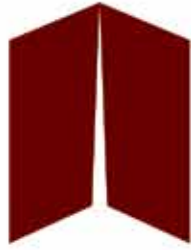


Al Ritaj
Investment



الرتاج
للإستثمار

ANNUAL REPORT
2010

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عن عائشة رضي الله عنها: قال رسول الله صلى الله عليه وسلم:

﴿إِنَّ اللَّهَ يُحِبُّ إِذَا عَمَلَ أَحَدُكُمْ
عَمَلًا أَنْ يَتَّقَنَهُ﴾

رواه الطبراني والبيهقي

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



H.H. the Amir
**Sheikh Sabah Al-Ahmad
Al-Jaber Al-Sabah**



H.H. the Crown Prince
**Sheikh Nawaf Al-Ahmad
Al-Jaber Al-Sabah**



H.H. the Prime Minister
**Sheikh Naser Al-Mohammed
Al-Ahmad Al-Sabah**



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Board Of Directors



Nayef Al Hajeri
Chairman



Abdulateef Al Abdulrazzaq
Vice Chairman



Ali Mubarak Al Dabbous
Board Member



Maen Al-Rusheed
Board Member



Tarek Ibrahim AlMansour
Board Member



Ebrahim Al Khuzam
Board Member



Essam Khalefah AlNisf
Board Member



Mohammed Al-Khaled
Board Member



Muhamad Alduaij
Board Member

Fatwa & Shari'a Supervisory Panel



Dr. Sheikh Abdul Aziz Khalifah Al-Qassar
Chairman



Dr. Sheikh Essam Khalaf Al-Enezi
Member



Sheikh Abdul Sattar Ali Al-Qattan
Member



Sheikh Essam M. Ishaq
Member

Chairman & Managing - Director's Message

Report of the Board of Directors on the Company Activities in 2010



Ladies and Gentlemen,

I wish to avail myself of this opportunity to welcome you on behalf of my fellow Board of Directors to the General Assembly meeting. In this meeting, we will discuss the Company annual report on the outcomes of its business in the financial year ending on December 31, 2010. This report includes the company financial statements, independent auditor report, Shari`a Supervisory Board report and a brief account of the company major activities. It also presents the procedures and decisions adopted during the fourth financial year of the Company lifetime.

Honorable Shareholders,

As you may be aware, the ramifications of the global financial crisis experienced by the global and regional markets counting the market in Kuwait late in 2008, with present apparent effects on national economy, neighboring GCC as well as MENA economies. Although substantial efforts were exerted to overcome such adverse effects and reinstate the situation back to recovery, these primarily continue to mark scarcity of financing channels, retreat of asset prices and lack of economic growth revitalizing role. The level of intensity varies from a country to country and economic sector to another.

Additionally, the regional geopolitical consequences, stringent controlling procedures package and regulatory framework imposed by supervisory authorities on businesses in general and investment companies in particular as well other negative factors inconveniently impact the growth of global economy. To mention a few, natural disasters and sovereign debts crisis exacerbating in some of the Euro-zone countries have had an unfavorable impact thus far.

Honorable Shareholders,

Despite the severity of current difficulties and prevalent conditions, we have no doubt that Al Ritaj Investment Company continues to be empowered and equipped to join forces to start afresh towards achieving promising investments in line with its objectives and nature of business activities. To pursue that objective, the Board of Directors was restructured last February. The new Board of Directors in turn embarked without delay upon its duties. It exerted extraordinary actionable steps to overcome the effects of the most difficult stage the company has encountered since its inception. In coordination with the new executive management team a work plan was devised carefully and objectively to address any shortcomings in the Company business operations as well as to deal with the impacts ensued from the global financial crisis.

The plan as it stands adopts a clear investment overall strategy in production and service sectors currently witnessing growth and await future expansion and development. Sector focus includes education, health, pharmaceutical and food industries and more particularly other opportunities to be seized in services sectors.

Dear Shareholders,

The new Board of Directors has been honored to win your trust so far. Since we assumed the Company management during the previous months, the Board of Directors has implemented several targeted procedures aimed at enhancing its capabilities and abilities.

These include the following:

- 1- Reducing the general administrative expenses and the funding costs in 2010 at 8% less than 2009.
- 2- Restructuring and evaluating the Company investments to be consistent with its current position in order to develop individual work plans for each investment. The plans are intended to increase the company operating activity, production levels and sales towards achieving the best results during the upcoming period.
- 3- Existing from certain unprofitable investments during the year and redirecting exit proceeds to productive investment projects and opportunities that support corporate endeavors realize superior and lucrative returns.
- 4- Conducting a study of the Company debts position and developing an executive plan that addresses any issues and recommending the repayment of any outstanding amounts to the maximum possible or rescheduling under arrangements with the creditors.
- 5- Amending the Company Articles and Memorandum of Association and expanding the Company investment objectives investment to be able to seize rewarding investment opportunities in both public and private sectors in the State of Kuwait, GCC countries and MENA countries.

Dear Shareholders,

In the annual report you will find the outcomes of the company business activities for the financial year ending on December 31, 2010 that corroborate the financial position of the Company and clearly reflect the Company financial performance and the development of the main financial indicators. Consolidated total revenues in 2010 were KD 5,056,944, while sales costs, administrative and general expenses, funding and other expenses in 2010 were KD 10,006,872. The Company consolidated net loss in 2010 amounted to KD 4,949,928. As a result, the Board of Directors has decided not to distribute any dividends to the shareholders for the financial year ending on December 31, 2010.

Dear Shareholders,

We truly believe that your trust and support represent a major source of motivation. We now more than ever believe that we are prepared to continue with our new plan that addresses current stage challenges and much anticipated market changes. The plan as documented regenerates healthy work environment and enthusiasm and manages change in the Company investment activities inside and outside Kuwait. We are filled with hope that those efforts will soon bring about new strategic partnerships with major landlords and investors to perform investment projects to materialize shortly.

Finally, I wish to extend my gratitude to you once more for your support and understanding. I beseech Allah, Exalted be He, to protect our country under the prosperous rule of His Highness the Amir of Kuwait, his Highness the Crown Prince, the government and the honorable people of Kuwait. I also wish to praise the achievements of the Shari`a Supervisory Board and thank all working members for their remarkable efforts that will soon see the light.

I look forward to meeting you in the next General Assembly meeting to announce that the outcomes of these efforts and actions have been realized.

We thank you for your presence and participation.

May peace and blessings of Allah be upon yo.

Economic Developments Overview

Local Economic Brief

The unprecedented global financial crisis that struck the global economy since the Great Depression has caused regional and national GDPs to record negative growth rates throughout two successive years 2008 and 2009. In 2010, Kuwait's gross domestic product nominally increased 17% compared to its negative nominal growth estimated at -23% in 2009. It is further expected that the growth of gross domestic product will continue to be at fixed rates in 2010 and 2011, namely at 4.5% due to the increase of oil prices in global markets.

The performance of economic sectors in general in 2010 was positive but performance rates may have varied from sector to another compared to 2009. Although trade, mining, wholesale and retail sectors achieved noticeable growth along with the increase of the turnover of consumption sector, performance of other sectors such as construction and building was modest due to lack of investments in infrastructure projects, suspension of development plans, scarcity of activity in some sectors especially the trade sector.

Oil prices increased in 2010 while the official oil production rate remained at 2.2 million barrels per day in 2009 and 2010. The price of Kuwait's oil increased from \$60.3 in 2009 to \$76.4 per barrel in 2010, i.e., at a rate of 26.7%. Due to the increase in oil prices, it is expected that state budget (2011/2010) will continue achieving financial surplus for the thirteenth financial year consecutively ranging from KD 7.3 billion to KD 11.4 billion before setting aside Future Generations Fund provisions according to the most recent economic predictions issued by the National Bank of Kuwait.

Due to real positive growth of the Kuwaiti economy in 2011 at 4.5% and forecasts of stability in oil products, it is expected that Kuwait will go on achieving comfortable surpluses in its budget and the current balance. This is also supported by the expectation of performing promising economic reforms, starting the execution of the announced development plan of KD 42 billion and the banking sector's return to providing credit facilities to projects and companies after concluding the financially distressed companies' dilemma especially in financial and investment sectors not to mention other elements.

Kuwait Stock Exchange indexes were more stable than of last year. In 2010, although KSE's Weighted Indicator recorded noticeable increase at 25.5% compared to 2009, KSE's Price Index recorded unfavorable mild loss estimated at 0.7% compared to 2009. Market Value Index increased at 18% for total market value of KD 34.5 billion according to last trading day information.

Despite such growth and increase, the market was rather selective. The activity was dominated by a limited number of companies or sectors. It was noticeable that market liquidity was scarce. Current market conditions, including the decline in Price Index, decrease of market liquidity and decline in all market indexes (value, trading and transactions) particularly in 2011 due to local and global economic conditions, may put an end to the optimistic atmosphere investors enjoyed by 2010 end and 2011 start.

It is worth mentioning that improvements in positive performance achieved in 2010 may vanish in 2011 which witnesses an investment climate dominated by uncertainty (although microeconomic indexes were not affected) due to foreign global economic consequences especially the European sovereign debts crisis, the US sovereign debt problem and the natural disasters that have befallen some of the world's country such as Japan. Domestically, internal conflicts, suspension of development plan, geopolitical issues in the Gulf and Arab region, continued strict credit controls imposed by local banks and failure to solve financially distressed companies issue – played a role.

GCC States Economy

At the level of GCC States, microeconomics indicators witnessed noticeable improvement. After actual positive growth in Kuwait and UAE and mild increase in Kingdom of Saudi Arabia, the overall growth of GCC States was rendered positive in 2010. The highest growth rate was recorded in Qatar at approximately 14%. Expectations for GCC States economies refer to a further increase in GCC States GDPs at 4% in 2010 and 4.6% in 2011 following a lesser growth of 1% in 2009 GDP given oil prices increase in the global markets and oil production levels. This in turn will inevitably contribute to the improvement of the financial and foreign balances of the GCC States in general in 2010 and 2011.

It is expected that GCC States current balance will record a surplus at 11.8% of the gross domestic product in 2010 compared to a surplus of 7.1% in 2009. GCC States current balance is expected to rise to 12.3% in 2011. It seemed that the return to positive growth in the GCC States and the high growth rates in emerging economies such as China, India and Brazil has caused the inflation pressures to increase specifically in raw materials prices such as oil and food products.

The region has witnessed major events that have contributed to the spread of uncertainty and suspension of many projects due to Dubai debt crisis overcome later on, Bahrain instability, Arab revolutions, Euro zone sovereign debts, US debt crisis and natural disasters that affected certain world countries, particularly Japan's earthquakes.

Global Economy Brief

In 2009, the global economy has achieved the first actual negative growth since the end of the World War II as per the statistics of the International Monetary Fund. However, this growth was generally better than expected. The global economy lost about 0.6% only of its size, which cost is deemed minimal compared to the repercussions of the Great Depression in the 1930s of the last century. Such negative performance was the result of high negative growth estimated at 3.2% of the industrially developed countries' economies evaluated in US Dollars at 69% of the global economy. Alternatively, developing and emerging economies achieved positive growth estimated at 31.6 of the global economy overall size.

Global exchange markets also witnessed severe fluctuations especially in the US Dollar rate against main currencies (Euro, Yen, Chinese Yuan ... etc). Q4 of 2010 and more particularly in September 2010 witnessed a currency rage among central banks worldwide as they sought to reduce their respective currencies against other currencies or limit local currency hikes.

International Monetary Fund expects that global economy is likely to achieve a high positive growth approximately at 4.8% in 2010, which indicates a global economy recovery at even a faster pace than expected being driven by strong support from developing and emerging economies for the first time at 7.1%. On the other hand, developed economies will grow at 2.7%. Despite such expected optimistic scenario, the state of uncertainty at the beginning of 2011 still dominates the overall economic scene.

The US sovereign debt crisis in addition to the Euro zone sovereign debts and Standard and Poor's' downgrade of US rating following internal disagreements in a country with the largest economy worldwide (i.e. approximately one quarter of global economy) between the government and the Congress have worsened the crisis that the global economy witnessed. It seems that the adverse effects of such unfavorable factors have created negative atmosphere in the global economy as a whole.

Growth rates in 2011 and following years are still dependent to a great extent upon the level of consumer trust and business institutions quarterly results. Besides, the crisis of the Euro zone sovereign debts is deeper than what was expected and has become a source of genuine nuisance for the global economy. Despite International Monetary Fund efforts and the Euro zone countries to provide packaged aids and subsidies to the affected European countries such as Ireland and Greece, the dangers that the crisis may extend to other countries in the Euro-region such as Portugal and Spain and to countries such as Italy and Belgium known for their effect in the global economy. All in all, this issue remains as a source of disturbance to economists and decision makers in global economy.

Shari'ah Supervisory Board Report

For the period ended 31/12/2010

Report of Fatwa & Shari'a Supervisory Board

For the year ended 31st December 2010

Praise be to Allah, the Cherisher and sustainer of the worlds, and peace and blessings be upon his Prophet, Mohammed, his folks and his companions.

Valued Shareholders of Al-Ritaj Investment Company
Peace and Allah's mercy and blessings be upon you.

We have reviewed the contracts relating to the transactions concluded by the company during the financial period ended 31st December 2010. We have also completed the necessary due diligence in order to determine whether the Company has acted in compliance with the rules and principles of Islamic Shari'a.

In addition, we planned and conducted our review so as to obtain all information and explanations we deemed necessary to provide us with reasonable assurance that the Company is not in contradiction with the rules and principles of the Islamic Sharia.

In our opinion, the contracts and transactions made by the Company during the financial year ended 31st December 2010, which we meticulously reviewed, have been executed in accordance with the rules and principles of the Islamic Sharia.

**We wholeheartedly pray to Al-mighty Allah to keep us rightly guided all the time,
Peace and Allah's Mercy and blessing be upon you.**



Dr. Sheikh Abdul Aziz Khalifah Al-Qassar
Chairman



Dr. Sheikh Essam Khalaf Al-Enezi
Member



Sheikh Abdul Sattar Ali Al-Qattan
Member



Sheikh Essam M. Ishaq
Member

INDEPENDENT AUDITOR'S REPORT

The Shareholders
Al Ritaj Investment Company - K.S.C. (Closed)
State of Kuwait

Report on the consolidated financial statements

I have audited the accompanying consolidated financial statements of Al Ritaj Investment Company - K.S.C. (Closed) (the Parent Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 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 as adopted in the State of Kuwait, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I 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 auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Al Ritaj Investment Company - K.S.C. (Closed) as at December 31, 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted in State of Kuwait.

Emphasis of matter

I draw attention to Note 34 to the consolidated financial statements about the Parent Company's ability to continue as a going concern.

Other matter

The consolidated financial statements of Al Ritaj Investment Company – K.S.C. (Closed) for the year ended December 31, 2009 were audited by another auditor whose report dated June 13, 2010 expressed modified opinion with emphasis of matter regarding the Parent Company's ability to continue as a going concern.

Report on other Legal and Regulatory Requirements

Also in my opinion, the consolidated financial statements include the disclosures required by the Commercial Companies Law of 1960, as amended, and the Parent Company's Articles of Association, and I obtained the information I required to perform my 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.

I further report that, during the course of my audit, I 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 its related regulations, during the year ended December 31, 2010= that might have had a material effect on the financial position of the Parent Company or on results of its operations.

State of Kuwait
June 27, 2011



Dr. Shuaib A. Shuaib
Licence No. 33-A.
RSM Albazie & Co.

Al Ritaj Investment Company - K.S.C. (Closed) And Its Subsidiaries

Consolidated Statement Of Financial Position - As Of December 31, 2010

(All Amounts are in Kuwaiti Dinars)

	Note	2010	2009 (Restated)
ASSETS			
Cash on hand and at banks	3	1,246,574	1,093,633
Time deposits	4	2,500,000	2,500,000
Accounts receivable and other debit balances	5	602,983	635,427
Wakala receivables	6	4,907,561	2,940,000
Due from related parties	7	205	741,108
Inventories	8	475,636	451,749
Investments at fair value through statement of income	9	4,527,491	10,263,501
Assets related to discontinued operations	2	-	539,773
Investments available for sale	10	1,172,504	890,754
Investment in associates	11	12,228,916	15,747,762
Investments held to maturity	12	219,250	289,350
Fixed assets	13	200,803	282,596
Intangible assets	14	933,972	933,972
Goodwill		27,048	27,048
Total assets		29,042,943	37,336,673
LIABILITIES AND EQUITY			
Liabilities:			
Tawarruq payable	15	16,343,746	18,048,285
Wakala payable	15	3,718,868	5,046,338
Accounts payable and other credit balances	16	749,008	608,087
Liabilities related to discontinued operations	2	-	271,558
Provision for end of service indemnity	17	190,180	117,819
Provision for law suits		131,140	-
Total liabilities		21,132,942	24,092,087
Equity:			
Capital	18	25,026,850	25,026,850
Share premium	19	1,987	1,987
Statutory reserve	20	613,173	613,173
Voluntary reserve	21	572,103	572,103
Employee stock option reserve	22	33,212	33,212
Effect of changes in associates' equity		(178,076)	199,041
Accumulated losses		(18,676,271)	(13,564,994)
Equity attributable to Parent Company's shareholders		7,392,978	12,881,372
Non - controlling interests		517,023	363,214
Total equity		7,910,001	13,244,586
Total liabilities and equity		29,042,943	37,336,673

The accompanying notes (1) to (35) form an integral part of the consolidated financial statements.



Nayef E. Al - Hajeri
Chairman

Al Ritaj Investment Company - K.S.C. (Closed) And Its Subsidiaries

Consolidated Statement Of Income - For The Year Ended December 31, 2010

(All Amounts are in Kuwaiti Dinars)

	Note	2010	2009 (Restated)
Continuing operations:			
Net sales		3,664,144	2,797,696
Cost of sales		(2,185,222)	(1,640,999)
Gross profit		1,478,922	1,156,697
Expenses and charges:			
General and administrative expenses	23	(2,432,237)	(2,463,628)
Net investments losses	24	(679,777)	(1,459,606)
Wakala income		1,272,339	1,376,556
Share of results from associates	11	(1,456,077)	(1,511,872)
Management fees		6,928	630,625
Impairment and other provisions	25	(50,062)	(12,493,171)
Impairment loss for investment in an associate	11	(1,685,652)	-
Finance charges	26	(1,505,049)	(1,595,349)
Foreign currency exchange (loss) gain		(12,796)	66,829
Other income	27	84,748	101,386
Loss for the year from continuing operations		(4,978,713)	(16,191,533)
Profit (loss) for the year from discontinued operations	2	28,785	(35,475)
Net loss for the year		(4,949,928)	(16,227,008)
Attributable to:			
Parent Company's shareholders		(5,111,277)	(16,290,598)
Non - controlling interests		161,349	63,590
Net loss for the year		(4,949,928)	(16,227,008)

The accompanying notes (1) to (35) form an integral part of the consolidated financial statements.

Al Ritaj Investment Company - K.S.C. (Closed) And Its Subsidiaries

Consolidated Statement Of Comprehensive Income - For The Year Ended December 31, 2010

(All Amounts are in Kuwaiti Dinars)

	Note	2010	2009 (Restated)
Net loss for the year		<u>(4,949,928)</u>	(16,227,008)
Other comprehensive (loss) income :			
Share of change in other comprehensive income of an associate	11	<u>(377,117)</u>	199,041
Other comprehensive (loss) income for the year			
Total comprehensive loss for the year		<u>(5,327,045)</u>	<u>(16,027,967)</u>
Attributable to:			
Shareholders of the parent company		<u>(5,488,394)</u>	(16,091,557)
Non - controlling interests		<u>161,349</u>	63,590
Total comprehensive loss for the year		<u>(5,327,045)</u>	<u>(16,027,967)</u>

The accompanying notes from (1) to (35) form an integral part of the consolidated financial statements.

Al Ritaj Investment Company - K.S.C. (Closed) And Its Subsidiaries

Consolidated Statement Of Changes In Equity - For The Year Ended December 31, 2010

(All Amounts are in Kuwaiti Dinars)

	Equity attributable to the Parent Company's shareholders							Non - controlling interests	Total equity	
	Capital	Share premium	Statutory reserve	Voluntary reserve	Employee stock option reserve	Effect of changes in associates' equity	Accumulated losses			Equity attributable to Parent Company's shareholders
Balance as of December 31, 2008	25,026,850	1,987	613,173	572,103	33,212	-	2,725,604	28,972,929	299,624	29,272,553
Total comprehensive income (loss) for the year (Restated)	-	-	-	-	-	199,041	(16,290,598)	(16,091,557)	63,590	(16,027,967)
Transfer to reserves	-	-	86,077	119,411	-	-	(205,488)	-	-	-
Balance as previously shown	25,026,850	1,987	699,250	691,514	33,212	199,041	(13,770,482)	12,881,372	363,214	13,244,586
Reversal of transferred reserve	-	-	(86,077)	(119,411)	-	-	205,488	-	-	-
Balance as of December 31, 2009	25,026,850	1,987	613,173	572,103	33,212	199,041	(13,564,994)	12,881,372	363,214	13,244,586
Total comprehensive (loss) income for the year	-	-	-	-	-	(377,117)	(5,111,277)	(5,488,394)	161,349	(5,327,045)
Due to sale of a subsidiary	-	-	-	-	-	-	-	-	(7,540)	(7,540)
Balance as of December 31, 2010	25,026,850	1,987	613,173	572,103	33,212	(178,076)	(18,676,271)	7,392,978	517,023	7,910,001

The accompanying notes (1) to (35) form an integral part of the consolidated financial statements.

Al Ritaj Investment Company - K.S.C. (Closed) 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:		
Loss for the year from continuing operations	(4,978,713)	(16,191,533)
Profit (loss) for the year from discontinued operations	28,785	(35,475)
Loss for the year	(4,949,928)	(16,227,008)
Adjustments:		
Depreciation	119,888	154,328
Unrealized loss from investments at fair value through statement of income	733,773	1,417,267
Realized loss on sale of investments at fair value through income statement	90,261	14,855
Gain on sale of investment in subsidiary	(28,785)	-
Impairment loss on investments available for sale	-	88,884
Share of results from associates	1,456,077	1,511,872
Finance charges	1,505,049	1,595,349
Impairment and other provisions	1,872,481	8,769,134
Provision for doubtful debt	-	3,724,037
Provision no longer required	(5,627)	-
Foreign currency exchange gain	-	(66,829)
End of service indemnity	83,020	78,873
	876,209	1,060,762
Changes in operating assets and liabilities:		
Accounts receivable and other debit balances	32,442	5,444,823
Due from related parties	746,530	-
Inventories	(23,887)	(191,311)
Accounts payable and other credit balances	133,383	190,001
Cash generated from operations	1,764,677	6,504,275
End of service indemnity paid	(10,659)	(46,861)
Net cash generated from operating activities	1,754,018	6,457,414
Cash flows from investing activities:		
Purchase of investment in an associate	-	(9,000,000)
Purchase of investments at fair value through statement of income	(87,330)	-
Proceeds from sale of investments at fair value through statement of income	4,999,306	2,141,512
Purchase of investments available for sale	(281,750)	-
Redemption for investments held to maturity	70,100	-
Purchase of fixed assets	(38,095)	(70,759)
Proceeds from sale of investment in subsidiary	297,000	-
Net movement in Wakala receivables	(2,023,250)	3,417,068
Net cash generated from (used in) investing activities	2,935,981	(3,512,179)
Cash flows from financing activities:		
Tawarruq payables	(1,704,539)	1,097,068
Wakala payables	(1,327,470)	(1,978,465)
Finance charges paid	(1,505,049)	(1,595,860)
Net cash used in financing activities	(4,537,058)	(2,477,257)
Net increase in cash on hand and at banks	152,941	467,978
Cash related to discontinued operations	-	(18,134)
Cash on hand and at banks at the beginning of the year	1,093,633	643,789
Cash on hand and at banks at the end of the year	1,246,574	1,093,633

The accompanying notes (1) to (35) form an integral part of the consolidated financial statements.

1. Incorporation and nature of Parent Company's activity

Al Ritaj Investment Company - K.S.C. (Closed) (the Parent Company) was incorporated and authenticated at the Ministry of Justice – Authentication Department under Ref. No. 42 Vol. 7 dated May 14, 2006 and registered with Commercial register under Ref. No. 114296 dated May 20, 2006.

The main objectives for which the parent company was incorporated are as follows:

- 1- Investing in real estate, industrial, agricultural and other economic sectors, through contributing to establishment of specialized companies or buying its shares or bonds in various sectors.
- 2- Managing public and private institutions' funds and invest these funds in various economic sectors, including portfolio management and real estate.
- 3- Providing and preparation of technical, economic and valuation studies and consultancies and feasibility studies related to these companies and institutions and prepare the necessary studies for these institutions and companies, provided that conditions to be fulfilled to practice this activity.
- 4- Mediation in lending and borrowing operations.
- 5- Carrying out the functions of companies and organizations' Bonds issue managers, and the functions of custodians.
- 6- Financing and brokerage in international trade operations.
- 7- Providing loans to others taking into account financial safety principles in loans granting, while maintaining the continuity of the safety of company's financial position in accordance with the conditions, rules and limits established by the Central Bank of Kuwait.
- 8- Dealing and trading in foreign exchange and precious metals market in Kuwait and abroad, this activity is only for the company.
- 9- Operations related to trading of securities from shares and companies and local governmental bodies and international organizations ponds from purchase and sale.
- 10- Carrying out all the services that help to develop and strengthen the capacity of the financial and cash market in Kuwait and to meet its needs, all within the limits of law and procedures or instructions issued by the Central Bank of Kuwait.
- 11- Mobilizing resources to Ijara financing and arranging group Ijara financing, especially for small and medium enterprises, without accepting deposits, and to invest its funds in the different types of investments approved by the Central Bank of Kuwait specially Ijara financing requiring owning, leasing movable and immovable assets excluding financing of consumer goods, the company is able to manage international portfolios and to develop funds in leasing operations for its own and on behalf of others in accordance with the laws and resolutions in force in the country.
- 12- Owning, using and renting industrial property rights, patents, commercial and industrial trademarks, business graphics, intellectual property rights and related intellectual programs and literature to other bodies.
- 13- Establishing and managing investment funds for its own and on behalf of others, issuing its units for subscription and acting as custodian or investment manager for leasing and investment funds inside the State of Kuwait and abroad in accordance with laws and resolutions in force in the country. (After obtaining the approval of the Central Bank of Kuwait)

These purposes have to be exercised in accordance with the instructions of Islamic Shari'a, and the previous objectives may not in any way be interpreted in away that allow the company to directly or indirectly exercise any acts of usury or transactions in violation of the provisions of Islamic law.

The parent company may achieve the above mentioned objectives inside or outside the State of Kuwait by its own or by proxy. The parent company shall have the right to have an interest or to take part in any manner with the authorities that practice similar operations, or that may help the parent company to achieve its objectives inside and outside Kuwait. The parent company shall also acquire these authorities or merge them with the parent company, but in all cases shall not be interpreted that it allows the company to practice business within the core of the banking profession.

The incorporation general assembly held on June 6, 2006 and declared the Parent Company's finally incorporation. As per the General Assembly meeting held on June 27, 2007, employees' stock option plan was authorized.

As per the extraordinary General Assembly Meeting held on June 27, 2007, it was approved that:

- 1 Article No. 45 of the parent company's Memorandum of Association to be amended to be - Parent company's financial year starts from January 1 and ends on December 31 from each year, excluding the first financial year which starts from the date of declare of the Company's incorporation to December 31 of the next year.
- 2 Some clauses of Article No. 6 of the Parent Company's Articles of Association and the same in Article No. 5 of the Parent Company's Memorandum of Association to be amended as follows:
 - a) Clause No. 1 Investing in real estate, industrial, agricultural and other economic sectors through contributing to establishing of specialized companies or bringing its shares or Sokouk in various sectors.
 - b) Clause No. 4 Mediation in financing and funding operations.
 - c) Clause No. 5 Carrying out the functions of companies and organizations Sokouk issue managers, and the functions of custodians.
 - d) Clause No. 7 Providing financing to others. Taking into account financial safety principles in financing granting, while maintaining the continuity of the safety of the company's financial position in accordance with the conditions rules and limits established by the Central Bank of Kuwait.
 - e) Clause No. 9 Operations related to trading of securities from shares and companies and local governmental bodies and international organizations Sokouk from purchase and sale.

These amendments was authenticated at the commercial register on July 7, 2007.

As per the extraordinary General Assembly Meeting held on May 13, 2008, it was approved that Articles No. 8 of the parent company's Articles of Association and Article No. 7 of the parent company's Memorandum of Association to be amended to be Parent company's share capital was increased to be KD 25,100,000 distributed on 251,000,000 shares with an amount of 100 fils per share and shares are in cash.

That amendment was authenticated with the commercial register on May 25, 2008.

The total number of employees of the Group as of December 31, 2010 is 142 (December 31, 2009 – 125 employees).

The parent company's registered address is P. O. Box 50 Dasman 15451 - State of Kuwait.

The consolidated financial statements were authorized for issue by the Board of Directors on June 27, 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 Standards Board (IASB) except for IAS 39 requirements for collective provision, which has been replaced by the Central Bank of Kuwait requirements for a minimum general provision of 1% for cash facilities and 0.5% for non cash facilities, net of certain restricted categories of collaterals, not subject to specific provision. 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 certain investments at fair value through statement of income, and certain investments available for sale which are stated at their fair value.

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:

(Revised) IFRS 3 Business Combinations (2008)

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 recognised, the reported results in the period that an acquisition occurs and future reported results.

Amended IAS 27 Consolidated and Separate Financial Statements (2008)

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 financial statements.

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 non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity 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 Group has applied IAS 1 (amendment) from January 1, 2010. It did not have a material impact on the Group's financial statements.

IFRS 2 (amendments), '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 arrangements that were not covered by that interpretation. The new guidance did not have a material impact on the Group's 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.

The preparation of 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(y).

Standards and Interpretations issued but not effective

The following IASB Standard and Interpretation 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.

Al Ritaj Investment Company - K.S.C. (Closed) And Its Subsidiaries

Notes To Consolidated Financial Statements - December 31, 2010

(All Amounts are in Kuwaiti Dinars)

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 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

b) Principles of consolidation:

The consolidated financial statements incorporate the financial statements of Al Ritaj Investment Company – K.S.C. (Closed) and the following subsidiaries (the Group):

Name of the subsidiary	Country of incorporation	Percentage of holding %	
		2010	2009
Majd Food Company – K.S.C. (Closed)	Kuwait	51	51
Legerity Logistics Company - K.S.C. (Closed)	Kuwait	100	100
International Building Real Estate Company – K.S.C. (Closed)	Kuwait	100	100
International Expertise Catering Company – W.L.L.	Kuwait	-	51

On May 5, 2010, the group entered into a sale agreement, effective January 1, 2010, to sell its 51% owned subsidiary International Expertise Catering Company – W.L.L. for an amount of KD 297,000 resulting in a gain of KD 28,785.

The net assets of International Expertise Catering Company – W.L.L. at the effective date of disposal were as follows:

Assets	
Cash on hand and at banks	18,134
Accounts receivable and other debit balances	68,343
Inventories	11,537
Fixed assets	131,387
Goodwill	310,372
Total assets	539,773
Less: Liabilities	
Accounts payable and other liabilities	(240,707)
Provision for end of service indemnity	(30,851)
Total liabilities	(271,558)
Net assets disposed	268,215
Gain from sale of subsidiary	28,785
Consideration received	297,000

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 shareholder's 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 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 profit or loss; and
- Reclassifies the Parent Company's share of components previously recognized in other comprehensive income to profit or loss.

c) Cash on hand and at banks

Cash on hand and at banks include cash in hand, 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.

d) Receivables

Receivables are recognized initially at fair value and subsequently measured at amortized cost, using the effective rate of return, less provision for impairment. A provision for impairment of trade receivables is established when there is 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 rate of return. 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 receivables. Subsequent recoveries of amounts previously written off are credited in the consolidated statement of income.

e) Wakala receivables

Wakala receivable represents a sale of commodity with deferred installments. Wakala receivables are stated at amortized cost net of impairment losses or provision for doubtful debts.

The provision for impairment of Wakala receivables complies in all material respects with the specific provision requirements of the Central Bank of Kuwait. In addition, in accordance with Central Bank of Kuwait instructions, a minimum general provision is made on all credit facilities net of certain categories of collateral, to which the Central Bank of Kuwait instructions are applicable and not subject to specific provision.

f) Inventories

Inventories are valued at the lower of cost or net realizable value after providing allowances for any obsolete or slow-moving items. Cost comprises direct materials and, where applicable, direct labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is determined on a weighted average basis.

Net realizable value is the estimated selling price in the ordinary course of business less the costs of completion and selling expenses.

g) Investments

The Group classifies its investments in the following categories: Investments at fair value through statement of income, held to maturity investments and available for sale investments. The classification depends on the purpose for which the investments were acquired and is determined at initial recognition by the management.

(i) Investments at fair value through statement of income

This category has two sub-categories: investments held for trading, and those designated at fair value through statement of income at inception.

An investment is classified as held for trading if acquired principally for the purpose of selling in the short term or if it forms part of an identified portfolio of investments that are managed together and has a recent actual pattern of short-term profit making or it is a derivative that is not designated and effective as a hedging instrument.

An investment is designated by the management on initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise or; if they are managed and their performance is evaluated and reported internally on a fair value basis in accordance with a documented risk management or investment strategy.

Investments in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months of the consolidated statement of financial position date.

(ii) Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

(iii) 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 of the consolidated statement of financial position date.

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

After initial recognition, investments at fair value through statement of income and available for sale investments 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.

Realized and unrealized gains and losses from investments at fair value through statement of income are included in the consolidated statement of income. 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 consolidated statement of other comprehensive income.

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

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

An investment is derecognized (in whole or in part) 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 date of each consolidated statement of financial position 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 the consolidated statement of income – is removed from consolidated other 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.

h) 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.

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 associates 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.

i) 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.

Depreciation is computed on a straight-line basis over the estimated useful life of fixed assets as follows:

	Percentage %
Machinery and equipment	20
Motor Vehicles	20
Furniture and fixture	20 – 50

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. Land is not depreciated.

j) Intangible assets

Trademarks

Trademarks are shown at historical cost. Trademarks have an indefinite useful life and are carried at cost less impairment losses if any.

k) Goodwill

Goodwill arising on an acquisition of a subsidiary 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, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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.

l) Impairment of tangible and intangible assets

At the each date of consolidated statement of financial position, 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.

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.

m) Tawarruq and Wakala payable

Tawarruq and Wakala payable represents 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 Tawarruq and Wakala payable is expensed on a time proportion basis.

n) Accounts payable

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

o) Provision for end of service indemnity

Provision is made for amounts payable to employees under the Kuwaiti Labor Law in the private sector and employee contracts. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination on the date of the consolidated statement of financial position, and approximates the present value of the final obligation.

p) Share capital

Ordinary shares are classified as equity.

q) Share-based payment transaction

The Group operates an equity-settled, share-based Employee Stock Option Plan (ESOP). Under the terms of the plan, share options are granted to eligible employees. The options are exercisable in future. The fair value of the options at the date on which they are granted is recognized as an expense over the vesting period with corresponding effect to equity. The fair value of the options is determined using Black-Scholes option pricing model.

The proceeds received and amount transferred from employees share option reserve are credited to capital (nominal value) and share premium when the options are exercised.

r) Financial instruments

Financial assets and financial liabilities carried on the consolidated statement of financial position include cash on hand and at banks, time deposits, investments, Wakala receivable, accounts receivable, accounts payable, Tawarruq and Wakala payable. 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. 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.

s) 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 Group 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.

Sale of goods

Sales represent the total invoiced value of goods sold during the year. Revenue from sale of goods is recognized when significant risks and rewards of ownership of goods are transferred to the buyer.

Wakala income

Wakala income is recognized on a time apportionment basis.

Dividend income

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

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.

Management fees

Management fees is recognized on accrual basis.

Other income

Other revenue and expenses are recognized on an accrual basis.

t) Provisions

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each date of consolidated statement of financial position and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

u) 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.

v) Finance charges

Finance charges are recognized in net profit or loss in the year in which they are incurred.

w) 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 as at the consolidated statement of financial position date 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 profit or loss for the year. Translation differences on non-monetary items such as equity investments which are classified as investments at fair value through statement of income are reported as part of the fair value gain or loss. Translation differences on non-monetary items such as equity investments classified as investments available for sale are included in "cumulative changes in fair value" in the consolidated statement of other comprehensive income.

The assets and liabilities of the foreign subsidiary are translated into Kuwaiti Dinars at rates of exchange prevailing at the consolidated statement of financial position date. 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 other comprehensive income. Such translation differences are recognized in profit or loss in the year 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.

x) Contingencies

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

A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

y) Critical accounting estimates and judgments

The Group makes judgments, estimates and assumptions concerning the future. The preparation of 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) Provision for doubtful debts and inventory

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

(iii) Classification of investments

On acquisition of an investment, the Group decides whether it should be classified as "at fair value through statement of income", "available for sale" or "held to maturity". The Group follows the guidance of IAS 39 on classifying its investments.

The Group classifies investments as "at fair value through statement of income" if they are acquired primarily for the purpose of short term profit making or if they are designated at fair value through statement of income at inception, provided their fair values can be reliably estimated. The Group classifies investments as "held to maturity" if the Group has the positive intention and ability to hold to maturity. All other investments are classified as "available for sale".

(iv) 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.

b) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation 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) Provision for doubtful debts and inventory

The extent of provision for doubtful debts and inventories 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 carrying cost of inventories is written down to their net realizable value when the inventories are damaged or become wholly or partly obsolete or their selling prices have declined. The benchmarks for determining the amount of provision or write-down include ageing analysis, technical assessment and subsequent events. The provisions and write-down of accounts receivable and inventory are subject to management approval.

(iv) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash in flows and the growth rate used for extrapolation purposes.

(v) Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

3. Cash on hand and at banks

	<u>2010</u>	<u>2009</u>
Cash on hand	500	3,702
Cash at banks	<u>1,246,074</u>	<u>1,089,931</u>
	<u>1,246,574</u>	<u>1,093,633</u>

4. Time deposits

The average effective rate of term deposits at the consolidated statement of financial position was 2.378% (December 31, 2009 – 2.78%) per annum.

Time deposit amounting to KD 2,500,000 has been pledged against Tawarruq (Note 15).

5. Accounts receivable and other debit balances

	<u>2010</u>	<u>2009</u>
Trade receivables (a)	365,434	276,892
Provision for doubtful debts (b)	(29,802)	(29,802)
Refundable deposits	37,399	35,087
Accrued income	65,721	80,122
Advance payment to suppliers	22,896	31,050
Prepaid expenses	113,165	29,172
Other	<u>28,170</u>	<u>212,906</u>
	<u>602,983</u>	<u>635,427</u>

a) Trade receivables

Trade receivables that are less than one year past due is not considered impaired. The ageing analysis of these trade receivables is as follows:

	<u>2010</u>	<u>2009</u>
1 – 3 months	290,853	64,975
3 – 6 months	65,140	91,215
Over 1 year	9,441	120,702
	<u>365,434</u>	<u>276,892</u>

(b) Provision for doubtful debts

Movement in provision for doubtful debts is as follows:

	<u>2010</u>	<u>2009</u>
Balance at the beginning of the year	29,802	-
Provision charged	-	29,802
Provision no longer required	-	-
Balance at end of the year	<u>29,802</u>	<u>29,802</u>

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

6. Wakala receivables

	<u>2010</u>	<u>2009</u>
Wakala receivable	13,816,384	11,793,134
Less: provision for impairment	(8,908,823)	(8,853,134)
	<u>4,907,561</u>	<u>2,940,000</u>

Movement in provision for impairment loss in value is as follows:

	<u>2010</u>			<u>2009</u>		
	<u>Specific provision</u>	<u>General provision</u>	<u>Total</u>	<u>Specific provision</u>	<u>General provision</u>	<u>Total</u>
Balance at the beginning of the year	8,709,134	144,000	8,853,134	-	84,000	84,000
Provision charged	-	55,689	55,689	8,709,134	60,000	8,769,134
Balance at end of the year	<u>8,709,134</u>	<u>199,689</u>	<u>8,908,823</u>	<u>8,709,134</u>	<u>144,000</u>	<u>8,853,134</u>

The provision for impairment for Wakala receivables complies in all material respects with the specific provision requirements of the Central Bank of Kuwait. In addition, in accordance with Central Bank of Kuwait instructions, a minimum general provision of 1% is made on all credit facilities net of certain categories of collateral, to which CBK instructions are applicable and not subject to specific provision.

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7. Related party transactions

The Group has entered into various transactions with related parties, i.e. shareholders, key management and parties related to them in the normal course of its business concerning financing and other related services. Prices and terms of payment are approved by the Group's management. Significant related party transactions and balances are as follows:

	Associates	Major shareholders	2010	2009
Consolidated statement of financial position:				
Investments at fair value through statement of income managed by a related party	-	1,137,708	1,137,708	6,816,574
Wakala receivable	4,907,561	-	4,907,561	2,940,000
Due from related parties:				
Due from related parties (gross)	3,718,615	-	3,718,615	4,459,518
Provision for doubtful debts	(3,718,410)	-	(3,718,410)	(3,718,410)
Due from related parties (net)	205	-	205	741,108
Consolidated statement of income:				
Finance income	1,272,339	-	1,272,339	1,376,556
Net investments income	-	(676,145)	(676,145)	77,213
Finance charges	-	(326,906)	(326,906)	(375,602)
Management fees	3,178	-	3,178	630,625

Compensation to key management personnel

	2010	2009
Short-term benefits	424,922	559,998
Termination benefits	103,365	-

8. Inventories

	2010	2009
Inventory	475,636	450,603
Goods in transit	-	1,146
	475,636	451,749

9. Investments at fair value through statement of income

	2010	2009
<u>Designated at fair value</u>		
Equity securities	3,389,783	5,780,672
Funds	1,137,708	4,482,829
	4,527,491	10,263,501

Investments at fair value through statement of income amounting to KD 1,582,580 (December 31, 2009 – KD 6,308,072) were stated at their cost due to non-availability of a reliable method to measure their fair values.

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The movement during the year is as follows:

	<u>2010</u>	<u>2009</u>
Balance at the beginning of the year	10,263,501	13,837,135
Additions	87,330	-
Disposals	(5,089,567)	(2,156,367)
Unrealized loss from investments at fair value through statement of income (Note 24)	(733,773)	(1,417,267)
Balance at the end of the year	<u>4,527,491</u>	<u>10,263,501</u>

Investments at fair value through statement of income are denominated in following currencies:

	<u>2010</u>	<u>2009</u>
Kuwaiti Dinars	3,262,791	8,264,768
Saudi Riyal	315,392	1,000,001
U S Dollar	452,422	527,900
Qatari Riyal	496,886	470,832
	<u>4,527,491</u>	<u>10,263,501</u>

10. Investments available for sale

	<u>2010</u>	<u>2009</u>
Unquoted funds	1,172,504	890,754
	<u>1,172,504</u>	<u>890,754</u>

It was not possible to reliably measure the fair value of investments available for sale due to non-availability of a reliable method that could be used to determine the fair value of such investments. Accordingly, they were stated at their cost less impairment losses, if any. In the opinion of the Parent Company's management, there is no impairment in the value of investments that require inclusion in the consolidated financial statements.

The movement during the year is as follows:

	<u>2010</u>	<u>2009</u>
Balance at the beginning of the year	890,754	979,638
Additions	281,750	-
Impairment losses	-	(88,884)
Balance at the end of the year	<u>1,172,504</u>	<u>890,754</u>

Investments available for sale are denominated in the following currencies equivalent to KD:

Currency	<u>2010</u>	<u>2009</u>
Kuwaiti Dinar	359,040	359,040
United States Dollar	741,868	460,118
Qatari Riyal	932	932
Jordanian Dinar	70,664	70,664
	<u>1,172,504</u>	<u>890,754</u>

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11. Investment in associates

Name of the associate	Country of Incorporation	Ownership percentage %		2010	2009 (Restated)
		2010	2009		
Al Ritaj Holding Company – K.S.C. (Holding)	Kuwait	41	41	9,706,751	13,289,476
Haj & Umrah Services Consortium Company K.S.C. (Mawasem)	Kuwait	16.18	16.18	2,522,165	2,458,286
				12,228,916	15,747,762

During 2009, the Group accounted for the acquisition of Al Ritaj Holding Company based on provisional fair value of identifiable assets, liabilities at the date of acquisition. During 2010, the Group accounted based on final fair value of identifiable assets, liabilities and contingent liabilities at the date of acquisition. The details are as follows:

	June 25, 2009
Purchase consideration	9,000,000
Less: share of net identifiable assets and liabilities	
Cash on hand and at banks	251,183
Time deposits	540,318
Accounts receivable and other debit balances	1,858,557
Inventories	830,917
Due from related parties	88,781
Fixed assets	2,807,755
Investment in unconsolidated subsidiaries	11,259
Investment available for sale	21,000
Goodwill	3,536,518
Intangible assets	3,895,357
Due to banks	(945,646)
Government loan	(206,075)
Wakala payables	(5,119,646)
Accounts payable and other liabilities	(1,207,074)
Due to related parties	(591,552)
Contingent provisions	(17,215)
Provision for end of service indemnity	(4,945)
	5,749,492
Goodwill	3,250,508

Remeasurement of goodwill did not have a material effect on the previously accounted goodwill.

The movement during the year was as follows:

	2010	2009 (Restated)
Balance at the beginning of the year	15,747,762	8,060,593
Additions	-	9,000,000
Share of results from associates	(1,456,077)	(1,511,872)
Share of change in other comprehensive income of an associate	(377,117)	199,041
Impairment loss	(1,685,652)	-
Balance at the end of the year	12,228,916	15,747,762

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At each reporting date the Group reviews the carrying value of each investment in associate individually to insure that there is no indications of impairment of such investment, in case of such indication exist, the recoverable amount of such investment is calculated to determine the amount of impairment.

As of December 31, 2010 the investment in Al Ritaj Company – K.S.C. (Holding) was impaired by KD 1,685,652.

The aggregate amounts of the following associate as of December 31, as follows:

Name of associate	Assets		Liabilities		Net Assets	
	2010	2009	2010	2009	2010	2009
Al Ritaj Holding Company – K.S.C. (Holding)	27,658,420	30,209,734	17,958,476	16,860,153	9,699,944	13,349,581
Haj & Umrah Services Consortium Company – K.S.C. (Mawasem)	2,577,005	2,523,211	77,857	68,137	2,499,148	2,455,074
	30,235,425	32,732,945	18,036,333	16,928,290	12,199,092	15,804,655

Name of the associate	Revenues		Results	
	2010	2009	2010	2009
Al Ritaj Holding Company – K.S.C. (Holding)	7,889,743	9,263,175	(1,519,956)	(1,218,101)
Haj & Umrah Services Consortium Company K.S.C. (Mawasem)	837,244	858,385	63,879	(293,771)
	8,726,987	10,121,560	(1,456,077)	(1,511,872)

12. Investments held to maturity

These represent the Group's investment in Islamic Sukuk bonds.

13. Fixed assets

	Machinery and equipment	Motor vehicles	Furniture and fixture	Total
Cost:				
As of December 31, 2009	243,428	33,517	359,536	636,481
Additions	14,532	20,767	2,796	38,095
As of December 31, 2010	257,960	54,284	362,332	674,576
Accumulated depreciation:				
As of December 31, 2009	153,326	13,806	186,753	353,885
Charge for the year	40,914	7,153	71,821	119,888
As of December 31, 2010	194,240	20,959	258,574	473,773
Net book value:				
As of December 31, 2010	63,720	33,325	103,758	200,803
As of December 31, 2009	90,102	19,711	172,783	282,596

14. Intangible assets

Intangible assets represents a trademark with an indefinite useful life acquired through business combination.

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15. Tawarruq and Wakala payable

Tawarruq and Wakala payable represents contracts entered with other parties and which are payable from 3 months to 6 months. The average cost rate attributable to Tawarruq and Wakala payable during the year ranges from 4.75% to 9% per annum (December 31, 2009 – 6% to 12% per annum).

16. Accounts payable and other credit balances

	<u>2010</u>	<u>2009</u>
Trade payables	147,101	114,196
Accrued staff leave	63,457	45,641
Accrued expenses	501,938	415,902
Dividends payable	5,600	8,000
Other credit balances	30,912	24,348
	<u>749,008</u>	<u>608,087</u>

17. Provision for end of service indemnity

	<u>2010</u>	<u>2009</u>
Balance at the beginning of the year	117,819	116,658
Related to discontinued operations	-	(30,851)
Charge for the year	83,020	78,873
Paid during the year	(10,659)	(46,861)
Balance at the end of the year	<u>190,180</u>	<u>117,819</u>

18. Capital

The authorized and issued capital consist of 251,000,000 shares (December 31, 2009 –251,000,000 shares) with a nominal value of 100 fils each and all shares are in cash.

	<u>2010</u>	<u>2009</u>
Authorized and issued capital	25,100,000	25,100,000
Paid up capital	25,026,850	25,026,850

19. Share premium

This represents cash received in excess of the par value of the shares issued. The share premium is not distributable except under specific circumstances as provided in Commercial Companies Law.

20. Statutory reserve

As required by the Commercial Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year attributable to equity holders of the Parent Company before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), Zakat and Board of Directors' remuneration is transferred to the statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve equals 50% of the capital. This reserve is not available for distribution except in cases stipulated by Law and the Parent Company's Articles of Association. Due to accumulated losses, no transfer had been made to statutory reserve during the year.

21. Voluntary reserve

As proposed by the Parent Company's Board of Directors, the Parent Company has transferred 20% (December 31, 2009 - 20%) of the profit for the year attributable to equity holders of the Parent Company before contribution

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to Kuwait Foundation for the Advancement of Sciences (KFAS), Zakat and Board of Directors' remuneration is transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the Shareholders' Annual General Assembly upon recommendation by the Board of Directors. Due to accumulated losses, no transfer had been made to voluntary reserve during the year.

22. Employee stock option reserve

The Annual General Assembly of the shareholders held on May 13, 2008 approved a share option plan for the employees. In accordance with the plan, the Board of Directors authorized to issue 1,000,000 shares as option to the employees.

The options will vest to only those employees who are employed with the group on the vesting date. If the options remain unexercised after a period of ten years from the date of grant the options expire. Options are forfeited if the employee leaves the Company before the options vest. The option will vest in three installments of 30%, 30% and 40% respectively at the end of each completed year of service for three years. The option plan will expire in ten years from the date of grant unless specifically terminated at an earlier date by the Board of Directors.

23. General and administrative expenses

	<u>2010</u>	<u>2009</u>
Staff cost	1,044,614	1,238,762
Other expenses	1,387,623	1,224,866
	<u>2,432,237</u>	<u>2,463,628</u>

24. Net investments losses

	<u>2010</u>	<u>2009</u>
Realized loss from sale of investments at fair value through statement of income	(90,261)	(14,855)
Unrealized loss from investments at fair value through statement of income	(733,773)	(1,417,267)
Dividend income	144,257	61,400
Impairment loss for investments available for sale	-	(88,884)
	<u>(679,777)</u>	<u>(1,459,606)</u>

25. Impairment and other provisions

	<u>2010</u>	<u>2009</u>
(Provision no longer required) provision for doubtful debts	(5,627)	3,724,037
Provision for impairment of Wakala receivable	55,689	8,769,134
	<u>50,062</u>	<u>12,493,171</u>

26. Finance charges

	<u>2010</u>	<u>2009</u>
Cost of Tawarruq payable	1,056,268	1,187,376
Cost of Wakala payable	448,781	407,973
	<u>1,505,049</u>	<u>1,595,349</u>

27. Other income

	<u>2010</u>	<u>2009</u>
Profit on saving accounts	67,257	80,481
Other	17,491	20,905
	<u>84,748</u>	<u>101,386</u>

28. Contribution to KFAS

Contribution to Kuwait Foundation for the Advancement of Sciences is calculated at 1% of the profit of the Parent Company after deducting its share of income from shareholding subsidiaries and associates and transfer to statutory reserve. Due to accumulated losses, no KFAS has been provided.

29. Contribution to Zakat

Zakat is calculated at 1% of the profit of the Parent Company, after deducting its share of income from shareholding subsidiaries and associates in accordance with Ministry of Finance resolution No. 58/2007 effective December 10, 2007. Due to current year losses, no Zakat has been provided.

30. Capital commitments and contingent liabilities

Capital commitments contracted for at the consolidated statement of financial position date are as follows:

	<u>2010</u>	<u>2009</u>
Investments at fair value through statement of income	-	200,200
Investments available for sale	809,696	1,108,000
	<u>809,696</u>	<u>1,308,200</u>

31. Financial instruments and risk management

In the normal course of business, the Group uses primary financial instruments such as cash on hand and at banks, time deposits, investments, Wakala receivable, accounts receivable, accounts payable, Tawarraq and Wakala payable and as a result, is exposed to the risks indicated below. The Group currently does not use derivative financial instruments to manage its exposure to these risks.

a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets which potentially subject the Group to credit risk consist principally of cash at banks, time deposits, Wakala and receivable. Accounts receivable are presented net of provision for doubtful debts. Wakala receivables are presented net of provision as per the requirements of Central Bank of Kuwait.

The Group manages its credit facilities with the objective of ensuring that it is well diversified and it earns a level of return appropriate to the risk it assumes.

In the normal course of business, the Group deploys its funds in various credit facilities, with the primary objective of generating profits for the shareholder. However, at the same time, the Group seeks to ensure the quality of the credit facilities. The Group continually strives to achieve an optimal balance between the return and the credit quality of the portfolio.

Maximum exposure to credit risk

	Gross maximum exposure	
	2010	2009
Cash on hand and at banks	1,246,574	1,093,633
Time deposits	2,500,000	2,500,000
Accounts receivable and other debit balances	602,983	635,427
Wakala receivable	4,907,561	2,940,000
	9,257,118	7,169,060

Maximum geographical concentration exposure to credit risk

The maximum exposure of financial assets to credit risks as at the reporting date is as follows:

	2010	Kuwait	Other GCC	Total
Assets				
Cash on hand and at banks		1,246,574	-	1,246,574
Time deposits		2,500,000	-	2,500,000
Accounts receivable and other debit balances		602,983	-	602,983
Wakala receivables		4,907,561	-	4,907,561
Investments held to maturity		-	219,250	219,250
		9,257,118	219,250	9,476,368
	2009	Kuwait	Other GCC	Total
Assets				
Cash on hand and at banks		1,093,633	-	1,093,633
Time deposits		2,500,000	-	2,500,000
Accounts receivable and other debit balances		635,427	-	635,427
Wakala receivables		2,940,000	-	2,940,000
Investments held to maturity		-	289,350	289,350
		7,169,060	289,350	7,458,410

b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk, the Group periodically assesses the financial viability of customers and invests in bank deposits and financial institutions or other investments that are readily realizable.

Liquidity risk management process

The Group's liquidity risk management process, as carried out within the Group includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met.
- Maintaining portfolios of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flows.
- Monitoring consolidated statement of financial position liquidity ratios against internal and regulatory requirements.
- Managing the concentration and profile of debt maturities.

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**The following schedule shows the analysis of maturities for the assets and liabilities of the Group:
As of December 31, 2010**

	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Assets						
Cash on hand and at banks	1,246,574	-	-	-	-	1,246,574
Term deposits	2,500,000	-	-	-	-	2,500,000
Accounts receivable and other debit balances	-	602,983	-	-	-	602,983
Wakala receivables	4,907,561	-	-	-	-	4,907,561
Due from related parties	205	-	-	-	-	205
Inventories	-	475,636	-	-	-	475,636
Investments at fair value through statement of income	-	-	-	4,527,491	-	4,527,491
Investments available for sale	-	-	-	1,172,504	-	1,172,504
Investment in associates	-	-	-	12,228,916	-	12,228,916
Investment held to maturity	-	-	219,250	-	-	219,250
Fixed assets	-	-	-	-	200,803	200,803
Intangible assets	-	-	-	-	933,972	933,972
Goodwill	-	-	-	-	27,048	27,048
	8,654,340	1,078,619	219,250	17,928,911	1,161,823	29,042,943
Liabilities						
Tawarruq payable	13,071,177	1,055,651	2,216,918	-	-	16,343,746
Wakala payable	3,429,195	289,673	-	-	-	3,718,868
Accounts payable and other credit balances	-	-	749,008	-	-	749,008
Provision for end of service indemnity	-	-	-	190,180	-	190,180
Provision for law suits	131,140	-	-	-	-	131,140
	16,631,512	1,345,324	2,965,926	190,180	-	21,132,942

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The following schedule shows the analysis of maturities for the assets and liabilities of the Group: As of December 31, 2009

	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Assets						
Cash on hand and at banks	1,093,633	-	-	-	-	1,093,633
Term deposits	2,500,000	-	-	-	-	2,500,000
Accounts receivable and other debit balances	80,122	-	555,305	-	-	635,427
Wakala receivables	-	-	2,940,000	-	-	2,940,000
Due from related parties	-	-	741,108	-	-	741,108
Inventories	-	451,749	-	-	-	451,749
Investment at fair value through statement of income	-	-	1,866,370	8,397,131	-	10,263,501
Assets related to discontinued operations	-	-	539,773	-	-	539,773
Investments available for sale	-	-	-	890,754	-	890,754
Investment in associates	-	-	-	15,747,762	-	15,747,762
Investments held to maturity	-	-	-	289,350	-	289,350
Fixed assets	-	-	-	-	282,596	282,596
Intangible assets	-	-	-	-	933,972	933,972
Goodwill	-	-	-	-	27,048	27,048
	3,673,755	451,749	6,642,556	25,324,997	1,243,616	37,336,673
Liabilities						
Tawarruq payable	1,639,258	9,188,562	7,220,465	-	-	18,048,285
Wakala payable	2,869,261	1,166,424	1,010,653	-	-	5,046,338
Accounts payable and other credit balances	-	118,358	489,729	-	-	608,087
Provision for end of service indemnity	-	-	-	117,819	-	117,819
Liabilities related to discontinued operations	-	-	271,558	-	-	271,558
	4,508,519	10,473,344	8,992,405	117,819	-	24,092,087

c) Market risk

Market risk is the risk that the fair values or future cash flows of financial instruments will fluctuate due to changes in market variables such as rate of returns, foreign exchange rates and equity prices as indicated below:

i) Rate of return risk

According to Islamic Sharia'a, interest is not accounted as debit or credit for any transactions carried out by the Group.

ii) Foreign currency risk

The Group incurs foreign currency risk on transactions that are denominated in a currency other than the Kuwaiti Dinar. The Group may reduce its exposure to fluctuations in foreign exchange rates through the use of derivative financial instruments. The Group ensures that the net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the Kuwaiti Dinar.

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange rate between foreign currencies and Kuwaiti Dinar to which the Group had significant exposure at December 31, on its non-trading monetary assets and liabilities:

Year	Increase / (Decrease) in foreign currency rates	Effect on consolidated statement of income	Effect on consolidated statement of comprehensive income
2010			
USD	±5%	±22,621	±22,621
Qatari Riyal	±5%	±24,844	±24,844
Saudi Riyal	±5%	±15,770	±15,770
Euro	±5%	±40	±40
2009			
USD	±5%	±55,013	±55,013
Qatari Riyal	±5%	±150,368	±150,368
Saudi Riyal	±5%	±50,000	±50,000
Euro	±5%	±44	±44

iii) Equity price risk

Equity price risk is a risk that the value of a financial instrument will fluctuate as a result of changes in the level of equity indices and the value of individual stocks, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Group manages this risk through diversification of investments in terms of geographical distribution and industry concentration.

d) Fair value of financial instruments

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flows models and other models as appropriate. As of December 31, the fair values of financial instruments approximate their carrying amounts, due to their short maturities, except for certain unquoted investments available for sale, which are mentioned in Note (10).

For financial assets and financial liabilities that are liquid or having a short term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair values. This assumption is also applied to variable rate financial instruments.

Al Ritaj Investment Company - K.S.C. (Closed) And Its Subsidiaries

Notes To Consolidated Financial Statements - December 31, 2010

(All Amounts are in Kuwaiti Dinars)

Effective January 1, 2009, the Group adopted the amendment to IFRS 7 for financial instruments that are measured in the consolidated statement of financial position at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

The following table illustrate the Group's assets measured in the fair value as of December 31:

2010	Level 1	Level 2	Level 3	Total
Investments at fair value through statement of income	-	1,590,130	2,937,361	4,527,491
Total	-	1,590,130	2,937,361	4,527,491

2009	Level 1	Level 2	Level 3	Total
Investments at fair value through statement of income	1,866,369	5,010,728	3,386,404	10,263,501
Investments available for sale	-	460,118	430,636	890,754
Total	1,866,369	5,470,846	3,817,040	11,154,255

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. Be active if market prices were available immediately and regularly through trading, broker or a sector or pricing services or regulatory agencies, and these prices are real and regular operations in the same market transactions. The quoted market price used for financial assets of the group is the last price purchase order and these tools are included in the first level. The tools included in the first level comprises mainly of investments in equity instruments that have been classified as current financial chips in circulation or available for sale.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These methods use observable market data when available and depend little on the estimates for the facility, if all essential inputs needed to determine the fair value of the tool can be observed, this tool within the second level.

If there is one or more of the input core is based on observable market data is entered the tool in the third level.

32. Capital Risk Management

The Group's objectives when managing capital resources are to safeguard the Group's ability to continue as a going concern in order to provide returns and benefits for shareholders and to maintain an optimal capital resources structure to reduce the cost of capital.

In order to maintain or adjust the capital resources structure, the Group may adjust the amount of cash dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Debit ratio	2010	2009
Tawarruq payable	16,343,746	18,048,285
Wakala payable	3,718,868	5,046,338
Less: Cash on hand and at banks	(1,246,574)	(1,093,633)
Net borrowings	18,816,040	22,000,990
Total equity	7,910,001	13,244,586
Total capital resources	26,726,041	35,245,576
Debit ratio	70.40%	62.42%

33. Comparative figures

Certain of the prior year amounts have been reclassified to conform with the current year presentation.

34. Going Concern

The consolidated financial statements were prepared on a going concern assumption. The consolidated financial statements do not include any adjustments that might result from doubt of the Company's ability to continue as a going concern. As of December 31, 2010 the accumulated losses amounted to KD (18,676,271) (2009 - KD (13,564,994)) that represents 74.62% (2009 – 54.20%) of the Company's paid up capital, and the current liabilities exceeded the current assets by KD 10,990,553 (2009 – KD 13,206,208). The ability of the Company to continue its operations depends on its ability to generate profit in the future, obtaining support and finance from shareholders. In case such circumstances do not exist, the consolidated financial statements have to be restated.

35. Subsequent event

Subsequent to the date of the consolidated statement of financial position, an amount of KD 13,000,000 which represents a part of Wakala receivable balance with an associate was settled as of March 31, 2011.