of Kuwait.

The interim condensed consolidated financial information for the nine month period ended 30 September 2010 was authorised for issue by the parent company’s board of directors on 8 November 2010.

The annual consolidated financial statements for the year ended 31 December 2009 were approved by the shareholders at the annual general meeting held on 12 May 2010.

2 Significant accounting policies

Basis of presentation

This interim condensed consolidated financial information of the group has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”. The accounting policies used in preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the annual financial statements, for the year ended 31 December 2009, except for adoption of new and revised standards and interpretations as discussed below. The annual consolidated financial statements for the year ended 31 December 2009 were prepared in accordance with the regulations of the State of Kuwait for financial services institutions regulated by the Central Bank of Kuwait. These regulations require adoption of all International Financial Reporting Standards (IFRS) except for the IAS 39 requirement for collective impairment provision, which has been replaced by the Central Bank of Kuwait’s requirement for a minimum general provision made on all applicable credit facilities (net of certain categories of collateral) that are not provided specifically.

This interim condensed consolidated financial information does not contain all the information and disclosures required for complete financial statements prepared in accordance with International Financial Reporting Standards. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.

2 Significant accounting policies (continued)

Basis of presentation (continued)

Results for the interim period are not necessarily indicative of the results that may be expected for the year ending 31 December 2010. For further information, refer to the consolidated financial statements and notes thereto for the year ended 31 December 2009.

Adoption of new and revised International Financial Reporting Standards

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

- IFRS 3 Business Combinations (Revised 2008)
- IAS 27 Consolidated and Separate Financial Statements (Revised 2008)
- IAS 28 Investments in Associates (Revised 2008)
- IFRIC 17 Distribution of Non Cash Assets to Owners

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

IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after 1 January 2010. 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 recognised, the reported results in the period that an acquisition occurs and future reported results.

IAS 27 (Revised) 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 it give rise to a gain or loss. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well.

The changes by IFRS 3 (Revised) and IAS 27 (Revised) will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests. The change in accounting policy was applied prospectively.

- IAS 28 Investments in Associates (Revised 2008)

The revised standard introduces changes to the accounting requirements for the loss of significant influence of an associate and for changes in the group's interest in associates. Consequently, when significant influence is lost, the investor measures any investment retained in the former associate at fair value, with any consequential gain or loss recognized in profit or loss. These changes will be applicable for future acquisitions and disposals.

- IFRIC 17 Distribution of Non-Cash Assets to Owners

The Interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders. This interpretation will be applicable for future non-cash distributions made to the shareholders.

Following revised standards have been issued but not yet effective and have not been adopted by the group in the current period:

- IFRS 9 Financial Instruments (effective from 1 January 2013)

The IASB aims to replace IAS 39 *Financial Instruments: Recognition and Measurement* in its entirety by the end of 2010, with the replacement standard to be effective for annual periods beginning 1 January 2013. IFRS 9 is the first part of Phase 1 of this project. The main phases are:

2 Significant accounting policies (continued)

- Phase 1: Classification and Measurement
- Phase 2: Impairment methodology
- Phase 3: Hedge accounting

In addition, a separate project is dealing with derecognition.

Although early application of this standard is permitted, the Technical Committee of the Ministry of Commerce and Industry of Kuwait decided during December 2009, to postpone this allowed early application until further notice.

- IAS 24 (Revised) “Related party disclosures” (effective for annual periods beginning from 1 January 2011)
- IAS 32 Financial Instruments: Presentation (effective for annual period beginning from 1 February 2010)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for annual period beginning 1 July 2010).

3 Profit on partial disposal of subsidiary

During the previous year, the group sold 10% out of its 76.56% owned subsidiary First Diyar real Estate Company – KSC (Closed) to a related party for a consideration KD3,170,883 The consideration due was settled by way of setting it off against the balance due to the same related party.

4 Management fees and other income

	Three months ended		Nine months ended	
	30 Sept. 2010 (Unaudited) KD	30 Sept. 2009 (Unaudited) KD	30 Sept. 2010 (Unaudited) KD	30 Sept. 2009 (Unaudited) KD
Management fees and consultancy	354,050	565,987	538,000	697,329
Rent income	93,020	93,338	276,983	231,050
Other Income	3,860	20,340	10,608	54,563
	450,930	679,665	825,591	982,942

5 Basic and diluted (loss)/earnings per share

(Loss)/earning per share is calculated by dividing the (loss)/profit for the period attributable to the owners of the parent company by the weighted average number of ordinary shares outstanding during the period as follows;

	Three months ended		Nine months ended	
	30 Sept. 2010 (Unaudited)	30 Sept. 2009 (Unaudited)	30 Sept. 2010 (Unaudited)	30 Sept. 2009 (Unaudited)
(Loss)/profit for the period attributable to the owners of the parent (KD)	(8,999)	1,329,191	(3,941,790)	(6,957,928)
Weighted average number of ordinary shares outstanding during the period (excluding treasury shares)	528,281,250	520,371,510	528,281,250	508,096,385
Basic and diluted (loss)/earnings per share	(0.02) Fils	2.55 Fils	(7.46) Fils	(13.69) Fils

6 Cash and cash equivalents

	30 Sept. 2010 (Unaudited) KD	31 Dec. 2009 (Audited) KD	30 Sept. 2009 (Unaudited) KD
Cash and bank balances	2,554,606	5,506,123	7,828,993
Short term deposits	4,908,814	6,260,657	6,137,170
Cash balances with portfolio managers	29,504	33,907	765,762
Cash and cash equivalent as per consolidated statement of financial position	7,492,924	11,800,687	14,731,925
Less: Blocked deposits *	(1,900,000)	-	-
Cash and cash equivalents as per consolidated statement of cash flow	5,592,924	11,800,687	14,731,925

* Short term deposits of KD1,900,000 related to a subsidiary company are pledged against islamic debt instruments of the same subsidiary.

Short term deposits carry average effective interest rate of 1.32% (31 December 2009: 2.17% and 30 September 2009: 1.87%).

7 Accounts receivable and other assets

	30 Sept. 2010 (Unaudited) KD	31 Dec. 2009 (Audited) KD	30 Sept. 2009 (Unaudited) KD
Advance payment to purchase investments (refer a)	14,963,253	15,921,931	15,848,437
Refundable development expenses (refer b)	11,288,304	8,045,497	6,895,781
Advance payment towards project development expenses	-	-	3,217,132
Due from related parties	249,805	261,465	255,006
Trade receivables	1,360,620	1,096,979	1,000,427
Accrued income	198,654	423,582	356,563
Other assets	111,400	150,166	444,021
	28,172,036	25,899,620	28,017,367

a. Advance payment to purchase investments includes an amount of KD13,161,384 (31 December 2009: KD13,272,295 and 30 September 2009: KD13,263,052) paid to establish a new company to invest in the telecommunication project in Iraq. At 30 September 2010, the necessary procedures to establish this company and to determine the eventual share of the group in the capital have not been finalised.

b. Refundable development expenses represent development cost incurred to develop an economic city in the Kingdom of Saudi Arabia jointly with the Saudi authorities. The parent company is the main developer for this project. A new shareholding company is being incorporated in Saudi Arabia to own and manage this project. The legal formalities are currently in process to establish the Saudi shareholding company. As per the agreement on incorporation of the Saudi shareholding company the total expenses incurred for the project will be re-reimbursed to the group.

8 Available for sale investments

	30 Sept. 2010 (Unaudited) KD	31 Dec. 2009 (Audited) KD	30 Sept. 2009 (Unaudited) KD
Investments in unquoted shares	15,820,422	16,564,462	17,419,861
Investments in private equity funds	9,253,923	9,973,789	9,980,111
Investments in direct equity funds	3,463,454	4,191,661	5,244,110
Investments in portfolios managed by others	1,190,453	1,210,638	1,242,255
	29,728,252	31,940,550	33,886,337

8 Available for sale investments (continued)

8.1 Available for sale investments include investments of KD7,862,652 (31 December 2009: KD8,035,850 and 30 September 2009: KD3,786,295), carried at cost due to the unpredictable nature of future cash flows and the unavailability of financial information to arrive at a reliable measure of fair value. The group's management believes that the available information for those investments has not indicated any impairment in value.

8.2 Information for investments in private equity funds and direct equity funds is limited to periodic financial reports provided by the investment managers. These investments are carried at net asset values reported by the investment managers. Due to the nature of these investments, the net asset values reported by the investment managers represent the best estimate of fair values available for these investments.

8.3 During the period, the group recognised an impairment loss of KD848,288 (30 September 2009: KD1,383,306) for certain local and foreign unquoted shares, as the fair value of these shares declined significantly below their costs.

9 Investment in associates

Company name	Ownership %	30 Sept. 2010 KD	Ownership %	31 Dec. 2009 KD	Ownership %	30 Sept. 2009 KD
Safwan Trading and Contracting Co. – KSC (Closed)	-	-	47.37	7,559,890	47.37	7,359,556
Ikarus Real Estate Co. – KSC (Closed)	25.00	583,779	25.00	582,216	25.00	584,418
Petroleum Coke Industries Co. – KSC (Closed)	40.82	10,809,957	40.82	7,551,828	40.82	7,306,281
Mac S.A. Incorporation Co. (Closed)	47.93	435,345	47.93	292,688	47.93	201,274
Falcon Aviation Group Limited	20.00	3,983,920	20.00	4,127,442	20.00	3,916,106
United Insurance Co. Incorporation Co. (Closed)	18.39	1,076,164	18.39	1,149,169	18.39	1,080,912
Mazaya Gateway Co. F.Z.C.	25.00	9,773,356	25.00	9,853,254	25.00	9,846,595
Al Mustathmer Al Watani	35.00	389,191	-	-	-	-
		27,051,712		31,116,487		30,295,142

9.1 The United Insurance Co. – Syria has been classified as investment in associate, as the group exercises significant influence over the operating and financial policies of this associate through representation in the board of directors of this company.

9.2 Investment in associates include goodwill of KD2,724,047 (31 December 2009: KD6,414,335 and 30 September 2009: KD6,414,335).

9.3 The group has recorded its share in United Insurance based on 30 June 2010 unaudited reviewed financial information, and Petroleum Coke Industries Co. – KSC (Closed) based on 30 September 2010 unaudited reviewed financial information. Except for Mazaya Gateway Co. F.Z.C and Al Mustathmer Al Watani which have still not commenced operations and are at their initial stages of establishment, all other associates companies results have been recorded based on the latest available management accounts.

9.4 The investment in Mazaya Gateway Company includes an amount of KD9,551,127 due from this associate (31 December 2009: KD9,631,614 and 30 September 2009: KD9,631,614) and this amount has been classified as cost of investments as it will be used to settle the parent company's share in the capital increase of Mazaya Gateway Company which is expected during 2010.

9.5 During the three month ended 30 June 2010, the group invested an amount of KD385,754 to acquire 35% of Al Mustathmer Al-Watani, a company incorporated in Libya. The associate's principal activity is financial brokerage.

9 Investment in associates (continued)

9.6 During the current quarter the group disposed 99.35% of its 47.37% holding in Safwan Trading and Contracting Company – KSC (Closed), an associate, for a consideration of K.D7,559,500 resulting in a profit of KD16,026. The remaining investment in the former associate amounting to KD48,647 (0.65%) has been transferred to investment at fair value through profit or loss.

10 Investment properties

	30 Sept. 2010 (Unaudited) KD	31 Dec. 2009 (Audited) KD	30 Sept. 2009 (Unaudited) KD
Investment properties	8,092,199	7,303,638	7,430,347
Land and properties under development	73,291,126	74,669,631	76,169,840
	81,383,325	81,973,269	83,600,187

The movement for investment properties is as follows:

	30 Sept. 2010 (Unaudited) KD	31 Dec. 2009 (Audited) KD	30 Sept. 2009 (Unaudited) KD
Balance as of 1 January	81,973,269	87,708,686	87,708,686
Disposals during the period/year	-	(4,223,176)	(3,865,578)
Additions during the period/year	2,279,101	1,550,191	775,075
Change in fair value	(2,800,105)	(3,101,983)	(1,017,996)
Foreign currency translation adjustment arising on consolidation	(68,940)	39,551	-
	81,383,325	81,973,269	83,600,187

During the period, the group decided to evaluate its investment properties by independent valuers semi-annually instead of evaluating them every quarter as done previously. Accordingly, the fair market value of the properties have been determined based on values obtained by independent valuers as of 30 Jun 2010.

During the period, the group sold certain investment properties located in Iraq, which were fully impaired for in previous years, for a consideration of KD106,913 resulting in a profit of the same amount being recognised in the statement of income.

The above properties are located in GCC and other Middle Eastern countries.

11 Borrowings

	30 Sept. 2010 (Unaudited) KD	31 Dec. 2009 (Audited) KD	30 Sept. 2009 (Unaudited) KD
Loans	36,055,360	44,801,388	44,582,935
Islamic debt instruments (refer note 6)	18,473,025	15,356,368	15,270,529
	54,528,385	60,157,756	59,853,464

11.1 The following is the maturity analysis of loans and Islamic debt instruments:

	30 Sept. 2010 (Unaudited) KD	31 Dec. 2009 (Audited) KD	30 Sept. 2009 (Unaudited) KD
Less than 1 year	23,055,360	42,094,395	56,215,624
From 1 year to 5 years	31,473,025	18,063,361	3,637,840
	54,528,385	60,157,756	59,853,464

11 Borrowings (continued)

11.2 Loans and facilities have been granted to the parent company based on negative pledges on the parent company's assets.

11.3 The effective interest rate of term loans is 6.1% (31 December 2009: 6.5% and 30 September 2009: 5.97%).

11.4 The effective cost rate of the Islamic debt instruments is 7.6% (31 December 2009: 7% and 30 September 2009: 8.25%).

12 Bonds

During October 2007, the parent company entered into an agreement to issue unsecured fixed rate bonds of KD 10,000,000 and floating rate bonds of KD3,320,000 at an issue price of 100% of their principal amount. The bonds mature on 2 October 2010, however on 23 September 2010 the maturity of the bonds were extended up to 2 October 2012. The bonds bear fixed interest rate at 8.875% per annum and the floating bonds bear floating interest rate at 5.5% over the Central Bank of Kuwait discount rate. Interest is payable semi-annually in arrears.

On 5 April 2005, the parent company issued unsecured bonds of KD20,000,000 at an issue price of 100% of their principal amount. The bonds mature on 5 April 2010, however on 29 March 2010 the maturity of the bonds were extended upto 5 April 2011. The bonds bear fixed interest rate at 8.375% per annum. Interest is payable semi-annually in arrears.

13 Share capital

The authorised, issued and paid up capital amounted to KD52,828,125 distributed over 528,281,250 shares with 100 fils par value each as of 30 September 2010, 31 December 2009 and 30 September 2009.

14 Related party transactions

Related parties represent associates, directors and key management personnel of the group, and other related parties such as major shareholders and companies in which directors and key management personnel of the group are principal owners or over which they are able to exercise significant influence or joint control.

Significant transactions and balances with related parties included in the interim condensed consolidated financial information are as follows:

	30 Sept. 2010 (Unaudited) KD	31 Dec. 2009 (Audited) KD	30 Sept. 2009 (Unaudited) KD
Transactions in the condensed consolidated statement of financial position:			
Due from related parties (included in accounts receivable and other assets – see note 7)	249,805	261,465	255,006
Due to related parties * (included in accounts payable and other liabilities)	3,748,966	324,320	353,409

- During the period, the group received an interest free advance of KD2,750,000 from a related party with no specific repayment terms.

14 Related party transactions (continued)

	Three months ended		Nine months ended	
	30 Sept. 2010 (Unaudited) KD	30 Sept. 2009 (Unaudited) KD	30 Sept. 2010 (Unaudited) KD	30 Sept. 2009 (Unaudited) KD
Transactions included in the condensed consolidated statement of income:				
Profit on disposal of subsidiary	-	3,170,883	-	3,170,883
Management fees and other income	300,000	500,000	300,000	500,000
Key management compensation				
Short term benefits	76,604	88,421	268,738	300,315
Employee end of service indemnity	4,451	6,751	16,201	22,417

15 Segmental information

The group activities are concentrated in three main segments: real estate, investment and finance. The segments' results are based on internal management reporting information that is reported to the higher management of the group.

The following is the segments information, which conforms with the internal reporting presented to management.

	Real estate KD	Investments KD	Financing KD	Unallocated KD	Total KD
Nine months ended 30 September 2010					
Net income	(2,693,192)	4,554,040	531,863	876,622	3,269,333
Expenses and other charges	-	(848,288)	(4,932,450)	(3,125,159)	(8,905,897)
(Loss)/profit for the period	(2,693,192)	3,705,752	(4,400,587)	(2,248,537)	(5,636,564)
Assets	81,383,325	59,540,879	11,346,884	35,873,060	188,144,148
Nine months ended 30 September 2009					
Net income	(1,367,098)	3,208,548	704,055	1,725,051	4,270,556
Expenses and other charges	-	(1,383,306)	(5,977,572)	(3,895,055)	(11,255,933)
(Loss)/profit for the period	(1,367,098)	1,825,242	(5,273,517)	(2,170,004)	(6,985,377)
Assets	83,600,187	81,125,556	35,846,359	1,286,283	201,858,385
Three months ended 30 September 2010					
Net income	(183,951)	1,891,610	159,503	656,894	2,524,056
Expenses and other charges	-	(445,045)	(1,651,946)	(250,298)	(2,347,289)
(Loss)/profit for the period	(183,951)	1,446,565	(1,492,443)	406,596	176,767
Three months ended 30 September 2009					
Net income	1,120,947	3,173,124	190,247	1,343,731	5,828,049
Expenses and other charges	-	(1,383,306)	(1,789,683)	(1,005,541)	(4,178,530)
(Loss)/profit for the period	1,120,947	1,789,818	(1,599,436)	338,190	1,649,519

16 Contingent liabilities and commitments

	30 Sept. 2010 (Unaudited) KD	31 Dec. 2009 (Audited) KD	30 Sept. 2009 (Unaudited) KD
Bank guarantees	56,050	56,050	630,050
Uncalled instalment for financial investments	2,750,602	2,783,689	2,781,851
Capital commitment related to intangible asset	1,342,125	1,852,177	-

17 Assets under management

The Group manages mutual funds, portfolios on behalf of its major shareholders, other related parties and outsiders, and maintains securities in fiduciary accounts which are not reflected in the Group's statement of financial position. Assets under management at 30 September 2010 amounted to KD28,720,000 (31 December 2009: KD29,292,000 and 30 September 2009: KD17,129,000).