

**NATIONAL INTERNATIONAL HOLDING
COMPANY K.S.C. (CLOSED) AND
SUBSIDIARIES**

**CONSOLIDATED FINANCIAL
STATEMENTS**

31 DECEMBER 2009



ERNST & YOUNG

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF NATIONAL INTERNATIONAL HOLDING COMPANY K.S.C. (CLOSED)

We have audited the accompanying consolidated financial statements of National International Holding Company K.S.C. (Closed) (the "parent company") and its Subsidiaries (collectively "the group"), which comprise the consolidated statement of financial position as at 31 December 2009 and the related consolidated income statement, consolidated statements of comprehensive income, cash flows and changes in equity 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 of the parent company 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the 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' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate for 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, except for the matters described in the "Basis of Qualified Opinion" below, is sufficient and appropriate to provide a basis for our audit opinion.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
NATIONAL INTERNATIONAL HOLDING COMPANY K.S.C. (Closed) (continued)**

Basis of Qualified Opinion

During the three months ended 31 March 2009, the group recorded impairment of KD 1,388,575 in respect of available for sale investments. However, as a result of the subsequent increase in the fair value of these investments, management has reversed an amount of KD 609,018 to the consolidated income statement during the period ended 30 June 2009, instead of being reflected as an increase in cumulative changes in fair values reserve within other comprehensive income. This constitutes a departure from International Financial Reporting Standards. Therefore, results for the year ended 31 December 2009 and retained earnings are overstated by KD 609,018 and the cumulative changes in fair values are understated by an equivalent amount.

Qualified conclusion

In our opinion, except for the possible effects of such adjustments, if any, as might have been determined to be necessary in respect of the matter discussed on the "Basis of Qualified Opinion" above, the consolidated financial statements present fairly, in all material respects, the financial position of the group as of 31 December 2009, 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

Furthermore, in our opinion proper books of account have been kept by the parent company and the consolidated financial statements, together with the contents of the report of the Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that, except for the matters described in the "Basis of Qualified Opinion" above, we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Commercial Companies Law of 1960, as amended, and by the parent company's articles of association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Commercial Companies Law of 1960, as amended, nor of the parent company's articles of association, except for the matters noted above, have occurred during the year ended 31 December 2009 that might have had a material effect on the business of the parent company or on its financial position.

WALEED A. AL OSAIMI
LICENCE NO. 68 A
OF ERNST & YOUNG

ABDUL MAJEED ASHKANANI, CIDA
LICENCE NO. 95 A
FIRST AUDIT
MEMBER OF MGI INTERNATIONAL

16 March 2010

Kuwait

National International Holding Company K.S.C. (Closed) and Subsidiaries

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2009

	<i>Notes</i>	2009 KD	2008 KD
Realised gain on sale of financial assets at fair value through income statement		788,741	1,565,027
Unrealised loss on financial assets at fair value through income statement		(1,998,069)	(5,198,451)
Realised gain on sale of financial assets available for sale		823,768	1,151,515
Dividend income		216,176	1,580,099
Share of results of an associate	9	-	34,075
Gain on sale of investment in an associate	9	693	668,476
Impairment loss on property under development	10	(2,624,928)	-
Interest income		304,447	20,154
Fee income		8,970	11,475
Other income		30,090	-
Foreign exchange loss		(23,635)	(39,279)
Administrative expenses	4	(291,623)	(519,344)
Provision for doubtful debts		(654,003)	-
Impairment loss on financial assets available for sale	8	(1,645,331)	(6,601,988)
Finance costs		(66,285)	(142,119)
LOSS FOR THE YEAR		(5,130,989)	(7,470,360)
BASIC AND DILUTED LOSS PER SHARE	5	(24.74) fils	(35.98) fils

National International Holding Company K.S.C. (Closed) and Subsidiaries

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2009

	<i>2009</i> <i>KD</i>	<i>2008</i> <i>KD</i>
Loss for the year	<u>(5,130,989)</u>	<u>(7,470,360)</u>
Other comprehensive income (loss)		
Financial assets available for sale		
- Change in fair values	(1,106,342)	(3,496,481)
- Realised gain on sale of financial assets available for sale transferred to consolidated income statement	(823,768)	(1,151,515)
- Impairment loss on financial assets available for sale	1,645,331	6,601,988
- Foreign currency translation adjustments	-	200,865
Other comprehensive income for the year	<u>(284,779)</u>	<u>2,154,857</u>
Total comprehensive loss for the year	<u><u>(5,415,768)</u></u>	<u><u>(5,315,503)</u></u>

National International Holding Company K.S.C. (Closed) and Subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	Notes	2009 KD	2008 KD
ASSETS			
Cash and cash equivalents	6	658,889	445,420
Financial assets at fair value through income statement	7	2,249,148	3,566,953
Financial assets available for sale	8	37,187,248	42,472,962
Investment in an associate	9	-	58,033
Property under development	10	11,737,592	11,708,523
Accounts receivable	11	2,375,196	2,211,863
Furniture and equipment		5,691	9,590
TOTAL ASSETS		54,213,764	60,473,344
EQUITY AND LIABILITIES			
Equity			
Share capital	12	21,262,500	21,262,500
Share premium	12	18,455,411	21,023,856
Statutory reserve	12&14	-	2,479,285
General reserve	12&15	-	1,297,894
Cumulative changes in fair values		13,151,352	13,436,131
Treasury shares	16	(1,331,044)	(1,212,364)
Treasury shares reserve	16	318,561	318,561
Accumulated losses		(5,130,989)	(6,345,624)
Total equity		46,725,791	52,260,239
Liabilities			
Bank overdrafts	6	589,281	460,244
Term loans	17	6,000,000	4,800,000
Murabaha payable	18	-	1,941,000
Other liabilities	19	898,692	1,011,861
Total Liabilities		7,487,973	8,213,105
TOTAL EQUITY AND LIABILITIES		54,213,764	60,473,344

Ali Ahmed Al-Baghli
(Chairman)

Abdulwahab Mohamed Al-Wazzan
(Deputy Chairman)

National International Holding Company K.S.C. (Closed) and Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2009

	Note	2009 KD	2008 KD
OPERATING ACTIVITIES			
Loss for the year		(5,130,989)	(7,470,360)
Adjustments for:			
Realised gain on sale of financial assets available for sale		(823,768)	(1,151,515)
Dividend income		(216,176)	(1,580,099)
Share of results of an associate		-	(34,075)
Gain on sale of investment in an associate		(693)	(668,476)
Impairment loss on property under development		2,624,928	-
Interest income		(304,447)	(20,154)
Foreign exchange loss		23,635	39,279
Provision for doubtful debts		654,003	-
Impairment loss on financial assets available for sale		1,645,331	6,601,988
Finance costs		66,285	142,119
Depreciation		4,188	4,128
Provision for employees' end of service benefits		10,801	14,451
Provision no longer required		(28,797)	-
Changes in operating assets and liabilities:		(1,475,699)	(4,122,714)
Financial assets at fair value through income statement (net)		1,317,805	(1,129,360)
Accounts receivable		(507,727)	1,037,180
Other liabilities		(162,651)	(91,023)
Cash used in operations		(828,272)	(4,305,917)
Employees' end of service benefits paid		(2,119)	(5,060)
Finance costs paid		(25,485)	(59,050)
Net cash used in operating activities		(855,876)	(4,370,027)
INVESTING ACTIVITIES			
Purchase of financial assets available for sale		(2,891,994)	(12,630,036)
Proceeds from sale of financial assets available for sale		7,071,366	8,340,457
Proceeds from sale of investment in an associate		58,726	4,505,235
Costs incurred on property under development		(2,653,997)	(4,574,172)
Purchase of furniture and equipment		(289)	(1,402)
Dividend income received		216,176	703,774
Interest income received		-	20,154
Net cash from (used in) investing activities		1,799,988	(3,635,990)
FINANCING ACTIVITIES			
Murabaha payable obtained		-	1,941,000
Murabaha payable paid		(1,941,000)	-
Purchase of treasury shares		(118,680)	(260,211)
Proceeds from sale of treasury shares		-	50,182
Term loans obtained		2,000,000	2,700,000
Repayments of term loans		(800,000)	-
Dividend paid		-	(136,165)
Net cash (used in) from financing activities		(859,680)	4,294,806
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		84,432	(3,711,211)
Cash and cash equivalents at the beginning of the year		(14,824)	3,696,387
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	6	69,608	(14,824)

The attached notes 1 to 24 form part of these consolidated financial statements

National International Holding Company K.S.C. (Closed) and Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2009

	<i>Share capital KD</i>	<i>Share premium KD</i>	<i>Statutory reserve KD</i>	<i>General reserve KD</i>	<i>Cumulative changes in fair values KD</i>	<i>Foreign currency translation reserve KD</i>	<i>Treasury shares KD</i>	<i>Treasury shares reserve KD</i>	<i>Accumulated losses KD</i>	<i>Total KD</i>
As at 1 January 2009	21,262,500	21,023,856	2,479,285	1,297,894	13,436,131	-	(1,212,364)	318,561	(6,345,624)	52,260,239
Loss for the year	-	-	-	-	-	-	-	-	(5,130,989)	(5,130,989)
Other comprehensive income for the year	-	-	-	-	(284,779)	-	-	-	-	(284,779)
Total comprehensive income (loss) for the year	-	-	-	-	(284,779)	-	-	-	(5,130,989)	(5,415,768)
Offsetting of accumulated losses (Note 12)	-	(2,568,445)	(2,479,285)	(1,297,894)	-	-	-	-	6,345,624	-
Purchase of treasury shares	-	-	-	-	-	-	(118,680)	-	-	(118,680)
At 31 December 2009	21,262,500	18,455,411	-	-	13,151,352	-	(1,331,044)	318,561	(5,130,989)	46,725,791
As at 1 January 2008	15,750,000	21,023,856	2,479,285	1,297,894	11,482,139	(200,865)	(991,082)	307,308	6,637,236	57,785,771
Loss for the year	-	-	-	-	-	-	-	-	(7,470,360)	(7,470,360)
Other comprehensive income for the year	-	-	-	-	1,953,992	200,865	-	-	-	2,154,857
Total comprehensive income (loss) for the year	-	-	-	-	1,953,992	200,865	-	-	(7,470,360)	(5,315,503)
Issue of bonus shares (Note 13)	5,512,500	-	-	-	-	-	-	-	(5,512,500)	-
Purchase of treasury shares	-	-	-	-	-	-	(260,211)	-	-	(260,211)
Sale of treasury shares	-	-	-	-	-	-	38,929	11,253	-	50,182
At 31 December 2008	21,262,500	21,023,856	2,479,285	1,297,894	13,436,131	-	(1,212,364)	318,561	(6,345,624)	52,260,239

The attached notes 1 to 24 form part of these consolidated financial statements

1 ACTIVITIES

The consolidated financial statements of National International Holding Company K.S.C. (Closed) (the “parent company”) and its subsidiaries (the “group”) for the year ended 31 December 2009 were authorised for issue in accordance with a resolution of the parent company’s board of directors on 16 March 2010.

The parent company is a Kuwaiti closed shareholding company incorporated on 14 January 1979 under the Commercial Companies Law No. 15 of 1960 and amendments thereto.

The parent company is primarily engaged in investments in the local and international markets.

The registered office of the parent company is located on the 4th Floor, Chamber of Commerce and Industry Building, Al Shuhada Street, Kuwait.

2.1 BASIS OF PREPARATION

Basis of measurement

The consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of financial assets at fair value through income statement and financial assets available for sale.

Functional and presentation currency

The consolidated financial statements are presented in Kuwaiti Dinars (KD) which is the functional currency of the parent company.

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and applicable requirements of Ministerial Order No. 18 of 1990.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The group has adopted the following new and amended IFRSs as of 1 January 2009.

- IFRS 7: Financial Instruments: Disclosures (*Amended*)
- IFRS 8: Operating Segments
- IAS 1: Presentation of Financial Statements (*Revised*)
- IAS 23: Borrowing cost (*Revised*)
- IAS 32: Financial instruments: Presentation (*Amended*)
- IAS 39: Financial instruments: recognition and measurement (*Amended*)
- IAS 40: Investment property (*Amended*)

Following are the major changes:

IFRS 7 Financial Instruments: Disclosures (effective 1 January 2009)

The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value which reflects the extent to which they are based on observable market data. In addition, reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in Note 24. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in Note 23.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

IFRS 8 Operating Segments (effective 1 January 2009)

The new standard which replaced IAS 14: Segment reporting requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in the segments being reported in a manner that is more consistent with the internal reporting provided to the chief operating decision maker. The group concluded that the operating segments determined in accordance with IFRS 8 are the same as the business segments previously identified under IAS 14. IFRS 8 disclosures are shown in Note 21.

IAS 1 Revised Presentation of Financial Statements (effective 1 January 2009)

The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with non-owner changes in equity presented in a single reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income; it present all items of recognised income and expense, either in one single statement, or in two linked statements. The group has elected to present two statements.

IAS 23 'Borrowing costs' (Revised) (effective 1 January 2009)

This standard requires an entity to capitalise borrowing costs attributable to the acquisition, construction or production of a qualifying asset as a part of the cost of that asset and removes the option of expensing these borrowing costs in the consolidated income statement. The application of the revised standard has not had a material impact on the consolidated financial statements because it has always been the group's accounting policy to capitalise borrowing costs incurred on qualifying assets.

IAS 40 'Investment Property' (Amended) (effective 1 January 2009)

IAS 40 (Amended) allows property under development which is within the scope of the investment property to be measured at cost if fair value cannot be measured reliably until such time as the fair value becomes reliably measurable or construction is completed (whichever comes earlier). The application of the revised standard has not had a material impact on the consolidated financial statements because it has always been the group's accounting policy to carry the projects under construction at cost less any impairment required.

Based on the group's current business model and accounting policies, management does not expect material impact on the group's consolidated financial statements in the period of initial applications of the above amendments.

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following IASB Standards have not been adopted by the group:

- IFRS 3R: Business Combinations
- IFRS 9: Financial Instruments: Classification and Measurement
- IAS 24: Related Party Disclosures
- IAS 27R: Consolidated and Separate Financial Statements

Following are the major changes:

IFRS 3R Business Combinations (effective 1 July 2009)

IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after effective date. Changes affect the valuation of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

IFRS 9 Financial Instruments: Classification and Measurement (effective 1 January 2013)

IFRS 9 will replace IAS 32 and IAS 39 upon its effective date. The application of IFRS 9 will result in amendments to the classification and measurement of financial assets and liabilities of the consolidated financial statements of the group. The amendments will be made in the consolidated financial statements when the standard becomes effective.

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)**IAS 24 Related party (Revised) (effective 1 January 2011)**

The revised Standard was issued in November 2009. An entity shall apply this Standard retrospectively for annual periods beginning on or after 1 January 2011. The revised standard simplifies the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities.

IAS 27R Consolidated and separate financial statements (effective 1 July 2009)

IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by IFRS 3 (Revised) and IAS 27 (Amended) will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests.

Adoption of other Standards will not have any effect on the financial performance, position or the consolidated financial statements of the group. Additional disclosures will be made in the consolidated financial statements when these standards become effective.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies adopted in the preparation of these consolidated financial statements are set out below:

Basis of consolidation

The consolidated financial statements comprise the financial statements of the parent company and its subsidiaries, for the year ended 31 December 2009.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

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

The subsidiaries of the group are as follows:-

<i>Name of the company</i>	<i>Country of incorporation</i>	<i>Interest in equity %</i>		<i>Principal activities</i>
		<i>2009</i>	<i>2008</i>	
Al Ola National Real Estate Company W.L.L.	Kuwait	100	100	Purchase and sale of real estate
Al Ghad Project Management Company W.L.L.	Kuwait	100	100	Real estate projects management

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. Revenue is valued at the fair value of the consideration received. The following recognition criteria must also be met before revenue is recognised:

Dividend Income

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

Interest income

Interest earned on investments and short-term bank deposits and call accounts is recognised on a time proportion basis.

Fee income

Fee income is recognised when the related revenue is provided.

KFAS, NLST and Zakat

Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST) and Zakat represent levies/taxes imposed on the parent entity at the flat percentage of net profits less permitted deductions under the prevalent respective fiscal regulations of the State of Kuwait. Under prevalent taxation/levy regulations no carry forward of losses is permitted and there are no significant differences between the tax/levy bases of assets and liabilities and their carrying amount for financial reporting purposes.

Tax/statutory levy

Contribution to KFAS

Rate

1.0% of net profit less permitted deductions

NLST

2.5% of net profit less permitted deductions

Zakat

1.0% of net profit less permitted deductions

For 2009, the parent company has no liability towards KFAS, NLST and Zakat due to losses incurred. Under the KFAS, NLST and Zakat regulation no carry forward of losses to the future years nor any carry back of prior year is permitted.

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash on hand and at banks and time deposits with an original maturity of three months or less.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash on hand and at banks, and short-term deposits with original maturities of three months or less, net of outstanding bank overdrafts.

Financial instruments – initial recognition and subsequent measurement

(i) *Financial assets*

Initial recognition and measurement

Financial assets within scope of IAS 39 are classified as financial assets at fair value through income statement, loans and receivables, held to maturity investments or financial assets available for sale, as appropriate. The group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through income statement, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the group commits to purchase or sell the asset.

The group's financial assets include cash and cash equivalents, financial assets at fair value through income statement, accounts receivables, and financial assets available for sale. At 31 December 2009 and 31 December 2008, the group did not have any held to maturity investments.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

(i) *Financial assets*

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through income statement

Financial assets at fair value through income statement include financial assets held for trading and financial assets designated upon initial recognition at fair value through income statement. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets are designated at fair value through income statement if they are managed and their performance is evaluated on reliable fair value basis in accordance with documented investment strategy. Financial assets at fair value through income statement are carried in the consolidated statement of financial position at fair value with changes in fair value recognised in the consolidated statement of income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The group does not have any loans. Receivables include trade accounts receivable which are stated at original invoice amount less a provision for any uncollectible amount. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Financial assets available for sale

Available for sale financial investments include equity securities. Equity investments classified as available for sale are those, which are neither classified as held for trading nor designated at fair value through income statement.

After initial recognition, financial assets available for sale are subsequently measured at fair value with unrealised gains or losses recognised as cumulative changes in fair values in other comprehensive income until the investment is derecognised or determined to be impaired, at which time the cumulative gain or loss is removed from the cumulative changes in fair values and recognised in the consolidated income statement. Financial assets whose fair value cannot be reliably measured are stated as cost less impairment losses, if any.

Derecognition

A financial asset (or, where applicable a part of financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive the cash flows from the asset have expired.
- the group has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the group has transferred substantially all the risks and rewards of the asset, or (b) the group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the group has transferred its rights to receive cash flows from an asset or has entered into pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the group's continuing involvement in the asset. In that case, the group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the group has retained.

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

(ii) *Impairment of financial assets*

The group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets available for sale

For financial asset available for sale, the group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of income – is removed from other comprehensive income and recognised in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income; increases in their fair value after impairment are recognised directly in other comprehensive income.

(iii) *Financial liabilities*

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through income statement and loans and borrowings. The group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in case of loans and borrowings, plus directly attributable transactions costs.

The group's financial liabilities include bank overdrafts, term loans, and other liabilities. At 31 December 2009 and 31 December 2008, the group did not have any financial liabilities at fair value through income statement.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Term loans

Term loans are carried in the consolidated statement of financial position at their principal amount.

Other liabilities

Other liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Capitalisation of borrowing costs

Borrowing costs are generally expensed as incurred. Borrowing costs that are directly attributable to the acquisition or construction of an asset are capitalised while the asset is being constructed as part of the cost of that asset. Capitalisation of borrowing costs should commence when:

- Expenditure for the asset and borrowing costs are being incurred; and
- Activities necessary to prepare the asset for its intended use or sale are in progress.

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

(iii) *Financial liabilities (continued)*

Subsequent measurement (continued)

Capitalisation of borrowing costs (continued)

Capitalisation ceases when the asset is substantially ready for its intended use or sale. If active development is interrupted for an extended period, capitalisation is suspended. When construction occurs piecemeal and use of each part is possible as construction continues, capitalisation for each part ceases on substantial completion of the part.

For borrowing associated with a specific asset, the actual rate on that borrowing is used. Otherwise, a weighted average cost of borrowing is used.

Derecognition

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

(iv) *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(v) *Fair value of financial instruments*

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices (bid price), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 24.

Investment in an associate

The group's investment in its associate is accounted for using the equity method of accounting. An associate is an entity in which the group has significant influence.

Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post acquisition changes in the group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated statement of income reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the group and the associate are eliminated to the extent of the interest in the associate.

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in an associate

The share of profit of associates is shown on the face of the consolidated statement of income. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associates.

The financial statements of the associate are prepared for the same reporting period as the parent company. Where necessary, adjustments are made to bring the accounting policies in line with those of the group.

After application of the equity method, the group determines whether it is necessary to recognise an additional impairment loss on the group's investment in its associates. The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated statement of income.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in the consolidated statement of income.

Property under development

Property under development represents property held for future use as investment property and is stated at cost less any impairment in value.

The carrying value of the property is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Furniture and equipment

Furniture and equipment are stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful life of the applicable asset which is 5 years.

The carrying values of furniture and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Impairment of non financial assets

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of income.

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Treasury shares

Treasury shares consist of the parent company's own shares that have been issued, subsequently reacquired by the group and not yet sold or cancelled. Treasury shares are accounted for using the cost method. When the treasury shares are sold, gains are credited to a separate account in equity (treasury shares reserve) which is non-distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and treasury shares reserve 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.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the consolidated statement of income.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Kuwaiti Dinars at the foreign exchange rates ruling at the dates that the values were determined. In case of non-monetary assets whose change in fair values are recognised directly in equity, foreign exchange differences are recognised directly in equity and for non-monetary assets whose change in fair values are recognised in the income statement are recognised in the consolidated income statement.

Exchange differences arising from the parent company's investments in associates whose functional currencies are different from the parent company are taken to a separate reserve within the consolidated statement of changes in equity.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Judgments

The preparation of the group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the date of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

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

Impairment of non financial assets

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

Fair value of financial instruments

Where the fair value of financial assets recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Classification of investments

The group decides on acquisition of investments whether they should be classified as investments carried at fair value through income statement or available for sale investments.

The management classifies investments as carried at fair value through income statement if they are acquired primarily for the purpose of short term profit making and the fair value of those investments can be reliably determined.

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

All other investments are classified as available for sale.

Classification of real estate

Management decides on acquisition of real estate whether it should be classified as trading or investment property.

The management classifies real estate as trading property if it is acquired principally for sale in the ordinary course of business.

The management classifies real estate as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use.

Impairment of accounts receivable

An estimate of the collectible amount of accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due.

Useful lives of property, plant and equipment

The group's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Valuation of unquoted equity investments

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

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

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation.

National International Holding Company K.S.C. (Closed) and Subsidiaries

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4 ADMINISTRATIVE EXPENSES

	<i>2009</i> <i>KD</i>	<i>2008</i> <i>KD</i>
Staff costs	112,451	112,056
Depreciation	4,188	4,128
Rent	25,536	25,536
Others	149,448	377,624
	<u>291,623</u>	<u>519,344</u>

5 BASIC AND DILUTED LOSS PER SHARE

Basic and diluted loss per share are calculated by dividing the loss for the year by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares, as follows:

	<i>2009</i>	<i>2008</i>
Loss for the year (KD)	<u>(5,130,989)</u>	<u>(7,470,360)</u>
Weighted average number of ordinary shares outstanding during the year (excluding treasury shares)	<u>207,367,524</u>	<u>207,605,826</u>
Basic and diluted loss per share	<u>(24.74) fils</u>	<u>(35.98) fils</u>

6 CASH AND CASH EQUIVALENTS

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

	<i>2009</i> <i>KD</i>	<i>2008</i> <i>KD</i>
Short-term deposits	-	163,801
Bank balances	653,890	276,620
Cash on hand	4,999	4,999
	<u>658,889</u>	<u>445,420</u>
Bank overdrafts	<u>(589,281)</u>	<u>(460,244)</u>
	<u>69,608</u>	<u>(14,824)</u>

Included in short-term deposits and bank balances is an amount of KD 378,367 (2008: KD 363,374) denominated in foreign currencies, principally US Dollars and Euros.

Short-term deposits carry interest at an average rate of 5.2% (2008: 5.2%) per annum. The average interest rate on overdraft accounts is 2.5% (2008: 2.5%) per annum over the Central Bank of Kuwait discount rate.

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7 FINANCIAL ASSETS AT FAIR VALUE THROUGH INCOME STATEMENT

	<i>2009</i> <i>KD</i>	<i>2008</i> <i>KD</i>
Held for trading investments:		
Quoted investments	1,683,265	2,328,052
Managed portfolios (quoted securities)	565,883	1,238,901
	<u>2,249,148</u>	<u>3,566,953</u>

8 FINANCIAL ASSETS AVAILABLE FOR SALE

	<i>2009</i> <i>KD</i>	<i>2008</i> <i>KD</i>
Quoted investments	2,541,207	3,541,533
Unquoted investments	31,837,557	36,019,584
Managed funds	2,808,484	2,911,845
	<u>37,187,248</u>	<u>42,472,962</u>

Included in financial assets available for sale certain unquoted investments amounting to KD 1,676,537 (2008: KD 1,763,695) are carried at cost.

Except as mentioned in the previous paragraph, management has performed preliminary review of all financial assets available for sale to assess whether impairment has occurred in the value of those investments due to the impact of the global financial crisis. As a result, an impairment loss of KD 1,645,331 (2008: KD 6,601,988) has been taken on the total financial assets available for sale. Management is not aware of any circumstances that would indicate any further impairment in the value of those investments at the reporting date.

Investments amounting to KD 17,783,926 (2008: KD 21,703,690) are denominated in foreign currencies, principally US Dollars and Euros.

9 INVESTMENT IN AN ASSOCIATE

The associated company included in the consolidated financial statements is listed as follows:

<i>Name of the company</i>	<i>Country of incorporation</i>	<i>Equity interest</i>		<i>Carrying value</i>	
		<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
				<i>KD</i>	<i>KD</i>
Middle East for Digital Communications Company (Salah Yousef Abdullah Al Nafesi & Partners) W.L.L.	Kuwait	-	33%	-	58,033
				-	58,033

During the current year, the parent company disposed of its entire interest in Middle East for Digital Communications Company (Salah Yousef Abdullah Al Nafesi & Partners) W.L.L. and realised a total gain of KD 693.

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10 PROPERTY UNDER DEVELOPMENT

Property under development comprises two plots of freehold land, one located in Dubai owned by the parent company and the other located in Kuwait owned by a subsidiary company. Both plots of land are currently undergoing the process of construction and development for future use as 'investment properties'.

Property under development includes capitalised borrowing costs of KD 356,937 (2008: KD 247,184).

During the year, an impairment loss of KD 256,761 (2008: KD Nil) and KD 2,368,167 (2008: KD Nil) related to these properties, were booked in the consolidated income statement based on a valuation obtained from an independent real estate assessor.

11 ACCOUNTS RECEIVABLE

	<i>2009</i> <i>KD</i>	<i>2008</i> <i>KD</i>
Trade receivables	562,260	85,707
Amounts due from sale of investments	1,793,773	1,439,413
Accrued income	-	490,366
Amount due from a related party (Note 20)	-	51,443
Advance paid for acquisition of financial assets available for sale	-	87,506
Other receivables	19,163	57,428
	<u>2,375,196</u>	<u>2,211,863</u>

As at 31 December 2009, accounts receivables at nominal value of KD 687,096 (2008: KD 33,093) were fully impaired. Movements in the allowance for impairment of receivables were as follows:

	<i>2009</i> <i>KD</i>	<i>2008</i> <i>KD</i>
At 1 January	33,093	33,093
Charge for the year	654,003	-
At 31 December	<u>687,096</u>	<u>33,093</u>

As at 31 December, the ageing of unimpaired accounts receivables is as follows:

	<i>Past due but not impaired</i>				
	<i>Neither past due nor impaired</i>	<i>< 30 days</i>	<i>30 – 60 days</i>	<i>More than 60 day</i>	
	<i>Total KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
2009	562,260	-	62,260	500,000	-
2008	85,707	-	-	85,707	-

It is not the group's policy to obtain collateral over receivables and the vast majority is, therefore unsecured.

12 SHARE CAPITAL

	<i>2009</i> <i>KD</i>	<i>2008</i> <i>KD</i>
Authorised, issued and fully paid up share capital :		
21,262,500 shares of 100 fils each (2008: 212,625,000 shares of 100 fils each)	<u>21,262,500</u>	<u>21,262,500</u>

The Annual General Meeting of the parent company's shareholders held on 27 May 2009 approved the board of directors' proposal to offset the accumulated losses attributable to the parent company as at 31 December 2008 and amounting to KD 6,345,624 against statutory reserve, general reserve and share premium. The offset of the accumulated losses was reflected in these consolidated financial statements.

13 ISSUANCE OF BONUS SHARE AND DIVIDENDS PAID

For the year ended 31 December 2008, the board of directors did not propose cash dividends or bonus shares. In the prior year, the board of directors of the parent company proposed a cash dividend of 15% of paid up share capital and bonus shares of 10% of paid up share capital related to the year ended 31 December 2007. However, the Annual General Assembly of the parent company's shareholders held on 15 April 2008 approved the distribution of bonus shares of 35% of paid up capital for the year ended 31 December 2007.

14 STATUTORY RESERVE

As required by the Law of Commercial Companies and the parent company's articles of association, 10% of the profit for the year before contribution to KFAS, NLST, Zakat and board of directors' remuneration should be transferred to statutory reserve. The parent company may resolve to discontinue such annual transfers when the reserve totals 50% of the issued share capital.

Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of paid-up share capital in years when retained earnings are not sufficient for the payment of a dividend of that amount. No transfer has been made this year due to the loss incurred. (Also see Note 12).

15 GENERAL RESERVE

In accordance with the parent company's articles of association, 10% of the profit for the year before contribution to KFAS, NLST, Zakat and board of directors' remuneration should be transferred to general reserve. Such annual transfers may be discontinued by a resolution of the general assembly of the shareholders' of the parent company upon a recommendation by the board of directors. Voluntary reserve is available for distribution. No transfer has been made this year due to the loss incurred. (Also see Note 12).

16 TREASURY SHARES

At 31 December 2009, the parent company held 6,068,850 (2008: 5,288,850) of its own shares, equivalent to 2.9% (2008: 2.4%) of the total share capital at that date. The cost of acquiring these shares is KD 1,331,044 (2008: KD 1,212,364). The market value of these shares at the balance sheet date was KD 740,400 (2008: KD 1,057,770). These shares are not entitled to receive any cash dividend.

17 TERM LOANS

Term loans represent revolving loans obtained from local financial institutions and carry an average interest rate of 5.5% (2008: 8.25%) per annum.

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18 MURABAHA PAYABLE

Murabaha payable represents contract with a related party which was settled during the year. The average effective cost attributable to this contract was 6.79% (2008: Nil) per annum.

19 OTHER LIABILITIES

	<i>2009</i> <i>KD</i>	<i>2008</i> <i>KD</i>
Kuwait Foundation for the Advancement of Sciences	15,701	93,898
National Labour Support Tax	158,972	211,042
Unclaimed dividends	168,716	176,166
Accrued expenses	367,085	385,609
Employees' end of services benefits	66,018	55,217
Other payables	122,200	89,929
	<u>898,692</u>	<u>1,011,861</u>

20 RELATED PARTY TRANSACTIONS

Related parties represent shareholders, directors and key management personnel of the group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the parent company's management.

Transactions with related parties are with major shareholders included in the consolidated statement of income are as follows:

	<i>2009</i> <i>KD</i>	<i>2008</i> <i>KD</i>
Realised gain on sale of financial assets at fair value through income statement	-	51,187
Unrealised (loss) gain on financial assets at fair value through income statement	(620,828)	1,168,900
Share of results of an associate	-	34,075
Gain on sale of investment in an associate	-	668,476
Administrative expenses	-	(120,000)
Finance costs	25,485	26,403

Balances with related parties are with major shareholders included in the consolidated statement of financial position are as follows:

	<i>2009</i> <i>KD</i>	<i>2008</i> <i>KD</i>
Financial assets at fair value through income statement (managed by a related party)	347,243	1,233,700
Financial assets available for sale (managed by a related party)	7,445,013	2,953,183
Investments in an associate	-	58,033
Amount due from a related party (Note 11)	-	51,443
Murabaha payable	-	1,941,000
Other liabilities	356,979	358,000

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20 RELATED PARTY TRANSACTIONS (continued)**Key management compensation**

	<i>2009</i> <i>KD</i>	<i>2008</i> <i>KD</i>
Short-term employee benefits	66,028	66,028
End of service benefits	4,327	4,327
	<u>70,355</u>	<u>70,355</u>

21 SEGMENTAL INFORMATION**Primary segment information**

The group operates into two major business segments which are investment and real estate. The principal activities and services under these segments are as follows:

31 December 2009	<i>Investment</i> <i>KD</i>	<i>Real estate</i> <i>KD</i>	<i>Total</i> <i>KD</i>
Segment revenue	2,172,885	-	2,172,885
Segment Results	<u>(2,506,061)</u>	<u>(2,624,928)</u>	<u>(5,130,989)</u>
Assets and liabilities			
Segment assets	42,462,472	11,751,292	54,213,764
Segment liabilities	5,587,973	1,900,000	7,487,973
Other segmental information			
Capital commitment	2,925,000	2,769,539	5,694,539
Impairment loss	1,222,331	2,624,928	3,847,259
31 December 2008	<i>Investment</i> <i>KD</i>	<i>Real estate</i> <i>KD</i>	<i>Total</i> <i>KD</i>
Segment revenue	5,030,821	-	5,030,821
Segment Results	<u>(7,458,360)</u>	<u>(12,000)</u>	<u>(7,470,360)</u>
Assets and liabilities			
Segment assets	48,755,323	11,718,021	60,473,344
Segment liabilities	6,313,105	1,900,000	8,213,105
Other segmental information			
Capital commitment	2,925,000	4,273,944	7,198,944
Impairment loss	6,601,988		6,601,988

Primary segment information

Real estate segment is partially financed by the investment segment and intercompany transactions are eliminated in the consolidation.

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At 31 December 2009

21 SEGMENTAL INFORMATION (continued)*Secondary segment information*

The group operates in different geographical areas. A geographical analysis based on location of revenue, results, assets and liabilities is as follows:

	<i>Results</i>	
	<i>2009</i> <i>KD</i>	<i>2008</i> <i>KD</i>
Geographical areas:		
Kuwait	(5,918,917)	(10,477,763)
United States of America	7,135	847,826
Europe	1,037,554	1,491,101
GCC	(256,761)	668,476
	<u>(5,130,989)</u>	<u>(7,470,360)</u>

	<i>Assets</i>		<i>Liabilities</i>	
	<i>2009</i> <i>KD</i>	<i>2008</i> <i>KD</i>	<i>2009</i> <i>KD</i>	<i>2008</i> <i>KD</i>
Geographical areas:				
Kuwait	10,035,010	9,276,527	7,487,973	6,272,105
GCC	2,270,532	2,527,293	-	-
	<u>12,305,542</u>	<u>11,803,820</u>	<u>7,487,973</u>	<u>8,213,105</u>

22 COMMITMENTS

At 31 December 2009, the group had commitment amounting to KD 2,925,000 (2008: KD 2,925,000) toward acquisition of investments and commitment in respect of property under development for KD 2,769,539 (2008: KD 4,273,944). This represents the value of contracts issued as at the reporting date net of invoices received and accruals made at that date.

Commitments are due upon the request of the investee company.

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the group's continuing profitability and each individual within the group is accountable for the risk exposures relating to his or her responsibilities. The group is exposed to credit risk, liquidity risk and market risk. Market risk is subdivided into interest rate risk, currency risk and equity price risk. It is also subject to operating risks. The independent risk control process does not include business risks such as changes in the environment technology and industry. They are monitored through the group's strategic planning process.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Management of the parent company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. The maximum credit risk is limited to amounts appearing on the consolidated statement of financial position.

The group has policies and procedures in place to limit the amount of credit exposure to any counter party.

Impaired or past due but not impaired financial assets of the group at 31 December 2009 and 31 December 2008 are disclosed in note 11.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)***Credit risk (continued)***

The group's assets can be analysed as follows:

	<i>2009</i> <i>KD</i>	<i>2008</i> <i>KD</i>
Banks and cash balances	69,608	(14,824)
Accounts receivable	2,375,196	2,211,863
Total credit risk exposure	<u>2,444,804</u>	<u>2,197,039</u>

Liquidity risk

Liquidity risk is the risk that the group will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. To guard against this risk, management has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash, cash equivalents, and readily marketable securities.

The table below summarises the maturity profile of the group's liabilities based on contractual undiscounted repayment obligations.

The liquidity profile of financial liabilities reflects the projected cash flows which includes future interest payments over the life of these financial liabilities. The liquidity profile of financial liabilities at 31 December was as follows:

31 December 2009	<i>Within</i> <i>1 month</i> <i>KD</i>	<i>1 to</i> <i>3 months</i> <i>KD</i>	<i>3 to 12</i> <i>months</i> <i>KD</i>	<i>1 to 5</i> <i>years</i> <i>KD</i>	<i>Total</i> <i>KD</i>
Bank overdrafts	-	-	624,638	-	624,638
Term loans	-	-	6,360,000	-	6,360,000
Other liabilities	-	-	898,692	-	898,692
Total liabilities	<u>-</u>	<u>-</u>	<u>7,883,330</u>	<u>-</u>	<u>7,883,330</u>
Commitment			2,769,539	2,925,000	5,694,539
 31 December 2008	 <i>Within</i> <i>1 month</i> <i>KD</i>	 <i>1 to</i> <i>3 months</i> <i>KD</i>	 <i>3 to 12</i> <i>months</i> <i>KD</i>	 <i>1 to 5</i> <i>years</i> <i>KD</i>	 <i>Total</i> <i>KD</i>
Bank overdrafts	-	-	487,859	-	487,859
Term loans	-	800,000	4,208,000	-	5,008,000
Murabaha payable	-	-	2,072,793	-	2,072,793
Other liabilities	332,548	27,608	596,488	55,217	1,011,861
Total liabilities	<u>332,548</u>	<u>827,608</u>	<u>7,365,140</u>	<u>55,217</u>	<u>8,580,513</u>
Commitment			4,273,944	2,925,000	7,198,944

Market risk

Market risk is the risk that the value of an asset will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all investments traded in the market.

Market risk is managed on the basis of pre-determined asset allocations across various asset categories, diversification of assets in terms of geographical distribution and industry concentration, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**Interest rate risk**

The group is exposed to interest rate risk on its interest bearing assets and liabilities (bank deposits, bank overdrafts, term loans and murabaha payable).

The following table demonstrates the sensitivity of the consolidated income statement to reasonably possible changes in interest rates, with all other variables held constant.

The sensitivity of the consolidated income statement is the effect of the assumed changes in interest rates on the group's results before contribution to KFAS, NLST, Zakat and board of directors' remuneration for one year, based on the floating rate financial assets and financial liabilities held at 31 December.

There is no impact on the group's equity.

	<i>Increase/decrease in basis points</i>	<i>Effect on results KD</i>
2009		
KD	+25	-
KD	-25	-
2008		
KD	+25	(99,437)
KD	-25	99,437

The interest on the term loan borrowed by one of the subsidiary companies is not included in the interest rate sensitivity because the group has adopted the alternative treatment of IAS 23 borrowing costs and accordingly capitalised the borrowing costs of this loan to the property under development. Hence, there is no effect on profit.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Currency risk is managed on the basis of limits determined by the parent company's board of directors and a continuous assessment of the group's open positions and current and expected exchange rate movements. The group does not engage in foreign exchange trading and where necessary matches currency exposures inherent in certain assets with liabilities in the same or a correlated currency.

The group had the following net foreign currency exposures at 31 December as follows:

	<i>2009 KD</i>	<i>2008 KD</i>
USD	20,520,722	20,811,591
EURO	28,784,664	30,060,772
BHD	-	470,750
AED	-	13,521

National International Holding Company K.S.C. (Closed) and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Currency risk (continued)

The effect on (loss) profit before taxes, Zakat, KFAS and directors' remuneration (due to change in the fair value of monetary assets and liabilities) and on equity, as a result of change in currency rate, with all other variables held constant is shown below:

Currency	2009			2008		
	Change in currency rate in %	Effect on loss KD	Effect on equity KD	Change in currency rate in %	Effect on profit KD	Effect on equity KD
USD	+5	5,154	294,780	+5	11,721	1,440,921
EURO	+5	13,552	594,403	+5	29,074	586,185
BHD	+5	-	-	+5	-	1,044
AED	+5	-	-	+5	-	676

Equity price risk

Equity price risk arises from the change in fair values of equity investments. The group manages this risk through diversification of investments in terms of industry concentration.

The effect on equity (as a result of a change in the fair value of financial assets available for sale) and group's results before contribution to KFAS, NLST, Zakat and board of directors' remuneration (as a result of a change in the fair value of financial assets at fair value through income statement) due to a reasonably possible change in market indices, with all other variables held constant is as follows:

Market indices	2009			2008		
	Change in equity price %	Effect on equity KD	Effect on loss KD	Change in equity price %	Effect on equity KD	Effect on loss KD
Kuwait	+5	1,055,751	141,179	+5	1,249,743	106,084
Others	+5	889,196	-	+5	873,905	-

Maturity analysis of assets and liabilities

The table below summarises the maturity profile of the group's assets and liabilities. The maturities of assets and liabilities have been determined according to when they are expected to be recovered or settled from the reporting date. The maturity profile for financial assets at fair value through income statement, financial assets available for sale, and property under development is based on management's estimate of liquidation of those financial assets. The maturity profile of assets and liabilities at 31 December are as follows:

31 December 2009	Up to 3 month KD	4 – 12 months KD	Over 1 year KD	Total KD
ASSETS				
Cash and cash equivalents	658,889	-	-	658,889
Financial assets at fair value through income statement	-	2,249,148	-	2,249,148
Financial assets available for sale	-	2,541,207	34,646,041	37,187,248
Property under development	-	-	11,737,592	11,737,592
Accounts receivable	562,260	1,812,936	-	2,375,196
Furniture and equipment	-	-	5,691	5,691
Total assets	1,221,149	6,603,291	46,389,324	54,213,764
LIABILITIES				
Bank overdrafts	-	589,281	-	589,281
Term loans	-	1,200,000	4,800,000	6,000,000
Murabaha payable	-	-	-	-
Other liabilities	-	898,692	-	898,692
Total liabilities	-	2,687,973	4,800,000	7,487,973

National International Holding Company K.S.C. (Closed) and Subsidiaries

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At 31 December 2009

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Maturity analysis of assets and liabilities (continued)

31 December 2008	<i>Up to 3 month KD</i>	<i>4 – 12 months KD</i>	<i>Over 1 year KD</i>	<i>Total KD</i>
ASSETS				
Cash and cash equivalents	445,420	-	-	445,420
Financial assets at fair value through income statement	-	3,566,953	-	3,566,953
Financial assets available for sale	-	3,598,766	38,874,196	42,472,962
Investment in an associate	-	-	58,033	58,033
Property under development	-	-	11,708,523	11,708,523
Accounts receivable	85,707	2,126,156	-	2,211,863
Furniture and equipment	-	-	9,590	9,590
Total assets	531,127	5,693,109	54,249,108	60,473,344
LIABILITIES				
Bank overdrafts	-	460,244	-	460,244
Term loans	-	-	4,800,000	4,800,000
Murabaha payable	-	-	1,941,000	1,941,000
Other liabilities	310,192	701,669	-	1,011,861
Total liabilities	310,192	1,161,913	6,741,000	8,213,105

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the group is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

Capital management

The primary objective of the group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value. The group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes during the years ended 31 December 2009 and 31 December 2008.

The group monitors capital using a leverage ratio, which is net debt divided by total capital. The group's policy is to keep the gearing ratio less than 30%. The group includes within net debt, interest bearing loans and borrowings, murabaha payable and other liabilities, less bank balances and cash. Total capital represents equity for the group less cumulative changes in fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**Capital management (continued)**

	<i>2009</i> <i>KD</i>	<i>2008</i> <i>KD</i>
Interest bearing loans and borrowings	6,589,281	5,260,244
Murabaha payable	-	1,941,000
Other liabilities	898,692	1,011,861
Less: Cash and cash equivalents	(658,889)	(445,420)
Net debt	6,829,084	7,767,685
 Total capital	 33,574,439	 38,824,108
Gearing ratio (%)	20%	20%

24 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash and cash equivalent, investments and receivables. Financial liabilities consist of bank overdrafts, murabaha payable and other liabilities.

The fair values of financial instruments, with the exception of certain financial assets available for sale carried at cost (Note 8).

The group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Fair value of financial assets at fair value through income statement and financial assets available for sale are based on the following:

<i>At 31 December 2009</i>	<i>Level 1</i> <i>KD</i>	<i>Level 2</i> <i>KD</i>	<i>Level 3</i> <i>KD</i>	<i>Total</i> <i>KD</i>
Financial assets at fair value through income statement	2,249,148	-	-	2,249,148
Quoted equity securities				
Financial assets available for sale				
Quoted equity securities	2,541,207	-	-	2,541,207
Unquoted equity securities	-	-	32,969,504	32,969,504

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

24 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

The following table shows a reconciliation of the opening and closing amount of level 3 financial assets and liabilities which are recorded at fair value.

	<i>At 1 January 2009 KD</i>	<i>Gain /(loss) recorded in the consolidated income statement KD</i>	<i>Gain /(loss) recorded in equity KD</i>	<i>Net purchases, sales and settlements KD</i>	<i>At 31 December 2009 KD</i>
<i>Financial assets available for sale:</i>					
Unquoted equity investments	40,709,267	823,768	(1,106,342)	(7,457,189)	32,969,504

Following the amendment of IFRS 7, the group is exempted from disclosing comparative information. During the year, there have been no transfers between the hierarchies.