

ANNUAL REPORT

2010



الشركة الخليجية المغربية القابضة
Gulf North Africa Holding Company



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H.H. Sheikh
**Sabah Al-Ahmed Al-Jaber
Al-Sabah**
Amir of The State of Kuwait



H.H. Sheikh
**Nawaf Al-Ahmed Al-Jaber
Al-Sabah**
Crown Prince of The State of Kuwait

Board Directors



Talal Jasim Al-Kharafi
Chairman &
Managing Director



Saud Al-Osaimi
Member



Mazen Al-Ghareeb
Member



Dr. Foad Abdullah Al-Omar
Vice-Chairman & Head of
Executive Committee



Ahmed Eissa Al-Dosarri
Member



**Abdulrahman Hisham
Al-Nissf**
Member



**Ahmad Abdul Karim
Al-Shaya**
Member

Executive Management



**Eng. Waleed Essa
Al-Thaqeb**
Chief Executive Officer



**Eng. Saad Abdulrazaq
Al-Zaid**
Vice Chief Executive
Officer



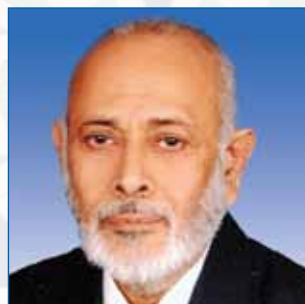
Bader Sager Al-Shatty
Head Of Investment



**Mohammed Abdulaziz
Al-Duhaiem**
Head of Marketing &
Public Relation



Edrees Al-Mansour
Finance, HR &
Admin. Manager



Eng. J.C Dhamija
Projects Manager

Chairman's Message



Dear Shareholders,

I welcome you on behalf of myself and the members of the board of directors, and I hereby submit the 4th yearly report of the Gulf North Africa Holding Co., for the financial year ended on 31 December 2010.

The company achieved a net profit of KD 258,411 thousand for 2010 compared with 1.2 million for 2009. Total shareholding equity was KD 18.7 million in 2010 compared with KD 19.3 million for 2009. The earning per share realized a yield of 1.92 fils in comparison with 8 fils for 2009.

The members of the board of directors decided on a dividend distribution to shareholders of 5 fils per share for the year 2010.

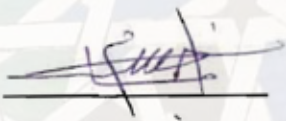
The company decided to strategically list itself on the Kuwaiti Stock Exchange in 2010, which further solidified the company's success throughout the years. The company met listing guidelines with no trouble, realizing that bigger challenges remain ahead for many years to come with plans that meet the objectives and expectations of its shareholders.

The company has studied several investment and real estate opportunities in the North Africa region last year through its affiliates in terms of promotional, technical, financial, and legal aspects. The company's progress in studying such opportunities has reached an advanced stage, enabling the management to determine what the best available prospective investments for the coming fiscal year are.

The company's board committee has decided to invest in real estate income generating products in the State of Kuwait with the intention of strengthening the company's current assets and growing the sources of income.

It is also fair to mention that the company has exited in 2010 from the Barwat AlKhor project, which provided liquidity and strengthened the company's solvency.

Finally, I thank the members of the board of directors, the executive management of the company and all staff of the company and in particular Mr. Waleed Issa Al Thaqeb for his efforts during his term in charge of Executive Management. I would also like to thank the shareholders for their continued support.



Tala Jaseem Al-Khorafi

Chairman

Current Projects

Casablanca – Damascus, Syria

The investment idea revolves around making use of about 140 hectares of land by developing it and selling the final plots. The land lies on the Syrian-Lebanese borders and will be used to produce infrastructured land plots consisting of residential buildings for local and tourists with fully supported services and amenities. Demand for similar developments is on the rise in Syria.

The project cost totals up to US\$60 million, and the land lies adjacent to the Syria-Lebanon Highway connecting Damascus to Beirut. Services on the premises will include a post office, a government landscape office, a mosque, restaurants, shops, hotels, and a hospital. The mountainous nature of the area helps to develop gardens throughout the development with sporting fields for golf, tennis, basketball, and volleyball. Also, an artificial lake will be included, which will be surrounded by the restaurants and shopping stores.

Janzour 1 – Tripoli, Libya

Gulf North Africa Holding Company recently started development on the site for 2 residential and 2 commercial buildings within the Libyan capital, Tripoli. The project cost totals up to US\$ 40 million (KD 11 million). The project capital adds to US\$ 20 million (KD 5.5 million), and Gulf North Africa Holding Company holds 20% in the total capital. Security covers the buildings on a 24 hour basis. Projacs Company is assigned as project manager.

Dream Real Estate – Boznaiga area, Morocco

The site in the Boznaiga area lies between Rabat and the capital Casablanca. The land faces the sea, and is adjacent to a major highway linking Rabat and Casablanca. Final license to build and operate have been granted for the project.

Gulf North Africa Holding Company is currently finishing off the design plans, as development will begin in the 2nd quarter of 2010, as it is planned to exit by the end of 2012.

The Islamic Legal Consultant Report

Kuwait 20/02/2011

Dear Gulf North Africa Holding Company Shareholders

Peace and prayer be Upon Our Prophet Mohammad and His Companions

Subject: The Islamic Legal Report of the Gulf North Africa Holding Co.

I have perused the used principles and contracts related to the transactions and applications suggested by the Gulf North Africa Holding Co. for the financial year ended in 31 December 2010, and I have undertaken the necessary review in order to give my opinion about whether the company's activities complied with the provisions and principles of the Islamic Sharia. I have also looked at the given financial statements for the current year.

In my opinion, The transactions made by the company until 31/12/2010 complied with the provisions and principles of the Islamic Sharia, and the consultations in which the company invested also comply with the provisions of the Islamic Sharia.

Being that it is not provided for by the company's Article of Association to set aside Alms (Zakat) of its shares, it is however imposed on the owners.

Zakat for the annual year 2010 has come up to 3.23 fils per share.

We would like to cease the opportunity to express our gratefulness and appreciation for the company's administration for observing the application of the appropriate legal dealing and for all the contributors and those who deal with the company, asking Allah to bless your efforts in serving the Islamic Economy in a way that is for everybody's sake.

Allah's Peace and Mercy be upon you.



A.D. Abdel Aziz Khalifa Al Kassar

Shari'a Consultant of the
Gulf North Africa Holding Co.

Affiliate Companies

Gulf North Africa Holding Company has established several companies, which continually help in carrying its businesses. These companies include:



Libyan General Trading Company



Al-Sham Gulf Holding Co.



Al-Sham Gulf Co. Limited



North Africa Study & Consulting Co.



Moroccon North Africa Holding Co.



Al-Janzour General Trading Co.



Al-Awras Gulf



Dream Building Co.

Gulf North Africa Holding Co. K.S.C. (Closed)
and Subsidiaries
Kuwait

Consolidated Financial Statements
and
Independent Auditor's Report
For the year ended 31 December 2010

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Independent Auditors' Report

To the shareholders of
Gulf North Africa Holding Company – KSC (Closed)
Kuwait

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Gulf North Africa Holding Company – Kuwait Shareholding Company (Closed) and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the

appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Gulf North Africa Holding Company and its subsidiaries as at 31 December 2010, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Matters

In our opinion, proper books of account have been kept by the Company and the consolidated financial statements, together with the contents of the report of the Company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Commercial Companies Law of 1960 and by the Company's articles of association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Commercial Companies Law nor of the Company's articles of association, as amended, have occurred during the year that might have had a material effect on the business or financial position of the Company.

Abdullatif M. Al-Aiban (CPA)

(Licence No. 94-A)

of Grant Thornton – Al-Qatami, Al-Aiban & Partners

Kuwait 7 February 2011

Rabea Saad Al-Muhanna

(Licence No. 152-A)

of Horwath Al-Muhanna & Co.

Gulf North Africa Holding Co. – KSC (Closed) and Subsidiaries - Kuwait

Consolidated Statement of income

	Notes	Year ended 31 Dec. 2010 KD	Year Ended 31 Dec. 2009 KD
Income			
Placement and management fees	7	463,306	1,775,818
Murabaha income		18,501	88,853
Realised loss on investments carried at fair value through statement of income		(2,696)	(4,291)
Unrealised loss on investments carried at fair value through statement of income		(12,586)	(28,305)
Realised gain on sale of available for sale investments		1,638	-
Share of results of associate	12	(25,140)	(45,784)
Dividend income		132,391	111,070
Foreign exchange gain		278,533	-
Other income		62,098	33,513
		916,045	1,930,874
Expenses and other charges			
General and administrative expenses	8	(592,134)	(667,022)
Depreciation		(17,854)	(11,093)
Loss on disposal of equipment		(65)	(1,651)
		(610,053)	(679,766)
Profit before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST), Zakat and directors' remuneration		305,992	1,251,108
Provision for contribution to KFAS		(2,754)	(11,260)
Provision for NLST		(7,650)	-
Provision for Zakat		(3,177)	(12,575)
Directors' remuneration		(7,000)	(27,000)
Profit for the year		285,411	1,200,273
Basic and diluted earnings per share attributable to owners of the parent company	9	1.92 Fils	8.00 Fils

The notes set out on pages 19 to 47 form an integral part of the consolidated financial statements.

Gulf North Africa Holding Co. – KSC (Closed) and Subsidiaries - Kuwait

Consolidated Statement of Comprehensive Income

	Year ended 31 Dec. 2010 KD	Year Ended 31 Dec. 2009 KD
Profit for the year	285,411	1,200,273
Other comprehensive income:		
Available for sale investments:		
- Net change in fair value of investments	(620,473)	-
Exchange differences arising on translation of foreign operations	38,231	1,234
Other comprehensive (loss)/income for the year	(582,242)	1,234
Total comprehensive (loss)/income for the year	(296,831)	1,201,507

The notes set out on pages 19 to 47 form an integral part of the consolidated financial statements.

Gulf North Africa Holding Co. – KSC (Closed) and Subsidiaries - Kuwait

Consolidated Statement of Financial Position

	Notes	Year ended 31 Dec. 2010 KD	Year Ended 31 Dec. 2009 KD
Assets			
Non-current assets			
Equipment	10	52,280	65,434
Available for sale investments	11	8,841,925	11,434,560
Investment in associate	12	1,056,140	1,081,280
		9,950,345	12,581,274
Current assets			
Due from related parties		2,033,365	1,903,760
Accounts receivable and other assets	13	108,244	111,426
Investments at fair value through statement of income	14	221,866	283,520
Cash and cash equivalents	15	6,864,596	5,147,190
		9,228,071	7,445,896
Total assets		19,178,416	20,027,170
Equity and liabilities			
Equity			
Share capital	16	15,000,000	15,000,000
Treasury shares	17	(287,750)	-
Statutory reserve	18	751,821	721,222
Voluntary reserve	19	751,821	721,222
Treasury shares reserve		270	-
Foreign currency translation reserve		39,465	1,234
Fair value reserve		(670,754)	(50,281)
Retained earnings		3,142,916	2,918,703
Total equity		18,727,789	19,312,100
Liabilities			
Non-current liabilities			
Employees end of service benefits		60,452	48,776
Current liabilities			
Due to related parties		247,387	325,933
Accounts payable and other liabilities	20	142,788	340,361
Total liabilities		450,627	715,070
Total equity and liabilities		19,178,416	20,027,170

Mr. Talal Jasem Mohammed Al-Khorafi
Chairman

Dr. Fouad Abdulla A Omar
Vice Chairman

The notes set out on pages 19 to 47 form an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Equity

	Share capital KD	Treasury shares KD	Statutory reserve KD	Voluntary reserve KD	Treasury shares reserve KD	Foreign currency translation reserve KD	Fair value reserve KD	Retained earnings KD	Total KD
Balance at 31 December 2008	15,000,000	-	596,111	596,111	-	-	(50,281)	3,468,652	19,610,593
Dividend distribution	-	-	-	-	-	-	-	(1,500,000)	(1,500,000)
Transactions with owners-	-	-	-	-	-	-	-	(1,500,000)	(1,500,000)
Profit for the year	-	-	-	-	-	-	-	1,200,273	1,200,273
Other comprehensive income	-	-	-	-	-	-	1,234	-	1,234
Total comprehensive income for the year	-	-	-	-	-	-	1,234	-	1,200,273
Transfer to reserves	-	-	125,111	125,111	-	-	-	(250,222)	-
Balance at 31 December 2009	15,000,000	-	721,222	721,222	-	-	1,234	(50,281)	2,918,703
Purchase of treasury shares	-	(438,320)	-	-	-	-	-	-	(438,320)
Sale of treasury shares	-	150,570	-	-	270	-	-	-	150,840
Transactions with owners-	-	(287,750)	-	-	270	-	-	-	(287,480)
Profit for the year	-	-	-	-	-	-	-	285,411	285,411
Other comprehensive income	-	-	-	-	-	-	38,231	(620,473)	(582,242)
Total comprehensive income/(loss) for the year	-	-	-	-	-	-	38,231	(620,473)	(296,831)
Transfer to reserves	-	-	30,599	30,599	-	-	-	(61,198)	-
Balance at 31 December 2010	15,000,000	(287,750)	751,821	751,821	270	-	39,465	(670,754)	3,142,916
									18,727,789

The notes set out on pages 19 to 47 form an integral part of the consolidated financial statements.

Gulf North Africa Holding Co. – KSC (Closed) and Subsidiaries - Kuwait

Consolidated Statement Of Cash Flows

	Note	Year ended 31 Dec. 2010 KD	Year Ended 31 Dec. 2009 KD
OPERATING ACTIVITIES			
Profit for the year		285,411	1,200,273
Adjustments for:			
Depreciation		17,854	11,093
Dividend income		(132,391)	(111,070)
Realised gain on sale of available for sale investments		(1,638)	-
Loss on disposal of equipment		65	1,651
Other income		-	(8,997)
Provision for employees end of service benefits		12,891	19,948
Share of results of associate		25,140	45,784
		207,332	1,158,682
Changes in operating assets and liabilities:			
Investments at fair value through statement of income		61,654	317,130
Due from related parties		(129,605)	(1,754,202)
Accounts receivable and other assets		(9,922)	264,712
Due to related parties		(78,546)	(2,139,514)
Accounts payable and other liabilities		(197,573)	1,672,429
Cash used in operations		(146,660)	(480,763)
Employees end of service benefits paid		(1,215)	(4,511)
Net cash used in operating activities		(147,875)	(485,274)
INVESTING ACTIVITIES			
Proceeds from redemption/sale of available for sale investments		1,973,800	-
Purchase of available for sale investments		-	(1,881,212)
Purchase of equipment		(4,760)	(64,852)
Proceeds from disposal of equipment		4	449
Dividend income received		132,391	111,070
Net proceeds from liquidation of unconsolidated subsidiary		13,104	-
Net cash from/(used in) investing activities		2,114,539	(1,834,545)
FINANCING ACTIVITIES			
Dividend paid		-	(1,500,000)
Purchase of treasury shares		(438,320)	-
Sale of treasury shares		150,840	-
Net cash used in financing activities		(287,480)	(1,500,000)
Net impact of foreign currency translation adjustments		38,222	-
Increase/(decrease) in cash and cash equivalents		1,717,406	(3,819,819)
Cash and cash equivalents at the beginning of the year		5,147,190	8,967,009
Cash and cash equivalents at the end of the year	15	6,864,596	5,147,190

The notes set out on pages 19 to 47 form an integral part of the consolidated financial statements.

Gulf North Africa Holding Co. – KSC (Closed) and Subsidiaries - Kuwait

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 2010

1. INCORPORATION AND ACTIVITIES

Gulf North Africa Holding Co. - K.S.C (Closed) (“the parent company”) is a Kuwaiti closed shareholding company incorporated on 3 December 2005. The general assembly meeting for establishment of the parent company was held at the Ministry of Commerce and Industry on 14 December 2005. The parent company’s shares were listed on the Kuwait Stock Exchange on 23 March 2010.

The group comprises the parent company and its subsidiaries (“the group”). The main activities of the group are owning and investing in other companies, providing loans and advances to those companies, holding trademarks, licenses or other rights, owning necessary properties and other assets incidental to activities of the group and investing in portfolios.

In all cases the parent company is governed in all its activities by Islamic Sharia’a and all activities which are in compliance of Islamic Sharia’a board are obligatory to the parent company.

The address of the parent company’s registered office is PO Box 4425, Safat 13045, State of Kuwait.

The consolidated financial statements of the group for the year ended 31 December 2010 were authorised for issue by the parent company’s board of directors on 7 February 2011 and are subject to the approval of the general assembly of the shareholders.

2. STATEMENT OF COMPLIANCE

These consolidated financial statements of the group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

3. ADOPTION OF NEW AND REVISED STANDARDS

The group has adopted all the following new standards, interpretations, revisions and amendments to IFRS issued by International Accounting Standards Board, which are relevant to and effective for the group’s consolidated financial statements for the annual period beginning 1 January 2010. Certain other new standards and interpretations have been issued but are not relevant to the group’s operations and, therefore, not expected to have a material impact on the group’s consolidated financial statements.

- IFRS 3 Business Combinations (Revised 2008)
- IAS 27 Consolidated and Separate Financial Statements (Revised 2008)
- 2009 Improvements to IFRSs

Significant effects on current, prior or future periods arising from the first-time application of these new requirements in respect of presentation, recognition and measurement are described below.

Gulf North Africa Holding Co. – KSC (Closed) and Subsidiaries - Kuwait

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 2010

3. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

Adoption of IFRS 3 Business Combinations (Revised 2008)

The revised standard on business combinations introduced major changes to the accounting requirements for business combinations. It retains the major features of the purchase method of accounting, now referred to as the acquisition method. The adoption of the revised standard did not have any effect on the measurement and recognition of the group's assets, liabilities, income and expenses.

Adoption of IAS 27 Consolidated and Separate Financial Statements (Revised 2008)

The adoption of IFRS 3 required that the revised IAS 27 is adopted at the same time. IAS 27 introduced changes to the accounting requirements for transactions with non-controlling (formerly called 'minority') interests and the loss of control of a subsidiary. These changes are applied prospectively.

Adoption of 2009 Improvements to IFRSs (Issued in April 2009)

The IASB issued Improvements for International Financial Reporting Standards 2009 to certain standards. Most of these amendments became effective for annual periods beginning on or after 1 July 2009 or 1 January 2010 and have been adopted by the group that largely clarify the required accounting treatment where previous practice had varied some of which are substantive but have not resulted in any significant changes in the group's accounting policies.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the group

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the group.

Management anticipates that all of the relevant pronouncements will be adopted in the group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the group's financial statements.

Annual Improvements 2010 (effective from 1 July 2010 and later)

The IASB has issued Improvements to IFRS 2010 (2010 Improvements). Most of these amendments become effective in annual periods beginning on or after 1 July 2010 or 1 January 2011. The 2010 Improvements amend certain provisions of IFRS 3, clarify presentation of the reconciliation of each of the components of other comprehensive income and clarify certain disclosure requirements for financial instruments. The group's preliminary assessments indicate that the 2010 Improvements will not have a material impact on the group's financial statements.

Gulf North Africa Holding Co. – KSC (Closed) and Subsidiaries - Kuwait

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 2010

IFRS 9 Financial Instruments (effective from 1 January 2013)

The IASB aims to replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety. The replacement standard (IFRS 9) is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning 1 January 2013. Further chapters dealing with impairment methodology and hedge accounting are still being developed.

Although earlier application of this standard is permitted, the Technical Committee of the Ministry of Commerce and Industry of Kuwait decided on 30 December 2009, to postpone this early application till further notice, due to the non-completion of the remaining stages of the standard.

IAS 24 Related Party Disclosures

The amendments to the standard revised the definition of a related party. The adoption of this amendment is not expected to have a significant impact on the group's consolidated financial statements.

IAS 32 Financial Instruments: Presentation

The amendment to the standard clarifies classification right issues in foreign currency. The adoption of this amendment is not expected to have a significant impact on the group's consolidated financial statements.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

The Interpretation provides guidance on the accounting by the entity that issues equity instruments in order to settle, in full or in part, a financial liability. The Interpretation is required to be applied retrospectively. However, management does not expect to have any significant effect on the consolidated financial statements on the date of initial application of the interpretation.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2009. The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below.

The consolidated financial statements have been prepared under historical cost convention, modified to include measurement at fair value of available for sale investments.

The group has elected to present the "statement of comprehensive income" in two statements: the "statement of income" and a "statement of comprehensive income".

The consolidated financial statements have been presented in Kuwaiti Dinar which is the functional currency of the parent company.

Gulf North Africa Holding Co. – KSC (Closed) and Subsidiaries - Kuwait

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 2010

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation

These consolidated financial statements incorporate the financial statements of the parent company for the year ended 31 December 2010, and the financial statements of its subsidiaries prepared to that date using consistent accounting policies.

Subsidiaries are those enterprises controlled by the group. Control exists when the group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

The financial statements of the subsidiaries are consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Inter company balances and transactions, including inter company profits and unrealised profits and losses are eliminated on consolidation. Adjustments are made for non-uniform accounting policies.

Non-controlling interests represent the portion of profit or loss and net assets not held by the group and are presented separately in the consolidated statement of income and within equity in the consolidated statement of financial position, separately from parent shareholders' equity. Acquisitions of non-controlling interests are accounted for using the parent entity extension method, whereby, the difference between the consideration and the fair value of the share of the net assets acquired is recognised as goodwill.

Profit and losses are attributed to the owners of the parent company and to the non-controlling interest in the ratio of their respective shareholding even if this results in the non-controlling interest having a deficit balance.

Changes in the group's ownership interests in subsidiaries that do not result in the group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent company.

When the group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to the consolidated statement of income or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

Gulf North Africa Holding Co. – KSC (Closed) and Subsidiaries - Kuwait

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 2010

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations

Acquisition of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, plus any costs directly attributable to the business combination. The acquirer's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combination are recognised at their fair values at the acquisition date. Goodwill represents the excess of acquisition cost over the fair value of the group's share of the identifiable net assets of the acquirer at the date of the acquisition. Any excess, at the date of acquisition, of the group's share in the fair value of the identifiable net assets acquired over the acquisition cost is recognised as negative goodwill in the consolidated statement of income.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Placement and management fees

Placement and management fees is recognized in proportion to the stage of completion of the transaction at reporting date.

Dividend income

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

Murabaha and other income

Murabaha and other income are recognised on a time proportionate basis, taking into account the principal outstanding and the rate applicable.

Taxation and Zakat

The parent company calculates the National Labour Support Tax (NLST) in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit for the year. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subject to NLST have been deducted from the profit for the year.

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

Contribution to Zakat is calculated at 1% of the profit of the parent company in accordance with the Ministry of Finance resolution No. 58/2007.

Gulf North Africa Holding Co. – KSC (Closed) and Subsidiaries - Kuwait

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 2010

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equipment and depreciation

Equipment is stated at cost less accumulated depreciation and any impairment in value. 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 recognised in the consolidated statement of income.

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 arising from items of property and equipment.

The group depreciates its equipment using the straight-line method at rates sufficient to write off the assets over their estimated useful economic lives which are as follows:

Furniture & fixtures	20%
Computers	20% - 50%

The carrying amounts are reviewed at each financial position date to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed recoverable amounts, assets are written down to their recoverable amounts.

Investment in associates

An associate is a company over which the group has significant influence usually evidenced by holding of 20% to 50% of the voting power of the investee company. The consolidated financial statements include the group's share of the associates' results using the equity method of accounting.

Under the equity method, investment in an associate is initially recognised at cost and adjusted thereafter for the post-acquisition change in the group's share of net assets of the investee. The group recognises in the consolidated statement of income its share of the total recognised profit or loss of the associate from the date the influence or ownership effectively commenced until the date that it effectively ceases. Distributions received from an associate reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the group's share in the associate, arising from changes in the associate's equity that have not been recognised in the associate's statement of income. The group's share of those changes are recognised directly in equity.

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

The reporting dates of the associates and the group are generally identical and in case of different reporting date of an associate, which are not more than three months from that of the group, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the group's consolidated financial statements. The associate's accounting policies conform to those used by the group for like transactions and events in similar circumstances.

Gulf North Africa Holding Co. – KSC (Closed) and Subsidiaries - Kuwait

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 2010

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment in associates (continued)

An assessment of investment in an associate is performed when there is an indication that the asset has been impaired, or that impairment losses recognised in prior years no longer exist. Whenever impairment requirements of IAS 36, indicate that investment in an associate may be impaired, the entire carrying amount of investment is tested by comparing its recoverable amount with its carrying value. Goodwill is included in the carrying amount of an investment in associate and, therefore, is not separately tested for impairment.

Investments

The group classifies investments upon initial recognition into the following two categories:

- i. Investments at fair value through statement of income
- ii. Available for sale investments

Investments at fair value through statement of income

Classification of investments as financial assets at fair value through statement of income depends on how management monitors the performance of these investments. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of statement of income in the management accounts, they are classified as designated at fair value through statement of income.

Investments at fair value through statement of income are initially recognised at fair value, excluding transaction costs.

1. Held for trading

Held for trading investments are acquired principally for the purpose of selling or repurchasing it in the near term or are a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking.

2. Investments designated at fair value through statement of income

Financial assets are designated at fair value through income statement if they are managed and their performance is evaluated on reliable fair value basis in accordance with documented investment strategy.

After initial recognition, investments at fair value through statement of income are re-measured at fair value. Gains or losses resulting either from sale or changes in fair value of investments at fair value through statement of income are recognised in the consolidated statement of income.

Gulf North Africa Holding Co. – KSC (Closed) and Subsidiaries - Kuwait

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 2010

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (continued)

Available for sale investments

Available for sale investments are initially recognised at cost, being the fair value of the consideration given including all acquisition costs associated with the investments.

After initial recognition, available for sale investments are remeasured at fair value. For investments traded in organised financial markets, fair value is determined based on the closing bid prices on the financial position date.

For investments where there is no quoted market price, reasonable estimate of the fair value is determined by reference to an earnings multiple, or an industry specific earnings multiple or a value based on a similar publicly traded company. Fair value estimates take into account liquidity constraints and assessments for any permanent impairment. Investments whose fair value can not be reliably measured are carried at cost.

Any gain or loss arising from remeasurement to fair value for available for sale investments is recognized in the equity under fair value reserve account until the investment is sold, collected, or otherwise disposed of or the investment is determined to be impaired, at which time the cumulative gain or loss previously recognised in the equity is included in the consolidated statement of income.

Fair value

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

For investments where there is no quoted market price, a reasonable estimate of fair value is determined by using valuation techniques. The group uses a variety of methods and makes assumptions that are based on market conditions existing at each financial position date. Valuation techniques used include the use of comparable recent arm's length transactions and other valuation techniques commonly used by market participants.

The determination of fair value is done for each investment individually.

Impairment of financial assets

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

- a. For assets carried at fair value, impairment is the difference between cost and fair value; and
- b. For assets carried at cost, impairment is the difference between cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

Gulf North Africa Holding Co. – KSC (Closed) and Subsidiaries - Kuwait

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 2010

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

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

Impairment of non-financial assets

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the group makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount of the cash-generating units to which goodwill has been allocated, an impairment loss is recognised immediately in consolidated statement of income. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods. The group performs its annual impairment test of goodwill as at 31 December.

Gulf North Africa Holding Co. – KSC (Closed) and Subsidiaries - Kuwait

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 2010

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Trade and settlement date accounting

All “regular way” purchases and sales of financial assets are recognised on the trade date, i.e. the date that the group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place concerned.

Recognition and de-recognition of financial assets and liabilities

A financial asset or a financial liability is recognised when the group becomes a party to the contractual provisions of the instrument. A financial asset is de-recognised when the group loses control of the contractual rights that comprise the financial asset. A financial liability is de-recognised

- When the obligation specified in the contract is discharged, cancelled or expired; or
- The group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a ‘pass through’ arrangement; or
- The group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Accounts receivable

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

Treasury shares

Treasury shares consist of the parent company’s own shares that have been issued, subsequently reacquired by the parent company and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under the cost method, the weighted average cost of the shares reacquired is charged to a contra equity account. When the treasury shares are reissued, gains are credited to a separate account in shareholders’ equity (treasury shares reserve), which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the gain on sale of treasury shares account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

Gulf North Africa Holding Co. – KSC (Closed) and Subsidiaries - Kuwait

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 2010

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provision for staff indemnity

Provision for staff end of service indemnity is calculated on the basis of accumulated periods of service of employees as at the financial position date in accordance with the Kuwait labour law for the private sector and the group companies' bye-laws.

Foreign currencies

The consolidated financial statements are presented in Kuwaiti Dinars, which is the parent company's functional and presentation currency. Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

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

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the financial position date. All differences are taken to gain/ loss on foreign currency translation in the consolidated statement of income.

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

Group companies

As at the reporting date, the assets and liabilities of foreign subsidiaries are translated into the parent company's presentation currency (the Kuwaiti Dinar) at the rate of exchange ruling at the financial position date, and their statements of income are translated at the average exchange rates for the year. Exchange differences arising on translation are taken directly to foreign exchange translation reserve within equity. On disposal of a foreign subsidiary, the deferred cumulative amount recognised in equity relating to the particular foreign subsidiary is recognised in the consolidated statement of income.

Cash and cash equivalents

Cash and cash equivalents included in the consolidated statement of cash flows consist of saving accounts, cash and bank balances and murabaha investments.

Contingencies

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

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

Gulf North Africa Holding Co. – KSC (Closed) and Subsidiaries - Kuwait

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 2010

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the group's accounting policies, which are described in note 4, management is required to make judgements, estimates and assumption about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

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

Classification of investments

Management decides on acquisition of an investment whether it should be classified as held for trading or designated at fair value through statement of income, or available for sale.

The group classifies investments as trading if they are acquired primarily for the purpose of making a short term profit by the dealers.

Classification of investments as fair value through statement of income depends on how management monitors the performance of these investments. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of income statement in the management accounts, they are classified as at fair value through statement of income.

All other investments are classified as available for sale.

Impairment of available for sale investments

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

Estimation of impairment of non-financial assets and useful lives

The group's management tests annually whether non financial assets have suffered impairment in accordance with other accounting policies which are stated above. The recoverable amount of an asset is determined based on value-in-use method. This method uses estimated cash flow projections over the estimated useful life of the asset discounted using market rates.

Gulf North Africa Holding Co. – KSC (Closed) and Subsidiaries - Kuwait

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 2010

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

The group's management determines the useful lives and related depreciation/amortisation charge. The depreciation/amortisation charge for the year will change significantly if actual life is different from the estimated useful life of the asset.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the 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:

Valuation of unquoted equity investments

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

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

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. There are a number of investments where this estimation cannot be reliably determined, and as a result investments with a carrying amount of KD6,638,247 (2009: KD11,434,560) are carried at cost.

6. SUBSIDIARY COMPANIES

Details of subsidiary companies are set out below:

	Country of incorporation	Voting capital held		Activities
		2010	2009	
Morocco North Africa Holding Company Ltd.	Morocco	100%	100%	Real estate
Al Sham Gulf Company Limited	Syria	100%	100%	Real estate
Al Sham Gulf Holding Company	Syria	100%	100%	Real estate
Sidar Gulf North Africa Holding Co.	Bahrain	-	60%	Real estate
SARL EL Awras El Khalijia Promotion Immo	Algeria	100%	100%	Real estate
North Africa Studies and Consultation Co.	Tunisia	100%	100%	Real estate
Al-Janzour General Trading WLL (Formerly: Arab Tunisia General Trading WLL)	Kuwait	100%	100%	Real estate
Morocco Mediterranean General Trading WLL	Kuwait	100%	100%	Real estate

During the year, the parent company liquidated Sidar Gulf North Africa Holding Company, a subsidiary in which it previously had 60% ownership. The subsidiary had no operations.

Gulf North Africa Holding Co. – KSC (Closed) and Subsidiaries - Kuwait

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 2010**7. PLACEMENT AND MANAGEMENT FEES**

It represents income earned for rendering services in the form of marketing, placement, arrangement and identifying investment opportunities.

8. GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended 31 Dec. 2010 KD	Year ended 31 Dec. 2009 KD
Staff cost	444,332	504,147
Other expenses	147,802	162,875
	592,134	667,022

9. BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY

Basic and diluted earnings per share is calculated by dividing the profit for the year attributable to the owners of the parent company by the weighted average number of shares.

	Year ended 31 Dec. 2010	Year ended 31 Dec. 2009
Profit for the year attributable to the owners of the parent company (KD)	285,411	1,200,273
Weighted average number of shares (excluding treasury shares)	148,565,589	150,000,000
Basic and diluted earnings per share	1.92 Fils	8.00 Fils

Gulf North Africa Holding Co. – KSC (Closed) and Subsidiaries - Kuwait

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 2010**10. EQUIPMENT**

	Furniture & fixtures KD	Computers KD	31 Dec. 2010 Total KD
31 December 2010:			
Cost			
At 1 January	67,751	16,024	83,775
Additions	3,000	1,760	4,760
Disposals	-	(1,850)	(1,850)
Foreign currency adjustment	7	-	7
At 31 December	70,758	15,934	86,692
Accumulated depreciation			
At 1 January	9,547	8,794	18,341
Charge for the year	14,798	3,056	17,854
Relating to disposals	-	(1,781)	(1,781)
Foreign currency adjustment	(2)	-	(2)
At 31 December	24,343	10,069	34,412
Net book value			
At 31 December	46,415	5,865	52,280

	Furniture & fixtures KD	Computers KD	31 Dec. 2009 Total KD
31 December 2009:			
Cost			
At 1 January	6,990	14,494	21,484
Additions	63,322	1,530	64,852
Disposals	(2,561)	-	(2,561)
At 31 December	67,751	16,024	83,775
Accumulated depreciation			
At 1 January	1,688	6,021	7,709
Charge for the year	8,320	2,773	11,093
Relating to disposals	(461)	-	(461)
At 31 December	9,547	8,794	18,341
Net book value			
At 31 December	58,204	7,230	65,434

Gulf North Africa Holding Co. – KSC (Closed) and Subsidiaries - Kuwait

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 2010**11. AVAILABLE FOR SALE INVESTMENTS**

	31 Dec. 2010 KD	31 Dec. 2009 KD
Local unquoted securities	1,365,838	1,853,101
Foreign unquoted securities	7,476,087	9,581,459
	<u>8,841,925</u>	<u>11,434,560</u>

Investments amounting to KD6,638,247 (2009: KD11,434,560) are stated at cost due to the unpredictable nature of future cash flows and the unavailability of financial information to arrive at a reliable measure of fair value. Management has performed an analysis of the underlying investments which indicates that there is no impairment.

12. INVESTMENTS IN ASSOCIATE

The group holds 20% (2009: 20%) equity interest in Libya General Trading Company WLL, Kuwait. The movement during the year is as follows:

	31 Dec. 2010 KD	31 Dec. 2009 KD
Balance at beginning of the year	1,081,280	1,127,064
Share of results	(25,140)	(45,784)
Balance at end of the year	<u>1,056,140</u>	<u>1,081,280</u>
	31 Dec. 2010 KD	31 Dec. 2009 KD
Share of assets & liabilities of associate company:		
Assets	1,084,084	1,084,813
Liabilities	(27,944)	(3,533)
	<u>1,056,140</u>	<u>1,081,280</u>
Share of revenue & loss of associate company:		
Revenue	4,958	20,011
Loss	(25,140)	(45,784)

Gulf North Africa Holding Co. – KSC (Closed) and Subsidiaries - Kuwait

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 2010

13. ACCOUNTS RECEIVABLE AND OTHER ASSETS

	31 Dec. 2010 KD	31 Dec. 2009 KD
Accrued revenue	42,868	37,823
Prepaid expenses	13,388	22,592
Other receivable	51,988	51,011
	108,244	111,426

The carrying values of the financial assets included above approximate their fair values and are due within one year.

14. INVESTMENTS AT FAIR VALUE THROUGH STATEMENT OF INCOME

	31 Dec. 2010 KD	31 Dec. 2009 KD
Local managed funds	221,866	283,520
	221,866	283,520

The fund investments are carried at net asset value provided by the fund manager. Due to the nature of these investments the net assets value provided by the fund manager represents the best estimate of fair value available for these investments.

15. CASH AND CASH EQUIVALENTS

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

	31 Dec. 2010 KD	31 Dec. 2009 KD
Saving accounts	6,840,966	2,594,523
Cash on hand	639	661
Bank balances	22,991	22,185
Murabaha investments	-	2,529,821
	6,864,596	5,147,190

Saving accounts and murabaha investments carry average profit rate of 1.25% (2009: 2.63%).

Gulf North Africa Holding Co. – KSC (Closed) and Subsidiaries - Kuwait

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 2010**16. SHARE CAPITAL**

	Authorised	Issued and fully paid		
	31 Dec. 2010	31 Dec. 2009	31 Dec. 2010	31 Dec. 2009
Shares of KD0.100 each	150,000,000	150,000,000	150,000,000	150,000,000

17. TREASURY SHARES

	31 Dec. 2010	31 Dec. 2009
Number of shares	3,760,000	-
Percentage of issued shares	2.51%	-
Market value (KD)	270,720	-
Cost (KD)	287,750	-

Reserves of the parent company equivalent to the cost of the treasury shares have been earmarked as non-distributable.

18. STATUTORY RESERVE

In accordance with the Commercial Companies Law and the parent company's articles of association, 10% of the profit for the year before KFAS, NLST, Zakat and directors' remuneration is to be transferred to legal reserve. The shareholders of the parent company may resolve to discontinue such annual transfer when the reserve totals 50% of the paid up share capital. No transfer is required in a year in which the parent company has incurred a loss or where cumulative losses exist.

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

19. VOLUNTARY RESERVE

In accordance with the Commercial Companies Law and the parent company's articles of association, 10% of the profit for the year before KFAS, NLST, Zakat and directors' remuneration is to be transferred to the voluntary reserve. No transfer is required in a year in which the company has incurred a loss or where cumulative losses exist. Upon recommendation of the board of directors and approval of general assembly the parent company may resolve to discontinue transfer to the voluntary reserve. There are no restrictions on distribution of voluntary reserve.

Gulf North Africa Holding Co. – KSC (Closed) and Subsidiaries - Kuwait

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 2010

20. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	31 Dec. 2010 KD	31 Dec. 2009 KD
Accounts payables	9,900	68,425
Accrued expenses	81,368	212,563
Staff leave provision	37,939	35,538
NLST	7,650	-
KFAS	2,754	11,260
Zakat	3,177	12,575
	<u>142,788</u>	<u>340,361</u>

21. ANNUAL GENERAL ASSEMBLY

Subject to the requisite consent of the relevant authorities and approval of the general assembly, the directors propose for the year ended 31 December 2010 a cash dividend of 5 Fils per share of paid up share capital be distributed to the shareholders of record as of the date of the general assembly.

The annual general assembly of the shareholders held on 14 February 2010 approved the consolidated financial statements of the group for the year ended 31 December 2009. They also approved board of directors proposal not to distribute any dividend for the year ended 31 December 2009.

Gulf North Africa Holding Co. – KSC (Closed) and Subsidiaries - Kuwait

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 2010**22. RELATED PARTY TRANSACTIONS**

These represent transactions with certain related parties (directors and executive officers of the parent company and their related concerns) entered into by the group and key management compensation.

Details of significant related party transactions and balances are as follows:

	31 Dec. 2010 KD	31 Dec. 2009 KD
Transactions included in consolidated statement of financial position:		
Due from related parties	2,033,365	1,903,760
Due to related parties	247,387	325,933
Transactions included in consolidated statement of income:		
Placement & management fees	463,306	1,775,818
Compensation of key management personnel:		
Salaries and short term benefits	173,918	175,795
End of service benefits	5,435	5,435
Directors remuneration	7,000	27,000
	186,353	208,230

Gulf North Africa Holding Co. – KSC (Closed) and Subsidiaries - Kuwait

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 2010

23. SEGMENTAL INFORMATION

The group's reportable segments under IFRS 8 are as follows:

- Local
- International

The revenues and profits generated by the group from segments are summarised as follows:

	Local	International	Total
	KD	KD	KD
31 December 2010			
Revenue	41,806	595,706	637,512
Segment (loss)/profit	(559,225)	586,684	27,459
Foreign exchange gain			278,533
Unallocated expenses			(20,581)
Profit for the year			285,411
Total assets	9,413,980	9,764,436	19,178,416
Total liabilities	(450,627)	-	(450,627)
	8,963,353	9,764,436	18,727,789
Murabaha income	18,501	-	18,501
Share of results of associate	(25,140)	-	(25,140)
Capital expenditure	(4,760)	-	(4,760)
Depreciation	(17,723)	(131)	(17,854)
31 December 2009			
Revenue	43,986	1,886,888	1,930,874
Segment (loss)/profit	(635,780)	1,886,888	1,251,108
Unallocated expenses			(50,835)
Profit for the year			1,200,273
Total assets	7,427,648	12,599,522	20,027,170
Total liabilities	(582,563)	(132,507)	(715,070)
	6,845,085	12,467,015	19,312,100
Murabaha income	88,853	-	88,853
Share of results of associate	(45,784)	-	(45,784)
Capital expenditure	(64,852)	-	(64,852)
Depreciation	(11,093)	-	(11,093)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 2010

24. RISK MANAGEMENT OBJECTIVES AND POLICIES

The group's activities expose it to variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The parent company's board of directors is ultimately responsible for the overall risk management and for approving risk strategies and principles. The group's risk management focuses on actively securing the group's short to medium term cash flows by minimizing the potential adverse effects on the group's financial performance. Long term financial investments are managed to generate lasting returns.

The group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes

The most significant financial risks to which the group is exposed to are described below.

24.1 Market risk

a. Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The group mainly operates in Kuwait, the Middle Eastern and North Africa countries and is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to US Dollar and Syrian Pound. The group's financial position can be significantly affected by the movement in these currencies. To mitigate the group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored.

The group had the following significant exposures denominated in foreign currencies, translated into Kuwaiti Dinar at the closing rate:

	31 Dec. 2010 KD	31 Dec. 2009 KD
US Dollar	1,456,030	1,817,018
Syrian Pound	417,377	341,550

The foreign currency sensitivity is determined based on 5% (2009: 5%) increase or decrease in exchange rates. There has been no change during the year in the methods and assumptions used in the preparation of the sensitivity analysis.

If the Kuwaiti Dinar had strengthened against the foreign currencies assuming the above sensitivity, then this would have the following impact on the profit for the year and equity:

	<u>Profit for the year</u>	
	31 Dec. 2010 KD	31 Dec. 2009 KD
US Dollar	72,801	90,851
Syrian Pound	20,869	17,078
	93,670	107,929

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 2010

24. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

24.1 Market risk (continued)

If the Kuwaiti Dinar had weakened against the foreign currencies assuming the above sensitivity, then impact on the profit for the year would have been equal and opposite as disclosed above.

Exposures to foreign exchange rates vary during the year depending on the volume and nature of the transactions. Nonetheless, the analysis above is considered to be representative of the group's exposure to the foreign currency risk.

b) Price risk

The group is exposed to equity price risk with respect to its equity investments. Equity investments are classified either as investments at fair value through statement of income or available for sale investments.

To manage its price risk arising from investments in equity securities, the group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the group.

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. The analysis reflects the impact of negative changes to equity prices in accordance with the above-mentioned equity price sensitivity assumptions.

	Profit for the year		Equity	
	31 Dec. 2010 KD	31 Dec. 2009 KD	31 Dec. 2010 KD	31 Dec. 2009 KD
Investments at fair value through statement of income	11,093	14,176	-	-
Available for sale investments	-	-	442,096	571,728

If equity prices had been 5% lower, the effect on the profit for the year and equity for the year ended 31 December 2010 & 2009 would have been equal and opposite and the amounts shown above would be negative.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 2010**24. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)****24.2 Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The group's credit policy and exposure to credit risk is monitored on an ongoing basis. The group seeks to avoid undue concentrations of risks with individuals or groups of customers in specific locations or business through diversification of its activities. It also obtains security when appropriate.

The group's exposure to credit risk is limited to the carrying amounts of financial assets recognised at the financial position date, as summarized below:

	31 Dec. 2010 KD	31 Dec. 2009 KD
Due from related parties	2,033,365	1,903,760
Accounts receivable and other assets	108,244	111,426
Murabaha investments	-	2,529,821
Saving accounts	6,840,966	2,594,523
Bank balances	22,991	22,185
	9,005,566	7,161,715

Bank balances and saving accounts are maintained with high credit quality financial institutions. Accounts receivable are presented net of provision for doubtful debts. Management believes the net balances are neither past due nor impaired.

24.3 Liquidity risk

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

The table below summarises the maturity profile of the group's financial assets and liabilities. The maturities of financial assets and liabilities have been determined on the basis of the remaining period from the financial position date to the contractual maturity date.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 2010**24. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)****24.3 Liquidity risk (continued)**

Maturity profile of assets and liabilities at 31 December 2010:

	Up to 1 month KD	1-3 months KD	3-12 months KD	Over 1 year KD	Total KD
Assets					
Equipment	-	-	-	52,280	52,280
Available for sale investments	-	-	-	8,841,925	8,841,925
Investment in associate	-	-	-	1,056,140	1,056,140
Due from related parties	-	-	2,033,365	-	2,033,365
Accounts receivable and other assets	56,256	11,043	40,945	-	108,244
Investment at fair value through statement of income	-	-	221,866	-	221,866
Cash and cash equivalents	6,864,596	-	-	-	6,864,596
	<u>6,920,852</u>	<u>11,043</u>	<u>2,296,176</u>	<u>9,950,345</u>	<u>19,178,416</u>
Liabilities					
Employees end of service benefits	-	-	-	60,452	60,452
Due to related parties	-	-	247,387	-	247,387
Accounts payable and other liabilities	9,900	94,949	37,939	-	142,788
	<u>9,900</u>	<u>94,949</u>	<u>285,326</u>	<u>60,452</u>	<u>450,627</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 2010**24. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)****24.3 Liquidity risk (continued)**

Maturity profile of assets and liabilities at 31 December 2009:

	Up to 1 month KD	1-3 months KD	3-12 months KD	Over 1 year KD	Total KD
Assets					
Equipment	-	-	-	65,434	65,434
Available for sale investments	-	-	-	11,434,560	11,434,560
Investment in associate	-	-	-	1,081,280	1,081,280
Due from related parties	-	-	1,903,760	-	1,903,760
Accounts receivable and other assets	60,415	9,368	41,643	-	111,426
Investments at fair value through statement of income	-	-	283,520	-	283,520
Cash and cash equivalents	5,147,190	-	-	-	5,147,190
	<u>5,207,605</u>	<u>9,368</u>	<u>2,228,923</u>	<u>12,581,274</u>	<u>20,027,170</u>
Liabilities					
Employees end of service benefits	-	-	-	48,776	48,776
Due to related parties	-	-	325,933	-	325,933
Accounts payable and other liabilities	68,425	223,823	48,113	-	340,361
	<u>68,425</u>	<u>223,823</u>	<u>374,046</u>	<u>48,776</u>	<u>715,070</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 2010

25. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

The carrying amounts of the group's financial assets and liabilities as stated in the consolidated statement of financial position may also be categorized as follows:

	31 Dec. 2010		31 Dec. 2009	
	Carrying amount KD	Fair value KD	Carrying amount KD	Fair value KD
Available for sale investments	6,638,247	2,203,678	11,434,560	-
Due from related parties	2,033,365	-	1,903,760	-
Accounts receivable and other assets	108,244	-	111,426	-
Investments at fair value through statement of income	-	221,866	-	283,520
Cash and cash equivalents	6,864,596	-	5,147,190	-
	15,644,452	2,425,544	18,596,936	283,520
Due to related parties	247,387	-	325,933	-
Accounts payable and other liabilities	142,788	-	340,361	-
	390,175	-	666,294	-

Financial instruments measured at fair value

The following table presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy.

This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

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

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The financial assets and liabilities measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 2010**25. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY (CONTINUED)****31 December 2010**

	Note	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through statement of income					
Local managed funds	a	-	221,866	-	221,866
Available for sale investments					
Unquoted investments	b	-	-	2,203,678	2,203,678
Net fair value	-	-	221,866	2,203,678	2,425,544

31 December 2009

Investments at fair value through statement of income					
Local managed funds	a	-	283,520	-	283,520
Net fair value	-	-	283,520	-	283,520

There have been no significant transfers between levels 1 and 2 during the reporting period.

Measurement at fair value

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

a) Local managed funds

The underlying investments in local managed funds primarily comprise of local quoted securities whose fair values has been determined by reference to their quoted bid prices at the reporting date.

b) Unquoted investments

The financial statements include holdings in unlisted securities which are measured at fair value. Fair value is estimated using models, which include some assumptions that are not supportable by observable market prices or rates.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 2010

25. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY (CONTINUED)

Level 3 fair value measurements

The group's financial assets and liabilities classified in Level 3 uses valuation techniques based on significant inputs that are not based on observable market data. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	Available for sale investments	
	Unquoted investments	Unquoted investments
	31 Dec. 2010	31 Dec. 2009
	KD	KD
Additions	2,824,151	-
Gains or losses recognised in:		
Other comprehensive income	(620,473)	-
Closing balance	2,203,678	-

Changing inputs to the Level 3 valuations to reasonably possible alternative assumptions would not change significantly amounts recognised in consolidated statement of income, total assets or total liabilities or total equity.

26. CAPITAL MANAGEMENT OBJECTIVES

The group's capital management objectives are to ensure the group's ability to continue as a going concern and to provide adequate return to its shareholders through the optimization of the capital structure.

The capital of the group comprise of total equity. The group manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

27. CAPITAL COMMITMENTS

At the financial position date, the group was committed to purchase investments amounting to KD909,578 (31 December 2009: KD882,700).

28. COMPARATIVE AMOUNTS

Certain comparative figures have been reclassified to conform to the current year's presentation of the consolidated financial statements. Such reclassifications did not affect previously reported total assets, total equity or reported results.