

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

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

WITH INDEPENDENT AUDITORS' REPORT

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

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

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Member of The International Group of Accounting Firms

P.O. Box 27387 Safat
13134 – State of Kuwait
Telephone: (965) 2423415
Facsimile : (965) 2423417

Member of **RSM** International

Public Accountants

Kuwait Airways Building, 7th Floor
Shuhada Street, P.O. Box 2115 Safat
13022 – State of Kuwait
T + 965 2410010
F + 965 2412761
www.albazie.com

Independent Auditors' report

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

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Al Mazaya Holding Company K.S.C. (Closed) (the Parent Company) and subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2008, and the consolidated statement of 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 notes.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free of material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Al Mazaya Holding Company K.S.C. (Closed) as of December 31, 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



Report on other Legal and Regulatory Requirements

Also in our opinion, the consolidated financial statements include the disclosures required by the Commercial Companies Law and the Parent Company's Articles of Association, and we obtained the information we required to perform our audit. In addition, proper books of account have been kept, physical stocktaking was carried out in accordance with recognized practice, and the accounting information given in the Director's Report is in agreement with the Parent Company's books. According to the information available to us, there were no contraventions during the year ended December 31, 2008 of either the Commercial Companies Law or of the Parent Company's Articles of Association which might have materially affected the Group's financial position or results of its operations.

Ali Owaid Rukheyes
Licence No. 72 - A
Member of the International Group
of Accounting Firms

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

AL MAZAYA HOLDING COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2008
(All amounts are in Kuwaiti Dinars)

			2007 (Restated)
<u>ASSETS</u>		2008	
Cash and cash equivalents	3	48,756,857	27,500,543
Investments at fair value through income statement	4	1,335	17,171,474
Accounts receivable and other debit balances	5	42,239,927	43,268,002
Properties held for trading	6	81,504,695	-
Investments available for sale	7	24,248,220	11,728,068
Investment in an associate	8	2,405,889	-
Investment in an unconsolidated subsidiary		268,400	-
Investment in joint ventures	9	11,733,949	4,638,293
Properties under development	10	136,689,183	108,325,614
Investment properties	11	-	25,662,337
Work in progress	12	11,574,714	8,824,150
Fixed assets		662,695	764,156
Leasehold land	13	1,693,025	1,766,002
Goodwill	2	3,259,607	1,005,927
		<u>365,038,496</u>	<u>250,654,566</u>
<u>LIABILITIES AND EQUITY</u>			
Liabilities:			
Accounts payable and other credit balances	14	107,582,850	47,728,304
Term loans	15	50,063,743	54,754,329
Wakala and Murabaha payables	16	6,070,000	10,039,068
Gross amount due to customers for properties under development	17	11,625,049	-
Deferred consideration on acquisition of properties	18	34,007,819	38,699,426
End of service indemnity		210,357	108,521
Total liabilities		<u>209,559,818</u>	<u>151,329,648</u>
Equity:			
Capital	19	45,406,980	31,589,150
Share premium	20	75,714,971	33,234,971
Statutory reserve	21	9,131,420	7,777,758
Voluntary reserve	21	9,131,420	7,777,758
Treasury shares reserve		1,561,889	1,359,542
Cumulative changes in fair value		68,567	-
Assets revaluation surplus		623,239	1,038,731
Foreign currency translation adjustments		(807,542)	(2,433,513)
Effect of changes in subsidiary's treasury shares		(457,645)	-
Effect of changes in subsidiary's equity		57,768	68,900
Retained earnings		4,638,767	16,229,758
		<u>145,069,834</u>	<u>96,643,055</u>
Treasury shares	22	<u>(28,049,447)</u>	<u>(2,889,821)</u>
Equity attributable to equity holders of the Parent Company		117,020,387	93,753,234
Minority interest		38,458,291	5,571,684
Total equity		<u>155,478,678</u>	<u>99,324,918</u>
		<u>365,038,496</u>	<u>250,654,566</u>

The accompanying notes (1) to (42) form an integral part of the consolidated financial statements


Rashid Y. Al-Nafisi
Chairman


Khalid S. Esbaitah
Vice Chairman and Managing Director

AL MAZAYA HOLDING COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2008
(All amounts are in Kuwaiti Dinars)

	Notes	2008	2007 (Restated)
Revenues			
Revenue from sale of properties under development	23	125,841,216	30,189,713
Revenue from sale of properties held for trading	24	27,270,162	-
Revenue from sale of investment properties	11	2,606,975	30,505,205
Total revenues		155,718,353	60,694,918
Cost of revenues			
Cost of sale of properties under development	23	(81,903,536)	(18,981,788)
Cost of sale of properties held for trading	24	(18,188,717)	-
Cost of sale of investment properties	11	-	(16,665,867)
Total cost of revenues		(100,092,253)	(35,647,655)
Gross profit		55,626,100	25,047,263
Changes in fair value of investment properties		-	120,298
Management fees, commission and consultancy income	25	4,621,013	1,864,480
Net investment income	26	1,579,132	1,476,479
Impairment losses	27	(50,661,068)	-
Provisions	28	(17,846,304)	-
Gain on partial disposal of a subsidiary	2	4,448,623	2,334,208
Gain on sale of waiver of subscription in a subsidiary	29	23,526,071	-
Dilution loss	2	(2,893,829)	-
Group's share of results from joint ventures	9	(342,763)	1,020,555
Group's share of results from an associate	8	120,157	-
Marketing expenses		(710,146)	(1,268,641)
Administrative expenses		(6,328,965)	(2,847,297)
Expenses related to equity settled share based payments		(1,897,015)	(481,160)
Depreciation and amortization	30	(333,761)	(222,818)
Expenses on completed projects		(525,614)	(163,707)
Foreign currency exchange gain		669,432	240
Other income		186,140	237,490
Interest income		1,282,444	302,986
Finance charges		(3,050,999)	(2,205,446)
Other expenses		(26,622)	-
Profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences, National Labor Support Tax and contribution to Zakat and Board of Directors' remuneration		7,442,026	25,214,930
Contribution to Kuwait Foundation for the Advancement of Sciences	31	(38,929)	(249,078)
National Labor Support Tax	32	(336,487)	(691,883)
Contribution to Zakat	33	(115,051)	(17,556)
Board of Directors' remuneration		-	(75,000)
Net profit for the year		6,951,559	24,181,413
Attributable to:			
Equity holders of the Parent Company		13,046,148	24,570,577
Minority interest		(6,094,589)	(389,164)
Net profit for the year		6,951,559	24,181,413
		Fils	Fils
Earnings per share attributable to the equity holders of the Parent Company	34	31.86	67.36

The accompanying notes (1) to (42) form an integral part of the consolidated financial statements

AL WAZAYA HOLDING COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2008
(All amounts are in Kuwaiti Dinars)

	Attributable to equity holders of the Parent Company												Minority interest	Total
	Capital	Share premium	Reserves	Treasury shares reserve	Cumulative changes in fair value	Assets revaluation surplus	Foreign currency translation adjustments	Effect of changes in subsidiary's treasury shares	Effect of changes in subsidiary's equity	Retained earnings	Treasury shares	Subtotal		
Balance at December 31, 2006	28,601,242	32,758,688	9,028,382	97,258	-	1,038,731	-	-	-	23,290,875	(7,013,148)	87,802,028	3,827,704	91,629,732
Effect of early application of IFRIC 15 (Note 2)	-	-	-	-	-	-	-	-	-	(8,454,038)	-	(8,454,038)	(102,234)	(8,556,272)
Adjusted balances as at January 1, 2007	28,601,242	32,758,688	9,028,382	97,258	-	1,038,731	-	-	-	14,836,837	(7,013,148)	79,347,990	3,725,470	83,073,460
Foreign currency translation adjustments	-	-	-	-	-	-	(2,433,513)	-	-	-	-	(2,433,513)	-	(2,433,513)
Gain on sale of treasury shares	-	-	-	1,262,284	-	-	-	-	-	-	-	1,262,284	-	1,262,284
Net income (loss) recognized directly in equity	-	-	-	1,262,284	-	-	(2,433,513)	-	-	-	-	(1,171,229)	-	(1,171,229)
Net profit for the year	-	-	-	-	-	-	-	-	-	24,570,577	-	24,570,577	(389,164)	24,181,413
Total recognized income (loss) for the year	-	-	-	1,262,284	-	-	(2,433,513)	-	-	24,570,577	-	23,399,348	(389,164)	23,010,184
Transfer to reserves	-	-	6,527,134	-	-	-	-	-	-	(6,527,134)	-	-	-	-
Increase in capital (Note 19)	116,167	-	-	-	-	-	-	-	-	-	-	116,167	-	116,167
Share premium (Note 20)	-	476,283	-	-	-	-	-	-	-	-	-	476,283	-	476,283
Bonus shares (2006 - 10%) (Note 39)	2,871,741	-	-	-	-	-	-	-	-	(2,871,741)	-	-	-	-
Cash dividends (2006 - 50 fils per share) (Note 39)	-	-	-	-	-	-	-	-	-	(13,778,781)	-	(13,778,781)	-	(13,778,781)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	(5,999,370)	(5,999,370)	-	(5,999,370)
Sale of treasury shares	-	-	-	-	-	-	-	-	-	-	10,122,697	10,122,697	-	10,122,697
Net movement in minority interest	-	-	-	-	-	-	-	-	-	-	-	-	2,235,378	2,235,378
Effect of changes in subsidiary's equity	-	-	-	-	-	-	-	-	68,900	-	-	68,900	-	68,900
Balance at December 31, 2007	31,589,150	33,234,971	15,555,516	1,359,542	-	1,038,731	(2,433,513)	-	68,900	16,229,758	(2,889,821)	93,753,234	5,571,684	99,324,918
Foreign currency translation adjustments	-	-	-	-	-	-	1,625,971	-	-	-	-	1,625,971	-	1,625,971
Cumulative changes in fair value	-	-	-	-	68,567	-	-	-	-	-	-	68,567	-	68,567
Related to disposal of revalued assets	-	-	-	-	-	(415,492)	-	-	-	-	-	(415,492)	-	(415,492)
Gain on sale of treasury shares	-	-	-	202,347	-	-	-	-	-	-	-	202,347	-	202,347
Net income (loss) recognized directly in equity	-	-	-	202,347	68,567	(415,492)	1,625,971	-	-	-	-	1,481,393	-	1,481,393
Net profit for the year	-	-	-	-	-	-	-	-	-	13,046,148	-	13,046,148	(6,094,589)	6,951,559
Total recognized income (loss) for the year	-	-	-	202,347	68,567	(415,492)	1,625,971	-	-	13,046,148	-	14,527,541	(6,094,589)	8,432,952
Transfer to reserves	-	-	2,707,324	-	-	-	-	-	-	(2,707,324)	-	-	-	-
Increase in capital (Note 19)	7,500,000	-	-	-	-	-	-	-	-	-	-	7,500,000	-	7,500,000
Share premium (Note 20)	-	42,480,000	-	-	-	-	-	-	-	-	-	42,480,000	-	42,480,000
Bonus shares (2007 - 20%) (Note 39)	6,317,830	-	-	-	-	-	-	-	-	(6,317,830)	-	-	-	-
Cash dividends (2007 - 50 fils per share) (Note 39)	-	-	-	-	-	-	-	-	-	(15,611,985)	-	(15,611,985)	-	(15,611,985)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	(26,060,172)	(26,060,172)	-	(26,060,172)
Sale of treasury shares	-	-	-	-	-	-	-	-	-	-	900,546	900,546	-	900,546
Effect of changes in subsidiary's equity	-	-	-	-	-	-	-	-	(11,132)	-	-	(11,132)	-	(11,132)
Effect of changes in subsidiary's treasury shares	-	-	-	-	-	-	-	(457,645)	-	-	-	(457,645)	-	(457,645)
Acquiring new minority	-	-	-	-	-	-	-	-	-	-	-	-	10,917,217	10,917,217
Net movement in minority	-	-	-	-	-	-	-	-	-	-	-	-	28,063,979	28,063,979
Balance at December 31, 2008	45,406,980	75,714,971	18,262,840	1,561,889	68,567	623,239	(807,542)	(457,645)	57,768	4,638,767	(28,049,447)	117,020,387	38,458,291	155,478,678

The accompanying notes (1) to (42) form an integral part of the consolidated financial statements

AL MAZAYA HOLDING COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2008
(All amounts are in Kuwaiti Dinars)

	2008	2007 (Restated)
Cash flows from operating activities:		
Profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences, National Labor Support Tax, contribution to Zakat and Board of Directors' remuneration	7,442,026	25,214,930
Adjustments for:		
Changes in fair value of investments properties	-	(120,298)
Net investments income	(1,579,132)	(1,476,479)
Group's share of results from joint ventures	342,763	(1,020,555)
Group's share of results from an associate	(120,157)	-
Expenses related to equity settled share based payments	1,897,015	481,160
Impairment losses	50,661,068	-
Provisions	17,846,304	-
Gain on partial disposal of a subsidiary	(4,448,623)	(2,334,208)
Gain on sale of waiver of subscription in a subsidiary	(23,526,071)	-
Dilution loss	2,893,829	-
Depreciation and amortization	333,761	222,818
Interest income	(1,282,444)	(302,986)
Finance charges	3,050,999	2,205,446
Foreign currency exchange gain	(669,432)	(240)
	52,841,906	22,869,588
Changes in operating assets and liabilities:		
Accounts receivable and other debit balances	(5,713,666)	(6,946,450)
Properties held for trading	(33,460,589)	-
Investment properties	-	(13,839,338)
Properties under development	(64,929,602)	(52,666,456)
Accounts payable and other credit balances	50,758,008	17,948,067
Gross amount due to customers for properties under development	13,603,709	-
Deferred consideration on acquisition of properties	(4,500,685)	5,277,580
	8,599,081	(27,357,009)
Paid to Kuwait Foundation for the Advancement of Sciences	(249,078)	(216,197)
Paid to National Labor Support Tax	(691,883)	(610,185)
Paid to Zakat	(17,556)	-
End of service indemnity paid	(18,397)	-
Board of Directors' remuneration paid	(75,000)	(150,000)
Net cash generated from (used in) operating activities	7,547,167	(28,333,391)
Cash flows from investing activities:		
Purchase of investments at fair value through income statement	(13,152,984)	(1,796,469)
Proceeds from sale of investments at fair value through income statement	30,256,201	4,231,091
Purchase of investment available for sale	(81,763,044)	(9,625,829)
Proceeds from sale of investments available for sale	70,990,929	189,786
Dividends income received	347,082	574,637
Interest income received	640,397	311,300
Paid against acquisition of leasehold land	-	(1,820,635)
Work in progress	(3,642,455)	(864,755)
Proceeds from sale of properties held for trading	27,338,501	-
Proceeds from partial disposal of a subsidiary	7,043,271	5,250,246
Proceeds from sale of waiver of subscription in a subsidiary	23,526,071	-
Paid against increase in equity holding of subsidiaries	(65,575,485)	-
Net movement of investment properties	-	6,491,150
Investment in joint venture	(7,437,415)	(3,617,737)
Investment in associate	28,078	-
Paid against increase in investment in unconsolidated subsidiary	(268,400)	-
Fixed assets	(161,589)	(660,378)
Net cash used in investing activities	(11,830,842)	(1,337,593)

AL MAZAYA HOLDING COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS (CONTD.)
FOR THE YEAR ENDED DECEMBER 31, 2008
(All amounts are in Kuwaiti Dinars)

	2008	2007 (Restated)
Cash flows from financing activities:		
Proceed from increase in capital	7,500,000	-
Term loans	(9,572,511)	52,084,329
Share premium received	42,480,000	-
Paid for purchase of treasury shares	(26,060,172)	(4,737,086)
Cash dividends paid	(15,527,521)	(13,711,272)
Finance charges paid	(3,063,639)	(2,061,206)
Wakala and Murabaha payables	(3,901,872)	2,199,068
Proceeds from sale of treasury shares	1,102,893	7,261,654
Movement in minority interest	28,063,980	-
Movement in equity of a subsidiary	(468,777)	68,900
Cash generated from financing activities	20,552,381	41,104,387
Net increase in cash and cash equivalents	16,268,706	11,433,403
Cash related to a newly consolidated subsidiary	5,093,744	-
Cash related to partial disposal of a subsidiary	(106,136)	(29,362)
Cash and cash equivalents at the beginning of the year	27,500,543	16,096,502
Cash and cash equivalents at the end of the year (Note 3)	48,756,857	27,500,543

The accompanying notes (1) to (42) form an integral part of the consolidated financial statements.

AL MAZAYA HOLDING COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2008
(All amounts are in Kuwaiti Dinars)

1. Establishment and activities

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

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

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

These consolidated financial statements were approved for issue by the Board of Directors on March 25, 2009. The shareholders' General Assembly has the power to amend these consolidated financial statements after issuance.

2. Significant accounting policies

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

Significant accounting policies are summarized as follows:

a) Basis of preparation

The consolidated financial statements are presented in Kuwaiti Dinars and are prepared under the historical cost convention, except that investments at fair value through income statement, certain investments available for sale and investment properties are stated at their fair value. The accounting policies applied by the Group are consistent with those used in the previous year except for the changes due to implementation of certain amendments to revised IAS 39: Financial Instruments – Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures and the early application of IFRIC 15 – Agreements for the construction of Real Estate.

IFRIC 15 – Agreements for the construction of Real Estate

The Group had adopted early application of IFRIC 15 – Agreements for the construction of Real Estate. This change in accounting policy had been accounted for respectively as per IAS 8 accounting policies, changes in accounting estimates and errors. This had resulted in decreasing the balance of retained earnings as of December 31, 2006 by KD 8,556,272 and decreasing the net profit for the year ended December 31, 2007 by KD 7,856,059.

The application of IFRIC 15 gives the guidance for accounting of revenue and associated expenses regarding construction of real estate and whether the agreement is within the scope of IAS 11 – Construction contract or IAS 18 - Revenue. An agreement for the construction of real estate meets the definition of a construction contract where the buyer is able to specify the major structural elements of the design of the real estate before construction begins and / or specify major structural changes once construction is in progress and in that case IAS 11 – Construction contract applies.

In case of agreement for construction of real estate in which buyer has only limited ability to influence the design of the real estate, it is within the scope of IAS 18 - Revenue.

AL MAZAYA HOLDING COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2008
(All amounts are in Kuwaiti Dinars)

IAS 39: Financial Instruments – Recognition and Measurement

Effective July 1, 2008, the Group has implemented certain amendments to revised IAS 39: Financial Instruments – Recognition and Measurement. The Group has identified the deterioration of the global financial markets and the consequent impact on the financial markets of the Middle East region as a rare situation resulting in the implementation of these amendments.

IFRS 7 Financial Instruments: Disclosures

Implementation of the amendments to revised IAS 39: Financial Instruments – Recognition and Measurement has resulted in additional disclosures under IFRS 7 Financial Instruments: Disclosures in the accompanying consolidated financial statements.

The financial impact of adopting these amendments is disclosed in Note 2(b) to the accompanying consolidated financial statements

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

Standards and Interpretations issued but not effective

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

IFRS 8 "Operating Segments"

The application of IFRS 8, which will be effective for the annual periods beginning on or after January 1, 2009, will result in disclosure of information to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.

IAS 1 "Presentation of Financial Statements" (Revised)

The application of IAS 1 (Revised), which will be effective for the annual periods beginning on or after January 1, 2009, will impact the presentation of financial statements to enhance the usefulness of the information presented.

Revised IFRS 3 Business Combinations (2008)

Revised IFRS 3, which will be effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009 with prospective application, incorporates the following changes:

- The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations.
- Contingent consideration will be measured at fair value, with subsequent changes therein recognized in the consolidated statement of income.
- Transaction costs, other than share and debt issue costs, will be expensed as incurred.
- Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognized in the consolidated statement of income.
- Any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

AL MAZAYA HOLDING COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2008
(All amounts are in Kuwaiti Dinars)

Amended IAS 27 Consolidated and Separate Financial Statements (2008)

Amended IAS 27, which will be effective for annual periods beginning on or after July 1, 2009 with retrospective application, requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in the consolidated statement of income.

IFRIC Interpretation 11 "IFRS 2 - Group and Treasury Share Transactions"

The application of IFRIC Interpretation 11, which will be effective for annual periods beginning on or after March 1, 2007, provides guidance as to whether certain share options given to employees should be accounted as an equity-settled or cash-settled transaction.

Amendments to IFRS 2 Share-based Payment— Vesting Conditions and Cancellations

Amended IFRS 2, which will be effective for annual periods beginning on or after January 1, 2009 with retrospective application, clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations.

b) **Reclassification of financial assets**

On October 13, 2008 the IASB permitted reclassification of some financial instruments from one category to another in rare circumstances (Amendments to IAS 39 and IFRS 7 "Amendment").

The Group has elected to apply the amendment effective July 1, 2008 and has reclassified certain investments held for trading to available for sale investments. The details of reclassification are as follows:

<u>Particulars</u>	<u>Amount (KD)</u>
Amount reclassified from investments at fair value through income statement to investments available for sale on July 1, 2008.	845,875
Fair value of investments reclassified from investments at fair value through income statement to investments available for sale at December 31, 2008.	430,100
Unrealized gain on investments reclassified from investments at fair value through income statement to investments available for sale that have been already recognized in the consolidated statement of income till June 30, 2008.	311,600
Unrealized loss on investments reclassified from investments at fair value through income statement to investments available for sale that would have been recognized in the consolidated statement of income if these financial assets had not been reclassified.	(187,541)
Unrealized loss on investments reclassified from investments at fair value through income statement to investments available for sale recognized in the consolidated statement of changes in equity for the period from July 1, 2008 till December 31, 2008.	(499,141)

c) Recognition / derecognition of financial assets and financial liabilities

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

d) Critical accounting estimates and judgments

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

a) Judgments

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

(i) Revenue Recognition

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

(ii) Determination of contract cost

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

(iii) Classification of Land

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

1) Properties under development

When the intention of the Group is to develop land in order to sell it in the future, both the land and the construction costs are classified as properties under development.

2) Work in progress

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

3) Properties held for trading

When the intention of the Group is to sell land in the ordinary course of business, the land are classified as properties held for trading.

4) Investment properties

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

(iv) Provision for doubtful debts

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

(v) Classification of investments

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

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

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

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

b) Estimates and assumptions

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

(i) Fair value of unquoted equity investments

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

(ii) Impairment of Goodwill

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

(iii) Construction contracts

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

(iv) Provision for doubtful debts

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

e) Principles of consolidation

Subsidiaries are those enterprises controlled by the Parent Company. Control exists when the Parent Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Inter-company balances and transactions, including inter-company profits and unrealized profits and losses are eliminated on consolidation. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

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

Subsidiaries	Country of incorporation	Ownership percentage	
		2008 %	2007 %
Al Mazaya Real Estate Development Company – K.S.C. (Closed)	Kuwait	100	100
Al Mazaya Real Estate FZ/LLC and its subsidiaries:	U.A.E	100	100
Al Dana Real Estate Limited	U.A.E	100	100
Al Rayhan Real Estate Limited	U.A.E	100	100
Advantage General Trading Co. W.L.L.	U.A.E	100	100
Al Mazaya Al Khaliija for General Trading and Contracting – Khalid S. Esbaitah and Partners – W.L.L.	Kuwait	100	100
Al Mazaya Arabian Real Estate Company – Khalid S. Esbaitah and Partners – W.L.L.	Kuwait	100	100
Al Mazaya International for Projects Management Company – Khalid S. Esbaitah and Partners – W.L.L.	Kuwait	100	100
Mazaya Lebanon Company - S.A.L. (Holding) and its subsidiary:	Lebanon	100	100
Mazaya Lamartien – S.A.L.	Lebanon	100	100
Seven Zones Real Estate Company K.S.C. (Closed)	Kuwait	100	-
First Dubai Real Estate Development Company - K.S.C. (Closed) and its subsidiary:	Kuwait	66.88	81.78
Future International Project Management – W.L.L. and its subsidiary:	Kuwait	85.16	-
Waterfront Real Estate Company K.S.C. (Closed)	Kuwait	91.97	-

During the year, the Parent Company acquired additional 4.5% interest in the equity of First Dubai for Real Estate Development Company - K.S.C. (Closed) for an amount of KD 4,581,355. The goodwill resulting from the additional acquisition of this subsidiary is as follows:

	2008
Balance at the beginning of the year	1,005,927
Related to additions	4,581,355
Less: The group's share of fair value of identifiable assets and liabilities at the date of the acquisition	(1,836,173)
Net goodwill	3,751,109
Related to disposals	(491,502)
Balance at the end of the year	3,259,607

During the year, First Dubai Real Estate Development Company K.S.C.(Closed) - subsidiary - increased its authorized capital to 1 billion shares. The Parent Company sold a portion of its waiver of subscription in the subsidiary's capital increase. This resulted in a dilution loss amounting to KD 2,893,829 and reduction in the percentage of ownership by 11.17%.

Also, the Parent Company sold a portion of its interest in the equity of First Dubai for Real Estate Development Company – K.S.C. (Closed) representing 3.73% resulting in a gain of KD 4,448,623. The decrease in the goodwill related to the sale transaction amounted to KD 491,502.

Investment in subsidiary – First Dubai Real Estate Development Company K.S.C.C. with a fair market value of KD 10,000,000 is pledged against a term loan (Note 15).

During the year, a subsidiary to the Group (First Dubai Real Estate Development Company K.S.C.C.) acquired 85.16% in equity of Future International Project Management – W.L.L. which in turn owns 91.97% in equity of Waterfront Real Estate Company K.S.C.C. Accordingly, the balances in the consolidated financial statements of the Group include the following assets and liabilities for this subsidiary, while the comparative figures for the year ended December 31, 2007 do not include such information:

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Balance sheet:	Amount
Cash and cash equivalents	6,252,093
Accounts receivable and other debit balances	345,801
Investments available for sale	12,269,180
Properties under development	16,561,266
Fixed assets	1,686
Accounts payable and other credit balances	10,869,681
Minority interest	5,072,110

The goodwill resulting from the acquisition of this subsidiary is as follows:

Consideration paid	58,248,950
Less: Fair value of identifiable assets and liabilities at the date of the acquisition	(39,435,700)
	<u>18,813,250</u>

Total goodwill

Related to First Dubai Real Estate Development K.S.C. (Closed)	3,259,607
Related to Future International Project Management — W.L.L.	18,813,250
Impairment loss	(18,813,250)
	<u>3,259,607</u>

The Group tested goodwill for impairment as of December 31, 2008 and was considered to be partially impaired due to the major decline in value of asset related to a newly acquired subsidiary and this resulted in an impairment loss amounting to KD 18,813,250 (Note 27).

f) Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

g) Investments

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

(i) Investments at fair value through income statement

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

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

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

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

(ii) Investments available for sale

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

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

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

Realized and unrealized gains and losses from investments at fair value through income statement are included in the consolidated statement of income. Unrealized gains and losses arising from changes in the fair value of investments available for sale are recognized in cumulative changes in fair value in consolidated statement of changes in equity.

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

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

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

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

h) Receivables

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

i) Gross amount due from (to) customers for contract work

The gross amount due from (to) customers for contract work represents the net amount of costs incurred plus recognized profits, less the sum of recognized losses and progress billings for all contracts in progress. Cost comprises direct materials, direct labor and an appropriate allocation of overheads. For contracts where progress billings exceed costs incurred plus recognized profit (less recognized losses), the excess is included under liabilities.

j) Financial instruments

Financial assets and financial liabilities carried on the consolidated balance sheet include cash and cash equivalents, receivables, investments, bank borrowings and payables. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies found in this Note.

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

k) Joint venture

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

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

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

The Group reports its interests in jointly controlled entities using the equity method of accounting. Under the equity method, investments in joint ventures are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the joint venture, less any impairment in the value of individual investments.

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

l) Properties under development

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

The property is considered to be completed when all related activities, including the infrastructure and facilities for the entire project, have been completed. At that stage, the total asset value is eliminated from properties under development.

m) Investment properties

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

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

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

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n) Fixed assets

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

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

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

	<u>Years</u>
Furniture and equipment	5
Leasehold improvements	3 - 5
Computers and softwares	3
Motor vehicles	5

Certain fixed assets used in certain projects are depreciated over the period of the respective contracts.

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

o) Leasehold right

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

p) Goodwill

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

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

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

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

q) Impairment of assets

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

Recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

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

r) Accounts payable

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

s) Wakala and Murabaha payable

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

t) Borrowings

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

u) End of service indemnity

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

v) Treasury shares

Treasury shares consist of the Parent Company's own shares that have been issued, subsequently reacquired by the Parent Company and not yet reissued or canceled. The treasury shares are accounted for using the cost method. Under the cost method, the weighted average cost of the shares reacquired is charged to a contra equity account. When the treasury shares are reissued, gains are credited to a separate account in shareholders' equity (treasury shares reserve) which is not distributable. Any realized losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then reserves.

Gains realized subsequently on the sale of treasury shares are first used to offset any recorded losses in the order of reserves, retained earnings and the gain on sale of treasury shares account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

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

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w) Revenue recognition

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

i) Sale of properties:

Revenue on sale of properties under development is recognized as follows:

- When the agreement is within the scope of IAS 11 – construction contracts and its outcome can be estimated reliably, the Group recognizes the revenue by reference to the stage of completion of the contract activity in accordance with IAS 11 – construction contracts.
- When the agreement is within the scope of IAS 18 – Revenue, Group recognizes revenue at time of completion. When the significant risks and rewards of ownership of real estate are being transferred from Group at a single time.
- If the significant risks and rewards of ownership are transferred as when construction progresses, the Group recognize revenue by reference to the percentage of completion method.
- If there is a doubt about the future economic benefits will flow to the Group, the Group recognizes revenue based on the installment percentage.

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

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

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

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

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

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

ii) Cost of revenue

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

iii) Construction contracts

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

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

iv) Interest income

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

v) Dividend income

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

vi) Rent income

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

vii) Gain on sale of investments

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

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viii) Management, commission and consultancy income

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

x) Fiduciary assets

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

y) Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Translation differences on non-monetary items such as equity investments which are classified as investments at fair value through income statement are reported as part of the fair value gain or loss. Translation differences on non-monetary items such as equity investments classified as available for sale are included in "cumulative changes in fair value" in the consolidated statement of changes in equity.

The assets and liabilities of the foreign subsidiary are translated into Kuwaiti Dinars at rates of exchange prevailing at the balance sheet date. The results of the subsidiary are translated into Kuwaiti Dinars at rates approximating the exchange rates prevailing at the dates of the transactions. Foreign exchange differences arising on translation are recognized directly in the consolidated statement of changes in equity. Such translation differences are recognized in profit or loss in the period in which the foreign operation is disposed off.

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

z) Borrowing costs

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

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

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aa) Contingencies

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

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

ab) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products and services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments.

3. Cash and cash equivalents

	2008	2007
Cash on hand and at banks	39,772,935	15,956,840
Short term bank deposits	8,982,942	11,500,000
Cash in investment portfolios	980	43,703
	<u>48,756,857</u>	<u>27,500,543</u>

The effective interest rate on short term bank deposits was 6% (2007 – 7.08%) per annum. These deposits have an average maturity of 25 days (2007 - 48 days).

Cash on hand and at banks include an amount of KD 26,309,343 representing restricted cash to be used only against construction work.

4. Investments at fair value through income statement

	2008	2007
Balance at the beginning of the year	17,171,474	21,815,983
Additions	13,152,984	1,796,469
Disposals	(29,787,382)	(6,766,055)
Unrealized gain from changes in fair value of investments at fair value through income statement (Note 26)	310,134	325,077
Reclassified to investments available for sale (Note 7)	(845,875)	-
Balance at the end of the year	<u>1,335</u>	<u>17,171,474</u>

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5. Accounts receivable and other debit balances

	2008	2007
Trade receivables	20,890,071	25,060,707
Advance payments	12,697,186	9,450,941
Advances for capital subscription	14,534,904	-
Amounts due from related parties (Note 35)	3,568,657	7,770,607
Staff receivable	74,803	31,177
Other receivables	6,820,610	954,570
	<u>58,586,231</u>	<u>43,268,002</u>
Provision for doubtful accounts (Note 28)	<u>(16,346,304)</u>	<u>-</u>
	<u>42,239,927</u>	<u>43,268,002</u>

The fair values of accounts receivable and other debit balances approximated their carrying values as at December 31, 2008.

Other receivables include an amount of KD 4,560,453 representing prepaid rent.

The aging analysis of these trade receivables are as follows:

	2008	2007
Less than 3 months	4,965,998	1,525,691
3 to 6 months	8,209,306	23,289,648
6 months to 1 year	7,714,767	245,368
	<u>20,890,071</u>	<u>25,060,707</u>

6. Properties held for trading

	2008
Balance at the beginning of the year	-
Additions	24,314,915
Disposals (Note 24)	(18,188,717)
Transferred from investment properties (Note 11)	22,012,213
Transferred from properties under development (Note 10)	52,474,393
Transferred from work in progress (Note 12)	891,891
Balance at the end of the year	<u>81,504,695</u>

7. Investments available for sale

	2008	2007
Quoted:		
Equity securities	1,346,541	138,000
Funds & Portfolios	148,282	143,255
Unquoted:		
Equity securities	14,838,087	9,165,463
Funds & Portfolios	7,915,310	2,281,350
	<u>24,248,220</u>	<u>11,728,068</u>

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The movement during the year is as follows:

	2008	2007
Balance at the beginning of the year	11,728,068	2,260,844
Additions	81,763,044	9,625,829
Disposals	(59,482,048)	(158,605)
Reclassified from investments at fair value through income statement (Note 4)	845,875	-
Transferred to investment in an associate (Note 8)	(3,813,810)	-
Changes in fair value	68,567	-
Impairment loss (Note 27)	(6,861,476)	-
Balance at the end of the year	24,248,220	11,728,068

Additions and disposals balances include unquoted securities amounting to KD 23,398,111 and KD 11,128,931 respectively related to a newly consolidated subsidiary.

8. Investment in an associate

Name of the associate	Country of Incorporation	Ownership Percentage	2008
Mazaya Qatar Real Estate Development	Qatar	10%	2,405,889

The movement during the year is as follows:

	2008
Transferred from investments available for sale (Note 7)	3,813,810
Group's share of results from an associate	120,157
Elimination	(28,078)
Provision for investment in an associate (Note 28)	(1,500,000)
Balance at the end of the year	2,405,889

The Group's interests in its associate as at December 31, 2008 were as follows:

Name of the associate	Assets 2008	Liabilities 2008	Net assets 2008
Mazaya Qatar Real Estate Development	3,972,582	83,560	3,889,022

Name of the associate	Revenues 2008	Results 2008
Mazaya Qatar Real Estate Development	127,155	120,157

The Group has significant influence over the financial and operating policies of the associate, and hence the Group accounts for its investment as investment in an associate.

The group's share of results was based on accounts as at December 31, 2008 prepared by the management of the associate, since the associate's first financial year shall end on December 31, 2009.

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9. Investment in joint ventures

Investment in joint ventures consists of the following:

	Country of Incorporation	Ownership Percentage	2008	2007 (Restated)
Al-Madar Gulf Limited	U.A.E.	50%	4,486,131	4,715,709
Al Wahda Real Estate Investment Limited	U.A.E.	48%	(172,526)	(77,416)
Seven Zones	Kuwait	50%	7,420,344	-
			<u>11,733,949</u>	<u>4,638,293</u>

The movement during the year is as follows:

	2008	2007 (Restated)
Balance at the beginning of the year	4,638,293	1
Additions	7,437,415	3,726,877
Group's share of results from joint ventures	(342,763)	1,020,555
Foreign currency translation adjustments	1,004	(109,140)
Balance at the end of the year	<u>11,733,949</u>	<u>4,638,293</u>

The Group's interests in its joint ventures as at December 31, 2008 were as follows:

	Assets		Liabilities		Net Assets	
	2008	2007 (Restated)	2008	2007 (Restated)	2008	2007 (Restated)
Al-Madar Gulf Limited	10,219,933	6,567,366	5,733,802	1,851,657	4,486,131	4,715,709
Al Wahda Real Estate Investment Limited	1,488,376	2,109,779	1,660,902	2,187,195	(172,526)	(77,416)
Seven Zones	8,272,936	-	852,592	-	7,420,344	-

	Revenues		Results	
	2008	2007 (Restated)	2008	2007 (Restated)
Al-Madar Gulf Limited	4,004,145	2,107,635	(230,268)	1,021,613
Al Wahda Real Estate Investment Limited	28,404	10,707	(95,424)	(1,058)
Seven Zones	-	-	(17,071)	-

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10. Properties under development

Properties under development are located in Kuwait and Dubai, UAE which are in the process of construction or development for sale.

	2008	2007 (Restated)
Balance at the beginning of the year	108,325,614	59,191,060
Effect of early application of IFRIC 15	-	(8,556,272)
Adjusted balance at the beginning of the year	108,325,614	50,634,788
Additions	144,498,928	71,323,493
Disposals (Note 23)	(81,903,536)	(18,981,788)
Related to acquisition of a newly consolidated subsidiary	41,547,608	-
Transferred from investment properties (Note 11)	3,650,124	6,780,670
Transferred to gross amount due to customers for properties under development (Note 17)	(1,978,949)	-
Transferred to properties held for trading (Note 6)	(52,474,393)	-
Impairment loss on properties under development (Note 27)	(24,986,342)	-
Foreign currency translation adjustments	10,129	(1,431,549)
Balance at the end of the year	136,689,183	108,325,614

Properties under development include interest capitalized on term loans of KD 477,738 (2007 – Nil).

During the year, one of the subsidiaries sold 80% of a major project located in Dubai with an approximate amount of AED 1.64 Billion, equivalent to KD 119 Millions, the total revenue related to the sale transaction amounted to KD 47,734,956 and realized net profit arising from this sale transaction recognized during this year amounted to KD 28,945,059 which represents 40% of the gross profit, while the remaining profit will be recognized during 2009. The recognition of profit is based on the settlement percentage.

Properties with an amount of KD 41,547,608 which related to a newly acquired subsidiary, had a significant decline in the recovery amount as of December 31, 2008, accordingly an impairment loss of KD 24,986,342 was accounted in the consolidated statement of income.

11. Investment properties

	2008	2007
Balance at the beginning of the year	25,662,337	43,226,075
Additions	-	18,355,455
Disposals	-	(21,976,921)
Transferred to work in progress (Note 12)	-	(7,281,900)
Transferred to properties held for trading (Note 6)	(22,012,213)	-
Transferred to properties under development (Note 10)	(3,650,124)	(6,780,670)
Charges in fair value of investment properties	-	120,298
Balance at the end of the year	-	25,662,337

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12. Work in progress

	2008	2007
Balance at the beginning of the year	8,824,150	1,075,479
Additions	3,642,455	466,771
Transferred from investment properties (Note 11)	-	7,281,900
Transferred to properties held for trading (Note 6)	(891,891)	-
Balance at the end of the year	11,574,714	8,824,150

Certain project with a carrying amount of KD 9,826,256 is pledged against term loan (2007- Nil) (Note 15).

13. Leasehold land

Leasehold land represents a land leased from a Bahraini Company through a subsidiary. The leasehold right value will be amortized over 25 years which represents the lease period.

14. Accounts payable and other credit balances

	2008	2007
Trade payables	9,510,197	29,085,787
Advances received from customers	76,128,708	9,712,251
Amounts due to related parties (Note 35)	9,745,139	4,336,830
Retentions payable	2,588,178	-
Accrued development cost	1,250,737	-
Dividends payable	757,182	672,718
Other payables and accrued expenses	7,602,709	3,920,718
	107,582,850	47,728,304

Trade payables are non-interest bearing. There is no material difference between the fair value and the book value of accounts payable and other credit balances.

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15. Term loans

	2008	2007
Current		
Overdraft bearing interest rate at 3.5% per annum	5,093,743	5,000,000
Bank loan bearing interest rate at 2% per annum over the Central Bank of Kuwait discount rate	10,000,000	5,000,000
Bank loan bearing interest rate at 1% per annum over the Central Bank of Kuwait discount rate	-	10,000,000
Bank loan bearing interest rate at 3.5% per annum over the Central Bank of Kuwait discount rate	19,970,000	18,870,000
Bank loan bearing interest rate at 2% per annum over the Central Bank of Kuwait discount rate	-	11,455,500
Bank loan bearing interest rate at 3.5% per annum over the Central Bank of Kuwait discount rate	15,000,000	-
	<u>50,063,743</u>	<u>50,325,500</u>
Non current		
Bank loan bearing interest rate at 7.02% per annum	-	4,428,829
	-	4,428,829
	<u>50,063,743</u>	<u>54,754,329</u>

The Group has pledged a certain project with a carrying amount of KD 9,826,256 and ownership of a subsidiary's shares with a fair market value of KD 10,000,000 as collaterals against a term loan (Note 2.e, 12).

The fair value of term loans equals their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowing rate.

16. Wakala and Murabaha payables

	2008	2007
Wakala payables	6,070,000	7,039,068
Murabaha payable	-	3,000,000
	<u>6,070,000</u>	<u>10,039,068</u>

Average cost rate attributable to Wakala payables during the year ended December 31, 2008 was 7.625% (2007 – 7.5%) per annum.

Average cost rate attributable to Murabaha payable during the year ended December 31, 2008 was Nil% (2007 – 9.25%) per annum.

17. Gross amount due to customers for properties under development

	2008
Balance at the beginning of the year	-
Additions	9,646,389
Transferred from properties under development (Note10)	1,978,949
Foreign currency translation adjustments	(289)
Balance at the end of the year	<u>11,625,049</u>

There is no material difference between the fair value and the book value of gross amount due to customers for properties under development.

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23. Revenue from properties under development

	2008	2007 (Restated)
Revenue from sale of properties under development	125,841,216	30,189,713
Cost of sale of properties under development (Note 10)	(81,903,536)	(18,981,788)
Profit from sale of properties under development	43,937,680	11,207,925

24. Revenue from properties held for trading

	2008
Revenue from sale of properties held for trading	27,270,162
Cost of sale of properties held for trading (Note 6)	(18,188,717)
Profit from sale of properties held for trading	9,081,445

25. Management fees, commission and consultancy income

The Group acts as project manager for certain real estate properties owned by other parties through developing, managing, and selling those properties. The Group charges those parties certain management fees, commission and consultancy income against those services.

26. Net investment income

	2008	2007
Unrealized gain from changes in fair value of investments at fair value through income statement (Note 4)	310,134	325,077
Realized gain on sale of investments at fair value through income statement	541,965	534,183
Realized gain on sale of investments available for sale	379,951	42,582
Dividends income	347,082	574,637
	1,579,132	1,476,479

27. Impairment losses

	2008
Impairment loss on quoted investments available for sale (Note 7)	6,861,476
Impairment loss on properties under development (Note 10)	24,986,342
Impairment of goodwill (Note 2)	18,813,250
	50,661,068

28. Provisions

	2008
Provision for investment in an associate (Note 8)	1,500,000
Provision for doubtful accounts (Note 5)	16,346,304
	17,846,304

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29. Gain on sale of waiver of subscription in a subsidiary

This represents the gain on sale of portion of the subscription right in the capital increase of First Dubai Real Estate Development K.S.C. (Closed) – subsidiary, equivalent to 103,875,560 shares with a value of fils 200 per share.

30. Depreciation and amortization

	2008	2007
Depreciation	260,784	168,185
Amortization	72,977	54,633
	<u>333,761</u>	<u>222,818</u>

31. Contribution to Kuwait Foundation for the Advancement of Sciences

Contribution to Kuwait Foundation for the Advancement of Sciences is calculated at 1% of the profit of the Parent Company after deducting its share of income from shareholding subsidiaries and associates and transfer to statutory reserve.

32. National Labor Support Tax

National Labor Support Tax is calculated at 2.5% of the profit of the Parent Company and after deducting its share of income from listed shareholding subsidiaries and associates and dividends from Kuwaiti listed shareholding companies.

33. Contribution to Zakat

Contribution to Zakat is calculated at 1% of the profit of the Parent Company after deducting its share of income from shareholding subsidiaries in accordance with Ministry of Finance resolution No. 58/2007 effective December 10, 2007.

34. Earnings per share attributable to the equity holders of the Parent Company

Earnings per share is computed by dividing net profit for the year attributable to equity holders of the Parent Company by the weighted average number of shares outstanding during the year. The dilutive effect of share options outstanding has no material impact on earnings per share for the year.

	2008	2007 (Restated)
Net profit for the year attributable to equity holders of the Parent Company	<u>13,046,148</u>	<u>24,570,577</u>
	<u>Shares</u>	<u>Shares</u>
Weighted average number of issued and fully paid-up shares	361,069,899	315,792,838
Add: Bonus shares	63,178,300	63,178,300
Less: weighted average number of treasury shares	(14,753,003)	(14,218,557)
Weighted average number of shares outstanding	<u>409,495,196</u>	<u>364,752,581</u>
	<u>Fils</u>	<u>Fils</u>
Earnings per share attributable to equity holders of the Parent Company	<u>31.86</u>	<u>67.36</u>

Earnings per share reported for 2007 was 103.97 fils before the effect of early application of IFRIC 15 (Note 2) and retroactive adjustment relating to issue of bonus shares for the year ended 2007.

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35. Related parties balances and transactions

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

	Major shareholders	Joint ventures	Other related parties	2008	2007
Balances included in the consolidated balance sheet					
Amounts due from related parties (Note 5)	-	1,467,670	2,100,987	3,568,657	7,770,607
Amounts due to related parties (Note 14)	1,350,000	1,528,489	6,866,650	9,745,139	4,336,830
Wakala and Murabaha payables	1,070,000	-	-	1,070,000	10,039,068
Transactions included in the consolidated income statement					
Profit from sale of properties under development	-	-	-	-	784,852
Management fees, commission and consultancy income	173,500	346,697	309,949	830,146	984,380
Finance charges	373,522	-	-	373,522	551,029
Key management compensation:					
Salaries and other short term benefits				684,012	805,849
Terminal benefits				41,366	21,260
				725,378	827,109

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36. Fiduciary accounts

The Group manages projects on behalf of others, and maintains cash balances and notes receivable in fiduciary accounts, which are not reflected in the Group's balance sheet. Assets under management at December 31, 2008, amounted to KD 65,696,016 (December 31, 2007 – KD 11,247,216).

37. Capital commitments and contingent liabilities

At December 31, 2008, the Group had capital commitments and contingent liabilities in respect of the following:

	<u>2008</u>	<u>2007</u>
Letters of guarantee	27,861,300	24,944,145
Capital commitments	4,948,283	57,538,953
	<u>32,809,583</u>	<u>82,483,098</u>

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38. Segment information:

For management purposes, the Group is divided into three geographical segments, which are: State of Kuwait, United Arab Emirates and Lebanon, where the Group performs its main activities in the real estate segment, accordingly, the Group has no secondary segment. There are no income generating transactions between the Group's segments. The segment information for the geographical segments that represent the primary segments is as follows:

	2008				2007 (Restated)			
	Kuwait	United Arab Emirates	Lebanon	Total	Kuwait	United Arab Emirates	Lebanon	Total
Revenue from sale of properties under development	168,619	125,672,597	-	125,841,216	15,044,135	15,145,578	-	30,189,713
Revenue from sale of properties held for trading	-	27,270,162	-	27,270,162	-	-	-	-
Revenue from sale of investment properties	-	2,606,975	-	2,606,975	3,100,000	27,405,205	-	30,505,205
Total revenues	168,619	155,549,734	-	155,718,353	18,144,135	42,550,783	-	60,694,918
Cost of sale of properties under development	(142,600)	(81,760,936)	-	(81,903,536)	(8,825,130)	(10,156,658)	-	(18,981,788)
Cost of sale of properties held for trading	-	(18,188,717)	-	(18,188,717)	-	-	-	-
Cost of sale of investment properties	-	-	-	-	(1,110,707)	(15,555,160)	-	(16,665,867)
Total costs of revenues	(142,600)	(99,949,653)	-	(100,092,253)	(9,935,837)	(25,711,818)	-	(35,647,655)
Gross profit	26,019	55,600,081	-	55,626,100	8,208,298	16,838,965	-	25,047,263
Changes in fair value of investment properties	-	-	-	-	-	120,298	-	120,298
Management fees, commission and consultancy income	427,988	4,193,025	-	4,621,013	940,232	924,248	-	1,864,480
Net investment income	1,579,132	-	-	1,579,132	1,476,479	-	-	1,476,479
Impairment losses	(25,674,726)	(24,986,342)	-	(50,661,068)	-	-	-	-
Provisions	(17,846,304)	-	-	(17,846,304)	-	-	-	-
Gain on partial disposal of a subsidiary	4,448,623	-	-	4,448,623	2,334,208	-	-	2,334,208
Gain on sale of waiver of subscription in subsidiary	23,526,071	-	-	23,526,071	-	-	-	-
Dilution loss	(2,893,829)	-	-	(2,893,829)	-	-	-	-
Group's share of results from joint ventures	(1,092,475)	749,712	-	(342,763)	-	1,020,555	-	1,020,555
Group's share of results from associate	120,157	-	-	120,157	-	-	-	-
Marketing expenses	(306,710)	(403,436)	-	(710,146)	(345,581)	(923,060)	-	(1,268,641)
Administrative expenses	(4,720,505)	(1,546,377)	(62,083)	(6,328,965)	(1,661,371)	(1,164,456)	(21,470)	(2,847,297)
Expenses related to equity settled share based payment	(1,897,015)	-	-	(1,897,015)	(481,160)	-	-	(481,160)
Depreciation and amortization	(212,776)	(120,985)	-	(333,761)	(127,539)	(95,279)	-	(222,818)
Expenses on completed projects	(402,900)	(122,714)	-	(525,614)	-	(163,707)	-	(163,707)
Foreign currency exchange gain	337,829	331,603	-	669,432	240	-	-	240
Other income	67,867	118,273	-	186,140	237,490	-	-	237,490
Interest income	1,170,957	111,487	-	1,282,444	101,207	201,779	-	302,986
Finance charges	(3,050,999)	-	-	(3,050,999)	(2,205,446)	-	-	(2,205,446)
Other expenses	(26,622)	-	-	(26,622)	-	-	-	-
Contribution to Kuwait Foundation for the Advancement of Sciences	(38,929)	-	-	(38,929)	(249,078)	-	-	(249,078)
National Labor Support Tax	(336,487)	-	-	(336,487)	(691,883)	-	-	(691,883)
Contribution to Zakat	(115,051)	-	-	(115,051)	-	-	-	-
Board of Directors' remuneration	-	-	-	-	(75,000)	-	-	(75,000)
Net (loss) profit for the year	(26,910,685)	33,924,327	(62,083)	6,951,559	7,443,540	16,759,343	(21,470)	24,181,413
Total segment assets	83,041,613	281,996,883	-	365,038,496	130,724,154	118,968,648	961,764	250,654,566
Total segment liabilities	76,205,509	133,354,310	-	209,559,819	54,433,728	95,915,239	980,681	151,329,648

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39. Proposed dividends and bonus shares

The Board of Directors proposed on December 2, 2008 cash dividends of 50 fils per share, which was revised on March 25, 2009 by bonus shares of 10 shares for every 100 shares held. This proposal is subject to the approval of the shareholders' annual General Assembly.

The General Assembly held on March 31, 2008 approved the distribution of cash dividends of 50 fils per share and 20 bonus shares for every 100 shares held as of the General Assembly date, for the year ended December 31, 2007. Also, the General Assembly had approved the increase in capital by 75,000,000 shares at 100 fils par value and 766 fils share premium or the equivalent after the distribution of cash dividends and bonus shares.

40. Financial risk management

In the normal course of business, the Group uses primary financial instruments such as cash and cash equivalents, investments, accounts receivable, accounts payable, term loans and Wakala and Murabaha payables and as a result, is exposed to the risks indicated below. The Group currently does not use derivative financial instruments to manage its exposure to these risks.

a) Interest rate risk

Financial instruments are subject to the risk of changes in value due to changes in the level of interest. The effective interest rates and the periods in which interest bearing financial assets and liabilities are repriced or mature are indicated in the respective notes.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit through the impact on floating rate borrowings. There is no impact on Group's equity.

Year	Increase / decrease in basis points	Sensitivity to net interest expense
2008		
KD	± 50	280,668
AED	± 50	-
2007		
KD	± 50	303,969
AED	± 50	19,997

b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets which potentially subject the Group to credit risk consist principally of fixed and short notice bank deposits. The Group's fixed and short notice bank deposits are placed with high credit rating financial institutions. Receivables are presented net of allowance for doubtful debts. Credit risk with respect to receivables is limited due to the large number of customers.

The Group's maximum exposure arising from default of the counter-party is limited to the carrying amount of short-term deposits, receivables and due from related parties.

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c) Foreign currency risk

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

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange rates:

Year	Increase / decrease against Kuwaiti Dinars	Effect on profit	Effect on equity
2008			
AED	5%	390,515	2,732,882
LBP	5%	47,250	4,076
2007			
AED	5%	113,334	1,557,939
USD	5%	8,911	-
LBP	5%	79	774

d) Liquidity risk

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

Maturity Table for financial liabilities:

2008

	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Total
Accounts payable and other credit balances	757,182	9,745,139	20,951,825	76,128,704	107,582,850
Term loans	-	-	50,063,743	-	50,063,743
Wakala and Murabaha payables	-	1,070,000	5,000,000	-	6,070,000
Deferred consideration on acquisition of properties	-	1,645,184	15,834,157	16,528,478	34,007,819
	<u>757,182</u>	<u>12,460,323</u>	<u>91,849,725</u>	<u>92,657,182</u>	<u>197,724,412</u>

2007

	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Total
Accounts payable and other credit balances	672,718	4,336,830	42,718,756	-	47,728,304
Term loans	-	-	50,325,500	4,428,829	54,754,329
Wakala and Murabaha payables	-	7,039,068	3,000,000	-	10,039,068
Deferred consideration on acquisition of properties	-	-	-	38,699,426	38,699,426
	<u>672,718</u>	<u>11,375,898</u>	<u>96,044,256</u>	<u>43,128,255</u>	<u>151,221,127</u>

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e) Equity price risk

Equity price risk is the risk that fair values of equities decrease as the result of changes in level of equity indices and the value of individual stocks. The equity price risk exposure arises from the Group's investment in equity securities classified as investments at fair value through income statement and available for sale investments.

The following table demonstrates the sensitivity to a reasonably possible change in equity indices as a result of change in the fair value of these investments, to which the Group had significant exposure at December 31, 2008:

	2008			2007		
	Change in equity price %	Effect on consolidated statement of income	Effect on consolidated equity	Change in equity price %	Effect on consolidated statement of income	Effect on consolidated equity
Market indices						
Kuwait Stock Exchange	±5%	67	106,447	±5%	388,728	6,900

Fair value of financial instruments

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

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

41. Capital Risk Management

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

In order to maintain or adjust the capital resources structure, the Group may adjust the amount of dividends paid to shareholders, return paid up capital to shareholders, issue new shares, sell assets to reduce debt, repay loans or obtain additional loans.

For the purpose of capital risk management, the total capital resources consist of the following components:

	2008	2007
Term loans	50,063,743	54,754,329
Wakala and Murabaha payables	6,070,000	10,039,068
Less: cash and cash equivalents	(48,756,857)	(27,500,543)
Net debts	7,376,886	37,292,854
Total equity	155,478,678	99,324,919
Total capital resources	162,855,564	136,617,773

42. Comparative figures

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