Al Madina for Finance and Investment Company - KSC. (Closed)
And it's subsidiaries
State of Kuwait

Consolidated Financial Statements and
Independent Auditors' Report
For the year ended 31 December 2009

Deloitte.

Al-ATEEQI
CERTIFIED
ACCOUNTANTS

Al Madina for Finance and Investment Company - KSC. (Closed)
And its subsidiaries
State of Kuwait

Consolidated Financial Statements
And Independent Auditors' Report
For the year ended 31 December 2009

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Al Madina for Finance and Investment Company K.S.C. (Closed)
State of Kuwait

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Al Madina for Finance and Investment Company K.S.C. (Closed) "the Company" and its subsidiaries "together referred to as the Group" which comprise the consolidated financial position as of 31 December 2009, 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 Financial Statements

The Parent Company's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted for use by the State of Kuwait. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 parent Company'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 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 the Group as of 31 December 2009, and of its consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted for use by the State of Kuwait.

Other Matter

Without qualifying our opinion, we draw attention to Note 8.2 to the consolidated financial statements regarding an advance payment for a real estate project under progress. The Group is currently negotiating with the concerned parties the available alternative to recover this advance or to restructure terms of the project. The outcome of such negotiation cannot be currently determined.

Deloitte.

AL-ATEEQI CERTIFIED ACCOUNTANTS

Al Madina for Finance and Investment Company K.S.C. (Closed)
State of Kuwait

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS (Continued)

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of accounts have been kept by the Company and the consolidated financial statements, together with the contents of the report of the Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Commercial Companies Law of 1960, as amended, and by the Company's Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violation of provision of the Commercial Companies Law of 1960, as amended, or of the Articles of Association have occurred during the year ended 31 December 2009 that might have had a material effect on the business of the Group or on its consolidated financial position.

We further report that, during the course of our audit, we have not become aware of any material violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organization of banking business, and its related regulations during the year ended 31 December 2009 except what was mentioned in (Note 13.5) of the consolidated as the Group received Murabaha from investment fund.

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Kuwait
4 April 2010

Al Madina for Finance and Investment- KSC. (Closed)
And subsidiaries

Consolidated statement of Financial Position as at 31 December 2009

(All amounts are in Kuwaiti Dinars)

	Note	2009	2008
Assets			
Cash and cash equivalent	5	733,804	1,078,422
Investments in Murabaha and Mudaraba	6	10,799,510	24,555,339
Investments at fair value through profit or loss	7	13,946,564	13,110,045
Receivables and other debit balances	8	28,432,460	29,718,243
Land and real estate under development	9	8,301,717	8,752,932
Investment properties	10	43,106,769	45,738,178
Investments in associates	11	52,770,521	61,998,780
Goodwill	23.4	-	840,469
Property and equipments		5,455,521	5,847,723
Total Assets		163,546,866	191,640,131
Liabilities and equity			
Liabilities			
Payables and other credit balances	12	13,491,079	22,238,342
Murabaha and Wakala payable	13	62,609,682	73,330,085
Employees' end of service indemnity		246,057	171,985
Total Liabilities		76,346,818	95,740,412
Equity			
Equity attributable to shareholders of the parent Company			
Share capital	14	37,780,875	37,780,875
Share premium		30,936,375	30,936,375
Statutory reserve	16	3,507,676	3,507,676
Voluntary reserve	16	3,409,102	3,409,102
Treasury shares	15	(5,007,330)	(5,077,087)
Other reserves	17	1,996,787	(1,174,947)
(Losses) / retained earnings		(4,874,749)	8,314,232
		67,748,736	77,696,226
Non-controlling interest		19,451,312	18,203,493
Total equity		87,200,048	95,899,719
Total liabilities and equity		163,546,866	191,640,131

The accompanying notes form an integral part of these consolidated financial statements.

Khalid Y Al Mutawa
Chairman & Managing Director

Sheikh \ Hmoud Shamlan Alsubah
Vice chairman

Consolidated Statement of Income for the year ended 31 December 2009

(All amounts are in Kuwaiti Dinars)

	Note	2009	2008
Revenues			
Loss from investments	18	(1,108,981)	(1,408,994)
Loss from investment in associate	19	(5,009,084)	(6,328,242)
Lands and real estates income	20	3,688,931	19,787,947
Gain from disposal of subsidiaries	23.5	229,901	10,026,853
Consultancy services income		1,165,601	2,835,301
Losses from foreign exchange differences		(616,597)	(47,760)
Gross profit from oil fields services and others		822,359	879,319
Other Income		50,997	416,150
		(776,873)	26,160,574
Expenses and other charges			
Finance cost		4,556,579	6,452,070
General and administrative expenses	21	2,688,305	3,956,608
Impairment of investments in associates and subsidiaries		840,469	6,120,226
Allowance from doubtful debts		783,957	2,645,034
		8,869,310	19,173,938
Net (loss) / profit for the year		(9,646,183)	6,986,636
Attributable to:			
Shareholders of the Parent Company		(9,529,443)	1,205,156
Non-controlling interest		(116,740)	5,781,480
		(9,646,183)	6,986,636
(Loss)/earnings per share (fils)	22	(26.76)	4.23

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income for the year ended 31 December 2009

(All amounts are in Kuwaiti Dinars)

	2009	2008
Net (loss)/ profit for the year	(9,646,183)	6,986,636
Group's share in associate's comprehensive income / (loss)	1,248,767	(1,911,527)
Disposal of associate Company	-	1,169,329
Foreign currency translation reserve	911,887	(497,293)
Other comprehensive income / (loss)	2,160,654	(1,239,491)
Total comprehensive (loss) / income for the year	(7,485,529)	5,747,145
Distributed as follows:		
The shareholders of the Parent Company	(7,730,681)	(34,335)
Non-controlling interest	245,152	5,781,480
	(7,485,529)	5,747,145

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity for the year ended 31 December 2009

(All amounts are in Kuwaiti Dinars)

	Parent company's share holders equity								Non-controlling interest	Total equity
	Share capital	Share premium	Statutory reserve	Voluntary reserve	Treasury shares	Other reserves (note 17)	Retained earnings / (losses)	Equity attributable to shareholders of the Parent Company		
Balance as at 1 January 2008	17,422,500	36,000	3,387,160	3,288,586	-	(113,250)	17,946,343	41,967,339	14,080,244	56,047,583
Total comprehensive income for the year	-	-	-	-	-	(1,061,697)	1,027,362	(34,335)	5,781,480	5,747,145
Paid up capital according to employees' stock option plan	150,000	148,500	-	-	-	-	-	298,500	-	298,500
Share capital increase	17,572,500	30,751,875	-	-	-	-	-	48,324,375	-	48,324,375
Bonus share dividends (note 24)	2,635,875	-	-	-	-	-	(2,635,875)	-	-	-
Cash dividends (note 24)	-	-	-	-	-	-	(7,029,000)	(7,029,000)	-	(7,029,000)
Purchase of treasury shares	-	-	-	-	(9,940,301)	-	-	(9,940,301)	-	(9,940,301)
Sale of treasury shares	-	-	-	-	4,863,214	-	(753,566)	4,109,648	-	4,109,648
Minority's share in increasing share capital of a subsidiary	-	-	-	-	-	-	-	-	3,645,466	3,645,466
Purchase of subsidiaries	-	-	-	-	-	-	-	-	(3,442,112)	(3,442,112)
Sale of subsidiaries	-	-	-	-	-	-	-	-	4,461,137	4,461,137
Elimination of a subsidiary	-	-	-	-	-	-	-	-	(6,322,722)	(6,322,722)
Transferred to reserves	-	-	120,516	120,516	-	-	(241,032)	-	-	-
Balance as at 31 December 2008	37,780,875	30,936,375	3,507,676	3,409,102	(5,077,087)	(1,174,947)	8,314,232	77,696,226	18,203,493	95,899,719
Balance as at 1 January 2009	37,780,875	30,936,375	3,507,676	3,409,102	(5,077,087)	(1,174,947)	8,314,232	77,696,226	18,203,493	95,899,719
Effect of reclassification investment in associate (Note 11.3)	-	-	-	-	-	-	(2,098,554)	(2,098,554)	-	(2,098,554)
	37,780,875	30,936,375	3,507,676	3,409,102	(5,077,087)	(1,174,947)	6,215,678	75,597,672	18,203,493	93,801,165
Total comprehensive loss for the year	-	-	-	-	-	3,171,734	(10,902,415)	(7,730,681)	245,152	(7,485,529)
Change of non-controlling interest	-	-	-	-	-	-	-	-	1,002,667	1,002,667
Purchase of treasury shares	-	-	-	-	(399,085)	-	-	(399,085)	-	(399,085)
Sale of treasury shares	-	-	-	-	468,842	-	(188,012)	280,830	-	280,830
Balance as at 31 December 2009	37,780,875	30,936,375	3,507,676	3,409,102	(5,007,330)	1,996,787	(4,874,749)	67,748,736	19,451,312	87,200,048

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows for the year ended 31 December 2009

(All amounts are in Kuwaiti Dinars)

	Note	2009	2008
Cash flows from operating activities			
Net (loss)/profit for the year		(9,646,183)	6,986,636
Adjustments:			
Loss from investments		1,108,981	1,408,994
Loss from investment in associates		5,009,084	6,328,242
Impairment of investments in associates and subsidiaries		840,469	6,120,226
Gain from disposal of subsidiary		(229,901)	(10,026,853)
Land and real estate income		(3,193,631)	(19,787,947)
Finance cost		4,556,579	6,452,070
Allowance from doubtful debts		783,957	2,645,034
Depreciation and amortization		239,657	506,795
Employees' end of service's indemnity		74,072	(4,877)
Operating (loss)/profit before changing in the operating assets and liabilities		(456,916)	628,320
Investments at fair value through profit and loss		(289,385)	8,622,402
Debtors & Other debit balances		(1,572,468)	8,376,088
Payables and other credit balances		2,938,229	15,660,288
Net cash generated from operating activities		619,460	33,287,098
Cash flows from investing activities			
Investments in Murabaha		16,786,698	(28,272,623)
Dividends received		749	935,961
Net cash paid for acquisition of investment in associates		(33,169,785)	(29,050,653)
Net cash collected from selling investment in associate		34,196,147	-
Net cash collected from trading on subsidiaries shares		-	5,215,330
Net cash from disposal/acquisition of subsidiaries shares		-	(16,011,757)
Payment for purchase of lands and real estate under development		(2,974,482)	(7,599,126)
Proceeds from sale of lands and real estate under development		-	32,662,214
Payment for purchase of investment properties		(869,020)	(1,063,983)
Proceeds from sale of investment properties		-	-
Proceeds from Murabha investments' profits		-	407,471
Proceeds from sale / (Payment) for purchase of property and equipments		152,545	(6,086,085)
Net cash generated from/(used in) investing activities		14,122,852	(48,863,251)
Cash flows from financing activities			
Murabaha and Wakala payable		(11,044,460)	(41,720,135)
Change in minority interest		361,892	4,664,491
Payment of finance costs		(4,286,108)	(6,651,180)
Collected from capital increase		-	48,622,875
Purchase of treasury shares		(399,085)	(9,940,351)
Sale of treasury shares		280,831	4,109,698
Cash dividends paid		-	(6,744,446)
Net cash used in financing activities		(15,086,930)	(7,659,048)
Net decrease in cash and cash equivalents		(344,618)	(23,235,201)
Cash and cash equivalents at the beginning of the year		1,078,422	24,313,623
Cash and cash equivalents at the end of the year	5	733,804	1,078,422

The accompanying notes form an integral part of these consolidated financial statements.

1. Incorporation of the Group

Al Madina for Finance and Investment Company (the Parent Company) is a Closed Kuwaiti Shareholding Company incorporated in Kuwait on 1980 and is registered as an investment company with the Central Bank of Kuwait on 27 April 2005. The shares of the Parent Company were listed on Kuwait Stock Exchange in 24 April 2006. The Parent Company's headquarter office is domiciled at Ahmed Al Jabber , sharq, Kuwait.

The Group comprises of the Parent Company and its consolidated subsidiaries (together referred to as "the Group") – (Note 23).

The principle activities of the Group are representing in all investing activities, finance and management of funds and rights. Trading and leasing of lands and real estate and providing oilfield services. The activities of the Group are carried out in accordance with Noble Islamic Sharia principles.

The consolidated financial statements were authorized for issue by the Board of Directors on 4 April 2010 and are subject to the approval of the shareholders of the Parent Company in the annual general assembly meeting.

2. Basis of preparation and significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with international financial reporting standards (IFRS) under the historical cost convention, as modified by the revaluation of the fair value of financial assets at fair value through profit and investment properties.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) as adopted for use in the State of Kuwait for financial institutions regulated by the Central Bank of Kuwait. These regulations require adoption of all IFRS except for the IAS 39 requirements for General provisions, which have been replaced by the Central Bank of Kuwait's requirements for a minimum general provision as described in note (2.4).

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates have significant impact on the consolidated financial statements are disclosed in Note (4).

2.1.1 *Changes in accounting policy and disclosures*

(a). The Company has adopted the following new standards and amendments as of 1 January 2009.

- IFRS 7 Financial instruments – Disclosures (amendment) - effective 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk.
- IAS 1 (revised). "Presentation of financial statements" – effective 1 January 2009. The revised standard prohibits the presentation of items of income and expenses (that is, "non- owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity in a statement of comprehensive income. The comparative figure was reclassified to comply with the amended standard requirements.
- IFRS 8 Operating segments'. IFRS replaces IAS, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes.

- IAS 40 "Investment Properties":

  Land and real estate that is under development for future use as investment property are considered as investment properties, such property is carried at cost then re-measured at fair value. However, where fair value of land under development is not reliably measureable, the property is measured at cost until the earlier of the date development is completed and the date at which fair value becomes reliably measurable. There is no impact on the consolidated financial statements as a result of the application of amendments to IAS 40.

(b). ***Standards, amendments and interpretation to existing standards that are not yet effective and have not been early adopted by the Company.***

- IFRIC 17, "Distribution of non- cash assets to owners' (effective on or after 1 July 2009). This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders.

IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present IFRIC 17 from 1 January 2010.

- IAS 27 (revised), "Consolidated and separate financial statements" , (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The group will apply IAS 27 (revised) prospectively to transactions with non-controlling interests from 1 January 2010.

- IFRS 3 (revised), "Business combination" (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes.

All acquisition- related costs will be expensed. The group will apply IFRS 3 (revised) prospectively to all business combinations from 1 January 2010.

- IAS 38 (amendment), "Intangible Assets". The group and company will apply 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".

- IFRS 5 (amendment), 'Measurement of non-current assets (or disposal groups) classified as held-for-sale'. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations.

- IAS 1 (amendment), 'Presentation of financial statements'. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as a current or non current. The group will apply IAS 1 (amendment) from 1 January 2010.

- IFRS 9 'Financial Instruments". The standard was issued in November 2009 and becomes effective for financial years beginning on or after 1 January 2013. IFRS 9 establishes principles for the classification and measurement of financial assets that will present relevant and useful information to users of the financial statements for their assessment of the amounts, timing and uncertainty of the entity's future cash flows.

These Interpretations and amendments to existing standards that are not yet effective and it is not expected to have a material impact on the group's financial statements.

2.2 Consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than 50% of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

Inter-Group transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

Associates

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights assumes existence of significant influence. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. The investments include goodwill which was determined at acquisition after deducting impairment of goodwill.

The Group's share of its associates' post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition movements in reserves is recognized in equity.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gain and losses arising from investment in associate are recognized directly in statement of income.

2.3 Cash and cash equivalents

Cash and cash equivalents include cash in hand, term and demand deposits with banks and financial institutions, whose original maturities do not exceed three months from the date of placements.

2.4 Financial Instruments

Classification

The Group classifies its financial assets upon acquisitions based on the purpose of acquiring these investments. The Group had classified its financial assets as "at fair value through profit and loss", "receivables" Murabaha and receivables.

Financial assets at fair value through profit and loss

This classification is divided into two sub categories: financial assets held for trading, and those designated at fair value through profit and loss at acquisition. Financial assets held for trading are those assets acquired principally for the purpose of selling in the short term.

The financial assets designated at fair value through profit and loss at inception are classified in this category, if they are managed and their performance is evaluated and internally reported on a fair value basis in accordance with risk management approved by the management or investment strategy.

Murabaha and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables represent in finance lease receivables, investments in Wakala, Murabaha and cash and cash equivalent.

Murabaha is the sale of commodities and real estate at cost plus an agreed profit markup whereby the seller informs the purchaser of the price which he purchases the product and also stipulates on amount of profit.

Wakala is an agreement whereby the Group provides a sum of money to a customer under as agency's arrangement, who interests it according to a specific conditions return for a fee. The agent is obliged to return the amount in case of default negligence or violation of any terms and conditions of the Wakala.

Financial assets available for sale investments

These are non-derivative financial assets that are either designated in this category or not included in any of the other categories and are principally.

Recognition and De-recognition

Financial assets are recognized when the Group enters into contractual agreement on these assets. Purchases and sales of financial assets are recognized on the purchase date, on which the Group commits to deliver or receive the financial instrument. Financial assets are derecognized when the right to receive cash flows from the assets has expired or has been transferred and the Group has substantially transferred all risks and rewards of ownership.

Measurement

Financial assets are initially recognized at fair value (plus transaction costs for all assets not carried at fair value through profit and loss). Financial assets carried at fair value through profit and loss are initially recognized at fair value and transaction costs are expensed in the income statement. Subsequently, available for sale financial assets and financial assets at fair value through profit and loss are remeasured at fair value. Murabaha receivables are carried at amortized cost using the effective yield method.

Realized and unrealized gains and losses arising from changes in the fair value of the financial assets at fair value through profit and loss are included in the income statement for the year in which they arise. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognized in equity. Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analyzed between translation differences resulting from changes in amortized cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognized in statement of income, while translation differences on non-monetary securities are recognized in the comprehensive income. When available-for sale financial assets are sold or impaired, the accumulated changes in fair value recognized in equity are included in the statement of income.

Fair values

Fair values of financial instruments which are quoted are determined based on quoted latest bid price. The fair value of investments in mutual funds, unit trusts or similar investment pools are based on the last published net asset value. The fair value of unquoted financial instruments is determined by reference to the market value of a similar investment, valuation techniques as earning ratios or the expected discounted cash flows, brokers' quotes, or other appropriate valuation models.

Impairment in value

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably recognized in the statement of income.

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 as an indicator that the securities are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the profit or loss- is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement.

A specific provision for impairment 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 receivables. The amount of specific provision is the difference between the asset's carrying amount and the present value of the estimated cash flows, including disposal of the amounts recoverable from guarantees and collateral, discounted at the effective interest rate. The amount of the provision is recognized in the income statement.

In addition, in accordance with the Central Bank of Kuwait instructions, a minimum general provision of 1% of all finance receivables not subject to specific provision is calculated.

2.5 Land and real estate under development

Land and real estate under development are recognized at cost, which includes development costs. When the development process is completed, the land and real estate are classified either as investment properties or land and real estate held for trading or as property for the Group's self-occupation as per management intention regarding the future use of these properties.

Land and real estate to be used as investment properties are considered as investment properties recognized at cost and then re-measured at fair value. In case there is no reliable method of measuring fair value of such land under development, the properties are recognized at cost till the date of completion of developing the property or the date of reliably determine their fair value, whichever occurs first.

2.6 Investment properties

Investment Properties not occupied by the Group and acquired for long-term leases or for capital appreciation in future are classified as investment properties. Investment properties are stated at cost on acquisition and re-measured at fair value. Fair value is determined by an independent registered value on each balance sheet date. Gains or losses arising from change in fair value are recognized in the statement of income.

2.7 Intangible assets

- **Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/ associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

2.8 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses. Cost comprises of acquisition costs and all directly attributable costs of bringing the asset to working condition for its intended use. Depreciation is calculated based on the estimated useful lives of the assets using the straight line method.

2.9 Impairment of non financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Impairment losses are recognized in the statement of income for the period in which they arise.

2.10 Murabaha and Wakala payable

These are financial liabilities created by Murabaha and Wakala contracts. They are recognized initially at fair value, net of transactions costs incurred. They are subsequently stated at amortized cost, any difference between the proceeds and the redemption value is recognized in the income statement using the effective yield method.

2.11 End of service's indemnity

The Group is liable under Kuwait Labor Law to make payments under defined benefit plans to employees at termination of employment. The defined benefit plan is un-funded and is based on the liability that would arise on involuntary termination of all employees on the balance sheet date. This basis is considered to be a reliable approximation of the present value of the Group's liability.

2.12 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as finance cost.

2.13 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as deduction from the proceeds

Where any of Group Company purchased the Parent Company's own shares (treasury shares), the total cost of the shares acquired is deducted from equity until the shares are reissued or cancelled. Gains are credited to a separate un-distributable account in equity "gain on sale of treasury shares. Any realized losses are charged to the same account to the extent of the balance and then to retained earnings and reserves. Gains realized subsequently on the sale of treasury shares are first used to offset any previously recorded losses in reserves, retained earnings and the gain on sale of treasury shares.

2.14 Revenue recognition

Murabaha and Wakala income are recognized on a time proportion basis using the effective rate of return on outstanding balances for such transactions.

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

Revenue from sale of land and real estate is recognized on the completion of the sale contract Management fees and investment service income are recognized when earned.

2.15 Accounting for leases

Leases of assets under which a significant portion of the risks and benefits of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of income on a straight-line basis over the period of the lease.

2.16 Foreign currencies

Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in 'Kuwaiti Dinars' (KD), which is the company's, functional and the group's presentation currency.

Transactions and balances

Foreign currency transactions are translated into Kuwaiti Dinars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income.

Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

Transactions are translated at average exchange rates; and

All resulting exchange differences are recognized as a separate component of equity.

2.17 Zakat

Zakat is calculated according to the recommendation of the Fatwa and Shari'a Supervisory of the Parent Company.

The Parent Company calculates and announces Zakat payable on each share. The shareholders are responsible for the payment.

2.18 Proposed dividends

Proposed dividends for the Parent Company's shareholders are recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Parent Company's shareholders.

2.19 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.

3. Financial risk management

3.1 Financial risk factors

The activities of the group expose it to a Group of financial risks, which are market risks, which include (foreign currency risks and risks of change in fair value resulting from the change in interest rates, and risks of fluctuations in cash flows resulting from changes in interest rates, and risks of market prices) in addition to credit risk and liquidity risks.

The Group management for these financial risks is concentrated in continues evaluation of market conditions and trends and the management assessment for long and short-term market factors change.

(A) Market risk

(I) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar. Foreign exchange risk arises when future commercial transactions take place on recognized assets or liabilities which are denominated in a currency that is not the entity's functional currency.

The Group has set up policies to manage its foreign exchange risk against their functional currency, through diversifying its investments geographically and financing its investments in foreign currency through borrowing denominated in the same currency. In general, the Group concentrates its investments in Kuwait Dinar to avoid the fluctuation in foreign currency rates.

If the US $ had changed by 5% against the Kuwaiti Dinar with all other variables held constant, net profit for the year and the effect on equity would be :

	2009		2008	
Description	Effect on income statement	Effect on equity	Effect on income statement	Effect on equity
USD	(455,904)	-	(919,419)	-

The foreign exchange gains / losses on translation mentioned above are resulted from receivable cash, investments in shares, Murabaha and Wakala payables and creditors. The following is the net positions of foreign currencies as of 31 December:

	2009	2008
USD	(9,118,072)	(18,388,382)

(ii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified in the consolidated balance sheet as fair value through profit and loss. To manage this risk, the Group diversifies its portfolio within the limits set by the group. All investments decisions are taken by the persons who are authorized by the Board of Directors. Most of the group investments are in unquoted securities and funds.

These investments are managed and their performance is evaluated and internally reported on a fair value basis in accordance with the group investment strategy.

(iii) Interest Rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Group is not exposed to interest rate risk as the group works under Islamic Sharea. Profits from Murabaha and Wakalat investments and costs of Murabaha and Wakala payables are allocated on the time of the deal based on the effective rate of return.

(iiii) Credit risk

The credit risk is the risk that the Group will incur a loss as a result from its customers, clients or counterparties failure to discharges their contractual obligations against the Group. Assets which are exposed to credit risk are cash and cash equivalents, finance lease receivables, Wakala and Murabaha receivables, receivables on sale of properties and due from related parties.

For cash and cash equivalent the group manage this risk by dealing with high credit reputation institutes.

For Receivables on sale of properties, finance lease receivables and other customers, the group assesses their credit quality taking into consideration its financial position, past experience and reputation. In addition to that, the group keeps the ownership of the sold assets until settling the total outstanding installments or obtaining other collaterals.

The table below shows the maximum exposure to credit risk for the components of the balance sheet without taking into consideration the collaterals:

	2009	2008
Cash and cash equivalent	733,804	1,078,422
Murabaha and wakala investments	10,799,510	24,555,339
Finance lease receivables	-	127,413
Real estates sales receivables	5,426,532	9,199,835
Advance payment for purchase Real-estate	14,933,680	16,858,394
Due from related parties	5,072,187	1,821,068
	36,965,713	53,640,471

(C) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, management has diversified funding sources, manages assets and monitors future cash flows and liquidity on a daily basis. This encompasses an assessment of expected cash flows and the availability of high grade collaterals which could be used to secure additional funding if required.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	2009		
	Within 3 months	From 3 months to 1 year	From 1 to 5 years
Liabilities			
Payables and other credit balances	1,386,603	3,007,497	9,096,979
Murabaha and Wakala payable	332,000	7,890,470	50,940,260

On 31 December 2009, in addition to Murabaha and Wakala payables mentioned above, there is Wakala payables amounted to KD 12,069,598 are past due (Note 13.6).

	2008		
	Within 3 months	From 3 months to 1 year	From 1 to 5 years
Liabilities			
Payables and other credit balances	1,857,245	11,189,554	9,191,543
Murabaha and Wakala payable	43,807,700	19,275,253	12,595,108

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the costs of capital. In order to maintain or adjust the capital structure, the Group monitors capital on the basis of gearing ratio.

The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity as shown in the consolidated balance sheet plus net debt.

The gearing rate as of 31 December is as follows:

	2009	2008
Total Murabaha and Wakala payable	62,609,682	73,330,085
Less : Cash and cash equivalent	(733,804)	(1,078,422)
Net debt	61,875,878	72,251,663
Total equity	87,200,048	95,899,719
Total capital	149,075,926	168,151,382
Ratio (%)	41.50	42.96

3.3 Fair value estimation

Effective from 1 January 2009, the Company adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurement by level of the following fair value measurement hierarchy:

- Level one: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level two: Inputs other than quoted prices included within level I that are observable for the asset or liability, either directly (that is, as prices) or indirectly.
- Level three: Inputs for the asset or liability that are not based on observable market data.

The table below represents the financial instrument's analysis that recorded at fair value on the levels above mentioned:

	2009	2008
Level one	2,493,109	1,046,238
Level two	8,103,030	8,176,567
Level three	3,350,425	3,887,240
	13,946,564	13,110,045

4. Critical accounting estimates and assumptions

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will by definition, seldom equal the related actual results. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Fair value of unquoted equity investments

Valuation techniques for unquoted equity investments in which estimates are used representing the expected cash flows discount rates, return rates, credit risks, related cost and other valuation techniques used by market participants. The Group calibrates the valuation techniques periodically and tests these for validity using either prices from observable current market transactions in the same instrument or other available observable market data.

Any changes in these estimates and assumptions as well as the use of different, but equally reasonable estimates and assumptions may have an impact on carrying amounts of Murabaha investments as well as fair value of unquoted securities.

Impairment of goodwill

The Group tests whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates mainly represents in the discount rate factor and the expected cash flows for the cash generating unit.

Impairment on receivables

The Group reviews its loans, receivables and its trade receivables to assess impairment on regular basis. In determining whether an impairment loss should be recorded in the income statement, In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may differ resulting in future changes to such provisions. The methodology and assumptions used for estimating both the amount and timing if future cash flows are reviewed regularly to reduce any differences between loss estimated and the actual loss experienced.

4.2 **Critical judgments in applying the entity's accounting policies**

Evidence of impairment of investments

The Company determines "available for sale" equity investments as impaired when there has been a significant or prolonged decline in their fair value below their cost. The determination of what is "significant" or "prolonged" requires significant judgment. In addition, the Group also evaluates among other factors, normal volatility in the share price for quoted equities and the future cash flows and the discount factors or unquoted equities. Impairment may be considered appropriate when there is evidence of deterioration in the financial position of the investee, industry and sector performance, technology and operational and financing cash flows.

5. Cash and cash equivalents

	2009	2008
Cash at bank and financial institutions	579,790	675,478
Cash at Kuwait Clearing company	151,605	402,246
Cash on hand	2,409	698
	733,804	1,078,422

6. Investments in Murabaha and Mudaraba

	2009	2008
Murabahat	491,500	4,536,725
Mudarabat	11,019,252	20,594,160
	11,510,752	25,130,885
Impairment in value	(711,242)	(575,546)
	10,799,510	24,555,339

6.1 The average effective rate of return on Murabahat and Mudarabat is 8% as of 31 December 2009 (6.75% as of 31 December 2008).

6.2 During the year, the Group has settled a credit balance of KD 1,596,708 by due to a related party by closing Murabaha receivable due from the same party (this transaction was eliminated from the statements of cash flow, as it is non-cash transaction).

6.3 Investment in Murabaha includes an amount of KD 10,799,510 granted to a related party as of 31 December 2009 (KD 23,895,524 as of 31 December 2008). This investment secured by quoted investments in a portfolio managed by the Group on behalf of the related party with fair value of KD 11,382,338 as of 31 December 2009 (KD 17,829,413 as of 31 December 2008), against an amount of KD 1,007,354 payable as of 31 December 2009 to the same party and also shares with fair value of KD 1,456,000 pledged with local banks as a collateral against a Murabaha payable received by the Parent Company.

6.4 Fair value of investments in Murabaha approximately equals its carrying value as of 31 December 2009 and 31 December 2008 as they mature in the short term.

7. Investments at fair value through profit and loss

	2009	2008
Held for trading investments	2,493,109	1,046,238
Investments designated at fair value through profit and loss at inception	11,453,455	12,063,807
	13,946,564	13,110,045
Investments in local shares – quoted	2,493,109	1,046,238
Investments in local shares – unquoted	4,546,463	4,620,000
Investments in foreign shares – unquoted	3,556,567	3,556,567
Investments in local funds – unquoted	1,980,194	2,575,822
Investments in foreign funds – unquoted	1,370,231	1,311,418
	13,946,564	13,110,045

7.1 The fair value of unquoted shares is estimated internally according to valuation models and based on the available information of the financial position, results of operation of investee companies, the expected future profits for these companies as of 31 December 2009.

7.2 The fair value of the investments in unquoted funds is based on the net asset value as of 31 December 2009.

7.3 Investments at fair value through profit and loss are dominated into the following currencies:

	2009	2008
Kuwaiti Dinar	9,019,766	8,242,060
US Dollar	4,926,798	4,867,985
	13,946,564	13,110,045

8. Receivables and other debit balances

	2009	2008
Receivable on the sale of properties (Net)	5,426,532	9,199,835
Advance payments for purchase of property (Net)	14,933,680	16,858,394
Due from related parties (Note 24)	5,072,187	821,068
Debtors from leased rig	1,256,715	340,463
Cash restricted against letters of guarantee	933,340	905,004
Accrued commissions and dividends	242,222	369,891
Prepaid expenses	32,757	203,996
Staff receivables	37,223	122,029
Other debit balances	497,804	897,563
	28,432,460	29,718,243

8.1 Receivables on sale of properties and an amount of KD 2,447,959 due from related party are the balance due from selling of developed properties; these amounts are secured by this properties, as the transfer of the ownership of these properties to the buyers take place upon settlement the full amount due.

8.2 In July 2008, based on sale and purchase agreement with a third party, the Group acquired four companies established in Cayman Island engaged in a real estate development project in Reem Island-Abu Dhabi with an estimated development cost of KD 202,079,060 (equivalent to AED 2,582,480,000). The Group paid an amount of KD 14,933,680 (equivalent to AED 204,624,000) as advance towards the purchase of the real estate. The Group is unable to resell the companies and is currently negotiating with the third party and the developer either to recover the advance payments or restructure the terms of the project in order to receive properties from the developer to the extent of the amount paid and rescheduling any other capital commitments may arise from this agreement.

9. Land and real estate under development

	2009	2008
Balance as of 1 January	8,752,932	33,868,098
Additions	2,974,482	7,599,126
Collected by cash	(37,940)	-
Transfer to investment property	(151,763)	(8,299,355)
Transfer from investment property	-	6,717,445
Sale during the year	(1,031,005)	(31,132,382)
Impairment in value	(2,399,610)	-
Foreign currency translation differences	194,621	-
Balance as of 31 December	8,301,717	8,752,932

9.1 Lands and real estate under development as of 31 December 2009 includes lands carried at KD 1,997,479 as of 31 December 2009 (KD 4,392,169 as of 31 December 2008) in the Kingdom of Saudi Arabia under primary sharing contracts. The Group has filed a legal case to collect the amount paid along with compensation, as the seller refuse to transfer the lands ownership. As per settlement agreement, the Group obtained a property with an amount of KD 151,763 (equivalent to SR 2,000,000) accordingly the property has been reclassified as investment properties, the Group has also obtained an amount of KD 37,940 (equivalent to SR 500,000). In addition, the Company will receive a land amounting to KD 708,815 (equivalent to KD 10,000,000) and cash amounting to KD 1,231,656 (equivalent to SR 16,203,311) after one year from the agreement date. Accordingly, the Group has recognized the difference of KD 2,399,610 resulted from this settlement as a loss in the statement of income for the current year.

9.2 The remaining lands and properties under development in Laála Al Kheran have reached its final stages of finishing.

9.3 Land and real estate under development include an amount of KD 6,304,340 which represents land recorded in name of a related parties and there is a letter of assignment in name of the group.

10. Investment properties

	2009	2008
Opening balance of the year	45,738,178	31,577,418
Additions	3,929,020	763,050
Transfer to land and real estate under development	-	(6,717,445)
Transfer from land and real estate under development (Note 9.1)	151,763	8,299,355
Disposal (Note 10.2)	(11,627,186)	(1,629,100)
Change in fair value (Note 20)	4,434,386	13,444,900
Foreign currency translation differences	480,608	-
Ending balance of the year	43,106,769	45,738,178

10.1 As of 31 December 2009, the fair value of the investment properties has been determined by an independent valuer after deducting by an estimated percentage based on the management opinion.

10.2 In the previous year, the Group signed a contract to purchase two plots of land in UAE for AED 304,987,000 (equivalent to KD 22,111,559). An advance of AED 134,401,282 was paid (equivalent to KD 9,744,093) and the balance of AED 170,585,718 (equivalent to KD 12,695,651) was recorded as payable as of 31 December 2008.

During the year, the Group signed an amendment to the contract to purchase only one plot of land for AED 160,098,220 (equivalent to KD 12,193,515) with a balance of AED 25,696,938 (equivalent to KD 2,010,628) recorded as creditors. Accordingly, payable decreased by AED 144,888,780 (equivalent to KD 11,627,186). This transaction has been eliminated from the statement of cash flow, as it is a non-cash transaction.

10.3 Investments properties includes a property recorded in the name of the Company. The fair value of the property of KD 3,060,000 was determined by an external valuer out of which KD 2,278,750 was paid by the Group and the remaining was recorded as payable. The Group acquired this property based on a purchase contract which was partially cancelled. A final settlement of the purchase amount was not agreed upon. Currently, there is formal warrant for the Group to recover the advance paid and also there is formal warrant from the seller party to force the Group to purchase the property according to the purchase contract with an amount of KD 5,878,750.

11. Investments in associates

	Ownership %	31 December 2009	Ownership %	31 December 2008
Ekttitab Holding Company. K.S.C.C.	22.53	7,328,172	23.78	13,020,732
Estrategia Investment Company	-	-	21.94	2,359,934
Hits Telecom Company	40.61	42,549,334	43.80	46,618,114
Amlak Capital holding	35.24	2,893,015	-	-
		52,770,521		61,998,780

11.1 The following is a summary of the Group's share of the net assets and results of its associates according to the latest financial statements available:

	2009				
				Last available financials	
	Fair value	Net assets	Net loss	Date	Source
Ekttitab holding K.S.C.C	5,944,728	7,523,135	(3,025,500)	31 December 2009	Management accounts
Estrategia Investment Company	-	-	(493,349)	30 September 2009	Unaudited Financial Statements
Hits telecom	25,703,915	41,345,250	(42,710)	30 September 2009	Unaudited Financial Statements
Amlak Capital holding	-	2,893,015	-	-	-

	2008				
				Last available financials	
	Fair value	Net assets	Net profit/ (loss)	Date	Source
Ekttitab Holding K.S.C.C	5,409,571	13,272,841	1,416,702	31 December 2008	Management accounts
Estrategia Investment Company	2,159,154	2,359,934	(2,129,874)	31 December 2008	Management accounts
Hits telecom	91,606,615	44,220,361	(1,369,543)	31 December 2008	Audited Financial Statements
Gulf Horizon	-	-	15,596	-	-

11.2 During the year, the group traded on the shares of some associates resulted trading loss of KD 2,046,011.

11.3 During the current year, Ektitab Company (an associate) has adjusted its financial information to reflect the impact of reclassifying investments at fair value through profit or loss to investment in associate, which resulted in a decrease in the retained earnings as of 1 January 2009 in the associate. Accordingly the Group has recorded its share of this decrease which resulted in a decrease in the Group's retained earnings with an amount of KD 2,098,554 as at 1 January 2009.

11.4 The investments of in Ektitab Holding Company includes deferred revenue amounted to KD 194,963 as of 31 December 2009 (KD 252,109 as of 31 December 2008).

11.5 Hits Telecom investments includes goodwill amounted to KD 5,605,920 as of 31 December 2009 (KD 7,268,203 as of 31 December 2008), and deferred revenue of KD 4,401,836 as of 31 December 2009 (KD 4,870,450 as of 31 December 2008). The deferred income was recognized with an amount of KD 468,614 as part of the gains on disposals of a subsidiary resulting from the decrease of Group's share in Hits Telecom Company.

11.6 On 2 June 2008, the Group acquired 21.94 % of Estrategia Investment Company for KD 7,754,912 paid KD 3,777,205 and the remaining balance of KD 3,977,707 is recorded as payables from purchase of investments secured by investment in securities with fair value of KD 3,123,393 as of 31 December 2009, (KD 3,394,892 as of 31 December 2008). The provisional goodwill is KD 3,305,415 as of date of acquisition. During 2009, the Group filed a case against the seller to cancel the deal and receive the amount paid and release the collaterals. Although of this the group recorded KD 493,349 its share from loss during the period ended 31 December 2009 (KD 2,129,874 during the year ended 31 December 2008) and its share from reserve with KD 42,600 during the year ended 31 December 2009 (KD 40,310 during the year ended 31 December 2008) and recorded the impairment of the total amount of the goodwill of KD 3,305,415 during 2008. During the last quarter, the Group management transferred the investment in Estagaria to investments at fair value through profit or loss (Note 7) as the Group can not exercise an influence over the accounting and operating policies which resulted a profit of KD 36,742 recorded in the statement of income.

11.7 During the year, the Group acquired a stake of 35.24% from Amlak Capital Holding Company. The cost of acquisition was approximately equal the fair value of the net assets acquired as of the date of acquisition which is determined by independent external valuer. The cost of acquisition was settled against transferring shares in associate, investments at fair value through profit or loss and share in subsidiary to the seller. This transaction was eliminated from the statement of cash flow as it is non-cash transaction.

12. Payables and other credit balances

	2009	2008
Trade payable	662,049	-
Payables on purchase of investment properties (Note 10)	3,446,968	12,757,605
Payables on purchase of investments (Note 11.6)	3,977,707	4,436,707
Due to related parties (Note 25)	2,234,926	3,166,399
Accrued dividends	437,559	479,162
Accrued expenses	29,459	-
Contribution to Kuwait Foundation For Advancement of Science (KFAS)	368,124	234,386
Zakat expense	73,276	10,493
National labor support tax	478,185	478,185
Other credit balances	1,782,826	675,405
	13,491,079	22,238,342

13. Murabaha and Wakala payable

13.1 The average effective yield rate ranged from 4 % to 7.5% as of 31 December 2009 (from 7% to 9.75% as of 31 December 2008).

13.2 The fair value of Murabaha and Wakala payable as of 31 December 2009 and as of 31 December 2008 approximately equal its carrying value.

13.3 Murabaha and Wakala payables stated guaranteed against pledging the following assets:

	2009	2008
Investments in associates	31,740,856	41,633,957
Investments at fair value through profit and loss	1,160,199	-
Lands and real estate under development	3,874,416	4,334,408
Investments properties	4,334,628	1,208,333
	41,110,099	47,176,698

13.4 The Murabaha and Wakala in foreign currencies are as following:

	2009	2008
Kuwaiti Dinar	53,638,706	50,965,255
US Dollar	8,970,976	22,364,830
	62,609,682	73,330,085

13.5 The Murabha and Wakala payable with KD 2,522,653 as of 31 December 2009 (KD 2,394,650 as of 31 December 2008) represents Murabahat granted from investment funds, the parent company are in the process of paying such amounts and replacing by finance from financial institution.

13.6 Some of Wakala payables matured with an amount of KD 12,069,598 as of 31 December 2009, this Wakala was not renewed, or paid. There is a legal dispute with one of the parties about the amounts which must be paid out of Wakala payable with principal amount of KD 10,228,994. The liabilities were fully recorded till our date to face any result of the legal dispute.

13.7 Murabaha and Wakala payables' maturity dates were disclosed in (Note 3).

14. Share capital

On 25 June 2009, the General Assembly meeting of the shareholders approved the following:

- Decrease the share capital by cancelling 1,500,000 shares of the employees that was previously approved on the General assembly meeting 13 April 2008.
- Increase the share capital by issuing 43,137,130 shares with 198 fils per share with 100 fils and 98 fils as share premium and the assignment of the right from the current shareholders to Sarh Al-Madina Real Estate Company shareholders (subsidiary) and delegate the board to determine the procedures of collecting the capital increase. Capital has not been called or increased till that date.
- Issued 3,000,000 shares for employees' stock option plan with 100 fils and without share premium and the assignment of the right from the current shareholders. This increase is not subscribed till that date.

Accordingly the full paid capital for parent company is amounted to KD 37,780,875 as of 31 December 2009(KD 37,780,875 -2008) represented in 377,808,750 shares with 100 fils each and all shares are paid in cash.

15. Treasury shares

	2009	2008
Number of shares (share)	22,460,000	21,220,000
Percentage (%)	5.94	5.62
Market value	1,662,040	1,782,480

16. Statutory reserve and voluntary reserve

Statutory reserve

In accordance with the Commercial Companies Law and the Parent Company's Articles of Association, 10% of net profit before KFAS, National Labor Support Tax, Board of Directors' remuneration and Zakat expense are transferred to statutory reserve. Statutory reserve is not distribute able to shareholders; however, the reserve could be utilized to secure payment of a dividend of 5% of share capital in years when retained earnings are not sufficient for payment of dividends. When the balance of the reserve exceeds 50% of share capital, the General Assembly is permitted to utilize amounts in excess of 50% of the share capital in aspects seen appropriate for the benefit of the Parent company and its shareholders.

Voluntary reserve

In accordance with the Parent company's Articles of Association, a percentage of net profit as proposed by the Board of Directors and approved by the General Assembly is transferred to voluntary reserve. Such annual transfers may be discontinued by a resolution of the General Assembly based on the proposal of the Board of Directors.

17. Other reserves

	Employee share options reserves	Share of group from associate reserves	Foreign currency translation reserves	Total
Balance as of 1 January 2009	490,500	(1,733,733)	68,286	(1,174,947)
Total comprehensive income for the year	-	2,621,739	549,995	3,171,734
Balance as of 31 December 2009	490,500	888,006	618,281	1,996,787
Balance of 1 January 2008	490,500	-	(603,750)	(113,250)
Total comprehensive income for the year	-	(1,733,733)	672,036	(1,061,697)
Balance as 31 December 2008	490,500	(1,733,733)	68,286	(1,174,947)

18. Losses from investments

	2009	2008
Murabaha income	947,229	407,471
Loss on sale of investments at fair value through profit or loss	(1,080,056)	(779,714)
Change in fair value of investments through profit or loss	(976,903)	(1,415,713)
Dividends	749	378,962
	(1,108,981)	(1,408,994)

19. Loss from trading on associate

	2009	2008
Losses of trading shares in associates	(1,916,139)	(10,984,222)
Gains from disposal of associates	468,614	6,723,099
Group's share from the results of associates	(3,561,559)	(2,067,119)
	(5,009,084)	(6,328,242)

20. Land and real estate income

	2009	2008
Change in fair value of investment properties	4,434,386	13,444,900
Gains from sale of investments properties	68,760	-
Rents of investments properties	495,300	-
Impairment of lands and real estates under development	(2,399,610)	-
Gains from sale of lands and real estates under development	1,090,095	6,343,047
	3,688,931	19,787,947

21. General and administrative expense

General and administrative expenses include staff costs of KD 1,097,052 for the year ended 31 December 2009 (KD 1,251,821 for the year ended 31 December 2008).

22. (Loss) / earnings per share

Basic (loss)/earnings per share are calculated by dividing net (loss)/profit for the year by the weighted average number of outstanding shares during the year as follows:

	2009	2008
Net (loss)/profit for the year attributable to shareholders' of the Parent Company	(9,529,443)	1,205,156
Weighted average number of issued shares and outstanding shares during the year/ (share)	356,141,243	284,755,783
(Loss)/earnings per share (fils)	(26.76)	4.23

23. Investments in subsidiaries

These consolidated financial statements include the financial statements of the Parent Company and the following subsidiaries:

Company Name	Legal	Country of incorporation	Ownership (%)	
			2009	2008
Al Madina Real Estate Development Co.	K.S.C.C	Kuwait	85.63	90
Rehab Al Madina Real Estate Co.	B.S.C.C	Bahrain	85.63	100
Develop for General Trading and Constructions	W.L.L	Kuwait	85.63	50.68
Al Madina Educational Co.	K.S.C.C	Kuwait	100	100
Al Sari National Holding (previously twenty seven for shopping centre)	K.S.C.C	Kuwait	100	100
Real Capital Company	W.L.L.	Kuwait	100	100
Stone for Energy(previously Kuwaiti National Investment Co.)	K.S.C.C	Kuwait	100	100
Stone for drilling Services Co.	E.K.S.C	Egypt	100	100
Sarh Al Madina Real Estate Co.	K.S.C.C	Kuwait	50.68	50.68
Try Building A	W.L.L	Cayman Islands	50.68	50.68
Try Building B	W.L.L	Cayman Islands	50.68	90
Try Building D	W.L.L	Cayman Islands	50.68	90
Try Building E	W.L.L	Cayman Islands	50.68	90

Subsidiaries financial statement has been consolidated based on the audited financial statements of all companies except for Stone for Energy Company and Al Sari National Holding Company that was consolidated based on management accounts, the total assets of those subsidiaries consolidated based on the management accounts amounted to KD 71,434 as of 31 December 2009 and the net loss amounted to KD 92,232 for the year ended 31 December 2009.

23.1 During the year ended 31 December 2009, the Group sold a share of 2.89% of Al Madina Real Estate Company and received shares in associate (Note 11.7) ,also the Group sold share of 1.48% to one of the related party, this transaction resulted gain amounting of KD 172,755.

23.2 During the year, the Parent Company has sold 100% from Rehab AL Madina Real Estate Company to Al Madina for Real Estate Development Company; this transaction has been disposed while preparing the financial statements according to (IFRS).

23.3 During the year the group has been sold 100% of drilling stone company to stone for energy co. (previously Kuwait National Investment co.) and this transaction resulted gain amounted by KD 5,226,917 which has been eliminated when preparing the financial statements in according to IFRS requirements.

23.4 The Group has recorded impairment of goodwill which amounted to KD 840,469 fully and it is recorded in statement of income for the year ended 31 December 2009 based on the studies prepared by the Group's management.

23.5 The following gain from disposal Subsidiaries Company:

	2009	2008
Realised portion from gains of sale deferred subsidiaries	57,146	4,538,277
Gain from trading on subsidiaries shares	172,755	5,488,576
	229,901	10,026,853

24. Dividends

The General Assembly meeting held on 25 June 2009 approved the financial statements for the year ended 31 December 2008, and proposed not to distribute dividends for the year ended 31 December 2008.

25. Related parties' transactions

Related parties represent in the Group's shareholders who have representation in the board of directors, members of the board of directors, senior management, subsidiaries and associates. In the normal course of business and subject to the Group's management approval, there were transactions with related parties during the year ended 31 December except what were disclosed in the other paragraph. The related parties significant transactions and outstanding balances were as follows:

	2009	2008
Transactions		
Murabaha income	790,008	377,223
Gain on sale of investment	-	569,478
Gain from disposal of subsidiaries	229,901	563,720
Gain from investment service income	894,283	2,651,164
Senior and executive management remunerations	221,600	159,785

Balances	2009	2008
Investments in Murabaha and Mudaraba	10,799,510	23,895,524
Debtors and Other debit balances	5,072,187	1,571,069
Payables and other credit balances	2,794,523	3,166,399

The Group manages portfolios on behalf of related parties, the net assets of those portfolios amounted to KD 13,610,769 as of 31 December 2009 (KD 21,025,200 as of 31 December 2008).

All related parties transactions are subject to the approval of the General Assembly of the shareholders.

26. Contingent liabilities

Subsequent to the financial statement date, an arbitration verdict was issued against the company to pay 10,011,025 US Dollar together with US $ 300,000 as compensation. In case of executing such verdict the company will acquire assets from this party against the payment.

As per the lawyer's opinion this case is in the preliminary phase and the Group plan to appeal and the outcome can not be determined. Accordingly the company management did not provide any provision against this case.

27. Segment distribution

The Group carries out the majority of its activities in the State of Kuwait through two major segments:

- Real estate segment: represents in selling land and properties for trading or after development in cash or under Istisna'a contracts.
- Investment segment: represents in management of real estate portfolios and investment funds on behalf of third parties and management of the Group's investments.

Analysis of the financial information according to segments for year ended 31 December is as follows:

	Real Estate		Investment		Total	
	2009	2008	2009	2008	2009	2008
Segment income	3,688,931	19,787,947	(5,566,032)	(995,308)	(1,877,101)	18,792,639
Segment results	3,688,931	19,787,947	(10,119,611)	(7,447,378)	(6,430,680)	12,340,569
Segment assets	74,216,657	80,549,339	77,516,595	100,504,633	151,733,252	181,053,972

	2009	2008
Total segment results	(6,430,680)	12,340,569
Other income	50,997	416,150
Loss foreign currency translation	(616,597)	(47,760)
Gross profit for oilfields services	822,359	879,319
Provision for doubtful debts	(783,957)	(2,645,034)
General and administrative expenses	(2,688,305)	(3,956,608)
Net (loss) / profit before deductions	(9,646,183)	6,986,636
Total segment assets	151,733,252	181,053,972
Cash and cash equivalent	733,804	1,078,422
Debtors and other debit balances	5,624,289	3,660,014
Property and equipment	5,455,521	5,847,723
Total assets	163,546,866	191,640,131

28. Geographical distribution of assets and liabilities

	Assets as of 31 December		Liabilities as of 31 December	
	2009	**2008**	**2009**	**2008**
Kuwait	104,214,488	148,245,296	64,789,246	72,675,738
Middle East	59,332,378	43,267,422	11,557,572	23,064,674
Europe	-	127,413	-	-
	163,546,866	191,640,131	76,346,818	95,740,412

29. Off balance sheet items

The Group manages portfolios on behalf of others and investment funds, which are not included in the balance sheet of the Group. The net assets of these portfolios amounted to KD 40,360,187 as of 31 December 2009 (KD 39,653,671 as of 31 December 2008).