NATIONAL REAL ESTATE COMPANY K.S.C.
AND ITS SUBSIDIARIES
STATE OF KUWAIT

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
WITH
INDEPENDENT AUDITORS' REPORT

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AL-WAHA
AUDITING OFFICE
ALI OWAID RUKHAEYES

Member of The International Group of Accounting Firms

P.O. Box 27387 Safat
13134 – State of Kuwait
Telephone: (965) 22423415
Facsimile : (965) 22423417

RSM Albazie & Co.

Public Accountants

Kuwait Airways Building, 7th Floor
Shuhada Street, P.O. Box 2115 Safat
13022 – State of Kuwait
T + 965 22410010
T + 965 22961000
F + 965 22412761
www.albazie.com

INDEPENDENT AUDITORS' REPORT

The Shareholders
National Real Estate Company K.S.C.
State of Kuwait

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of National Real Estate Company K.S.C. (the Parent Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2009, the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

We did not audit the financial statements of certain subsidiaries and a joint venture whose total assets and revenues constitute of 31.29% and 32.95% of the respective consolidated totals. The financial statements of these subsidiaries and the joint venture for the year ended December 31, 2009 were audited by other auditors, whose unqualified reports were provided to us, and our opinion in so far as it relates to the amounts included in the consolidated financial statements related to these subsidiaries and the joint venture, is based solely on the reports of the other auditors.

Management's responsibility for the consolidated financial statements

Parent Company's 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 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.

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' 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 and the reports of the other auditors are sufficient and appropriate to provide a basis for our audit opinion in the consolidated financial statements.

Opinion

In our opinion and based on the reports of the other auditors, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Without qualifying our opinion, we draw attention to Notes (7), (10), (14), (35) and (36) to the consolidated financial statements.

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 by the Parent Company, physical stock taking 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, 2009 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 except that the Parent Company holds certain direct investments in shares in violation of its objectives.

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

State of Kuwait
April 11 2010

NATIONAL REAL ESTATE COMPANY K.S.C. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2009
(All amounts are in Kuwaiti Dinars)

ASSETS	Note	2009	2008
Assets:			
Cash and cash equivalents	3	11,081,010	16,678,195
Term deposit	4	600,000	-
Accounts receivable and other debit balances	5	11,601,741	13,286,083
Investments available for sale	6	18,518,535	19,607,670
Investment in associates	7	218,299,343	177,842,974
Investment in a joint venture	8	-	370,465
Capital work in progress	9	-	235,429,364
Properties held for trading	11	32,088,881	-
Properties under development	12	119,800,455	-
Property, plant and equipment	13	8,434,086	3,053,855
Investment properties	14	199,633,135	66,680,147
Total assets		620,057,186	532,948,753
LIABILITIES AND EQUITY			
Liabilities:			
Accounts payable and other credit balances	15	138,435,157	136,072,035
Deferred tax	16	6,041,940	-
Bank facilities	17	192,431,841	156,556,310
Bonds	18	7,229,392	6,816,724
Provision for end of service indemnity	19	769,100	740,053
Total liabilities		344,907,430	300,185,122
Equity:			
Share capital	20	81,419,506	81,419,506
Treasury shares	21	(7,179,151)	(7,015,148)
Statutory reserve	22	39,291,710	36,332,700
Treasury shares reserve		12,859,431	12,859,431
Effect of change in associates' equity		(3,145,900)	(9,667,825)
Cumulative changes in fair value		(2,892,107)	(4,116,430)
Foreign currency translation adjustments		4,027,650	(655,172)
Retained earnings		127,520,938	100,959,845
Equity attributable to Parent Company's shareholders		251,902,077	210,116,907
Non - controlling interests		23,247,679	22,646,724
Total equity		275,149,756	232,763,631
Total liabilities and equity		620,057,186	532,948,753

The accompanying notes (1) to (41) form an integral part of the consolidated financial statements

Jamil Sultan Al-Essa
Chairman and Managing Director

NATIONAL REAL ESTATE COMPANY K.S.C. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2009
(All amounts are in Kuwaiti Dinars)

	Note	2009	2008
Revenues:			
Rental income		**8,587,112**	8,030,297
Share in the associates' results	7	**35,108,063**	31,464,824
Change in fair value of investment properties	14	**15,156,915**	(4,734,468)
		58,852,090	34,760,653
Expenses:			
Staff costs		**(5,060,547)**	(4,046,162)
General and administrative	23	**(7,434,050)**	(8,915,175)
Depreciation and amortization		**(494,542)**	(436,571)
		(12,989,139)	(13,397,908)
Operating profit		**45,862,951**	21,362,745
Net investment income	24	**155,243**	3,454,287
Impairment losses	25	**(9,655,349)**	(4,760,664)
Other income	26	**2,973,829**	3,203,778
Share in the joint venture's results	8	**(35,161)**	(38,084)
Interest income	27	**3,664,491**	3,409,380
Interest expense	28	**(2,950,541)**	(3,337,110)
Provisions	29	**(3,733,089)**	(3,969,571)
Deferred tax expenses	16	**(6,041,940)**	-
Foreign currency exchange loss		**(656,853)**	(30,842)
Profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labor Support Tax, Zakat and Board of Directors' remuneration		**29,583,581**	19,293,919
Board of Directors' remuneration		**(70,000)**	-
Net profit for the year		**29,513,581**	19,293,919
Attributable to:			
Equity holders of the Parent Company		**29,520,104**	18,291,821
Non - controlling interests		**(6,523)**	1,002,098
		29,513,581	19,293,919
Earnings per share attributable to equity holders of the Parent Company (fils)	33	**38.06**	23.48

The accompanying notes (1) to (41) form an integral part of the consolidated financial statements

NATIONAL REAL ESTATE COMPANY K.S.C. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2009
(All amounts are in Kuwaiti Dinars)

	Note	2009	2008
Net profit for the year		**29,513,581**	19,293,919
Other comprehensive income:			
Foreign currency translation adjustments		**5,906,151**	(872,222)
Investments available for sale	6	**1,224,323**	(5,146,582)
Share of other comprehensive income of associates	7	**4,545,978**	(4,695,222)
Other Comprehensive income (loss) for the year		**11,676,452**	(10,714,026)
Total comprehensive income for the year		**41,190,033**	8,579,893
Attributable to:			
Equity holders of the parent company		**39,973,226**	7,453,430
Non-controlling interests		**1,216,807**	1,126,463
Total comprehensive income for the year		**41,190,033**	8,579,893

The accompanying notes (1) to (41) form an integral part of the consolidated financial statements

NATIONAL REAL ESTATE COMPANY K.S.C. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2009
(All amounts are in Kuwaiti Dinars)

	Attributable to equity holders of the Parent Company										
	Share capital	Treasury shares	Statutory reserve	Treasury shares reserve	Effect of changes in associates' equity	Cumulative changes in fair value	Foreign currency translation adjustments	Retained earnings	Subtotal	Non controlling interests	Total
Balance at December 31, 2007	74,017,733	(5,164,167)	34,503,518	12,051,209	5,867,123	997,834	371,733	106,086,640	228,372,208	21,641,868	249,914,105
Total comprehensive (loss) income for the year	-			-	(4,484,222)	(5,114,264)	(1,078,906)	18,291,821	7,453,430	1,126,463	8,579,893
Gain on sale of treasury shares	-		-	808,223		-		-	808,223		808,223
Purchase of treasury shares	-	(1,913,208)	-			-			(1,913,208)	-	(1,913,208)
Sale of treasury shares		452,643	-	-	-	-		-	452,643	-	452,643
Net change in an associate's treasury shares – Note 7	-		-	-	(10,869,726)	-		-	(10,869,726)	-	(10,869,726)
Paid to non - controlling interest	-		-			-		-	-	(21,638)	(21,638)
Cash dividend (2007 - 20 fils per share) - Note 38	-		-	-		-		(14,186,661)	(14,186,661)	-	(14,186,661)
Bonus shares (2007 - 10%) - Note 38	7,401,773		-	-		-	-	(7,401,773)	-	-	
Transfer to statutory reserve	-		1,629,182	-		-	-	(1,629,182)			-
Balance at December 31, 2008	81,419,506	(7,625,732)	36,132,700	12,859,431	(9,487,825)	(4,116,430)	(707,173)	100,959,845	210,116,897	27,646,774	237,763,671
Total comprehensive income for the year				-	4,543,878	1,224,323	4,882,822	29,520,103	39,973,226	1,216,807	41,190,033
Share of changes in associates' equity - Note 7	-		-	-	1,975,947	-		-	1,975,947		1,975,947
Purchase of treasury shares	-	(184,003)	-		-	-		-	(184,003)		(184,003)
Paid to non – controlling interest	-		-	-	-	-		-		(615,652)	(615,652)
Transfer to statutory reserve	-		2,959,010	-	-			(2,959,010)		-	-
Balance at December 31, 2009	81,419,506	(7,809,735)	39,091,710	12,859,431	(2,968,000)	(2,892,107)	4,175,649	127,520,938	251,882,077	28,247,929	280,130,006

The accompanying notes (1) to (41) form an integral part of the consolidated financial statements

NATIONAL REAL ESTATE COMPANY K.S.C. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2009
(All amounts are in Kuwaiti Dinars)

	Note	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labor Support Tax, Zakat and Board of Directors' remuneration		**29,583,581**	19,293,919
Adjustments for:			
Depreciation and amortization		**494,542**	436,571
Net investments income		**(155,243)**	(3,454,287)
Impairment losses		**9,655,349**	4,760,664
share in the associates' results		**(35,108,063)**	(31,464,824)
Share in the joint venture's results		**35,161**	38,084
Gain on sale of property, plant and equipment		**(101,831)**	(9,999)
Gain on partial disposal of investment property		**-**	(9,475)
Change in fair value of investment properties		**(15,156,915)**	4,734,468
Interest income		**(3,664,491)**	(3,409,380)
Interest expense		**2,950,541**	3,337,110
Interest capitalized		**(6,705,711)**	(6,019,287)
Amortized interest		**(2,220,487)**	-
Capital work in progress written off		**7,550**	213,185
Provisions against additions in Kuwait Free Trade Zone set off against contractual obligations		**3,748**	-
Provisions		**3,733,089**	3,969,571
Provision for employees end of service indemnity		**191,478**	195,518
		(16,457,702)	(7,388,162)
Changes in operating assets and liabilities:			
Accounts receivable and other debit balances		**1,215,770**	2,765,203
Accounts payable and other credit balances		**15,895,773**	8,555,817
Cash generated from operations		**653,841**	3,932,858
Payment for employees' end of service indemnity		**(162,431)**	(67,399)
Payment to Kuwait Foundation for Advancement of Sciences		**-**	(20,505)
Payment for National Labor Support Tax		**-**	(70,401)
Payment of Zakat		**-**	(1,830)
Payment for Board of Directors' remuneration		**-**	(70,000)
Net cash generated from operating activities		**491,410**	3,702,723
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investments at fair value through income statement		**-**	(18,108,064)
Proceeds from sale of investments at fair value through income statement		**-**	10,807,189
Increase in term deposit		**(600,000)**	-
Purchase of investments available for sale		**(328,728)**	(8,765,015)
Proceeds from sale of investments available for sale		**404,973**	4,538,220
Purchase of investment in an associate		**-**	(17,931)
Proceeds from partial disposal of investment in an associate		**-**	11,328,733
Payment for long term loan to joint venture		**(90,079)**	(83,159)
Payment for capital work in progress		**-**	(16,596,161)
Payment for properties held for trading		**(2,015,463)**	-
Payment for properties under development		**(2,544,297)**	-
Purchase of property, plant and equipment		**(4,387,391)**	(1,099,442)
Proceeds from sale of property plant and equipment		**229,504**	10,000
Payment for purchase of lands for capital work in progress		**-**	(22,342,276)
Payment for additions to investment properties		**(18,968,222)**	(1,231,936)
Proceeds from partial disposal of investment property		**-**	9,475
Dividend received from an associate		**-**	17,459,220
Dividend income received		**121,035**	722,097
Interest received		**808,627**	717,707
Net cash used in investing activities		**(27,370,041)**	(22,651,343)

	Note	2009	2008
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net proceeds from bank overdraft		623,117	1,401,890
Net proceeds from term loans		35,252,414	40,346,992
Proceeds from issue of bonds		-	3,922,234
Purchase of treasury shares		(164,003)	(1,913,208)
Proceeds from sale of treasury shares		-	1,260,866
Interest expense paid		(10,357,266)	(8,966,417)
Dividends paid		(143,986)	(14,101,518)
Paid to non - controlling interest		(615,852)	(21,638)
Net cash generated from financing activities		24,584,424	21,929,201
Foreign currency translation adjustments		(3,302,878)	737,742
Net (decrease) increase in cash and cash equivalents		(5,597,185)	3,718,323
Cash and cash equivalents at beginning of the year		16,678,195	12,959,872
Cash and cash equivalents at end of the year	3	11,081,010	16,678,195

The accompanying notes (1) to (41) form an integral part of the consolidated financial statements

1. Incorporation and activities

National Real Estate Company K.S.C. (the Parent Company) is a Kuwaiti public shareholding company registered in Kuwait and listed on the Kuwait Stock Exchange and Dubai Financial Market. It is engaged in real estate investment and management, as well as undertaking real estate construction and maintenance The Parent Company also holds investments in securities.

The Parent Company was registered in the commercial register under reference number 19628 dated November 15, 1973.

The address of the Parent Company's registered office is P.O. Box 22644, Safat 13087, State of Kuwait.

The total number of employee's of the Group as of December 31, 2009 is 324 (December 31, 2008 – 272).

The consolidated financial statements were authorized for issue by the Board of Directors on April 11, 2010. The Shareholders' Annual 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 (IFRS) issued by the International Accounting Standards 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 some 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 the implementation of the following new and amended International Financial Reporting Standards as of January 1, 2009:

IAS 1 (revised) "Presentation of Financial Statements"
Effective January 1,2009, the Group has applied IAS 1 (Revised), which has impacted the presentation of financial statements to enhance the usefulness of the information presented. The revised standard has introduced a number of terminology changes (including revised titles for the financial statements) and has resulted in a number of changes in presentation and disclosure. The revised IAS 1 has introduced a new statement of other comprehensive income, wherein all changes in equity arising from transactions other than with owners in their capacity as owners should be presented. Accordingly only changes in equity arising from transactions with owners in their capacity as owners are permitted to be presented in the statement of changes in equity. Comparative information has been re-presented so that it also is in conformity with the revised standard .

IFRS 7 'Financial instruments – Disclosures' (amendment) – effective 1 January 2009.
The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share as a result for this amendment.

IFRS 8 "Operating Segments" effective January 1, 2009

The Group has applied IFRS 8, which requires 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. Accordingly, operating segments should be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. Annual improvement made to IFRS 8 in April 2009 clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Group's chief operating decision maker does review segment assets and liabilities, the Group has continued to disclose this information

IAS 23 "Borrowing Cost" (Revised)

Effective January 1, 2008, the Group has earlier applied IAS 23 (Revised), which requires an entity to capitalize borrowing costs attributable to the acquisition, construction or production of a qualifying asset for which the commencement date for capitalization is on or after January 1, 2009 as a part of the cost of that asset and removing an option of expensing these borrowing costs in the consolidated statement of income.

IAS 36 Impairment of Assets

When discounted cash flows are used to estimate 'fair value less cost to sell' additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate 'value in use '.

IAS 38 Intangible Assets

The amendment is part of the IASB's annual improvements project published in May 2008. the amendment removes the reference to there being rarely, if ever, persuasive evidence to support an amortization method of intangible assets other than a straight-line method. The Group reassessed the useful life of its intangible assets and concluded that the straight-line method was still appropriate.

IAS 40 Investment property

The amendment is part of the IASB's annual improvements project published in May 2008. The amendment requires properties under construction to be used as investment property on completion to be classified as investment property instead of property, plant and equipment. Effective January 1, 2009, the Group has reclassified the capital work in progress as investment property.

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(b).

Standards and Interpretations issued but not effective

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

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 July 1, 2009, 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 profit or loss.
- 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 profit or loss.
- 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.

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 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 profit or loss.

IFRIC 17, 'Distribution of non-cash assets to owners' (effective for annual periods beginning on or after on or after 1 July 2009).

The interpretation is part of the IASB's annual improvements project published in April 2009. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The interpretation is not expected to have any impact on the consolidated financial statements

IAS 38 (amendment), 'Intangible Assets'.

The amendment is part of the IASB's annual improvements project published in April 2009 and the Group will apply IAS 38 (amendment) from the date IFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in a material impact on the Group's financial statements.

IFRS 5 (amendment), 'Measurement of non-current assets (or disposal groups) classified as held-for-sale'.

The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The Group will apply IFRS 5 (amendment) from 1 January 2010. It is not expected to have a material impact on the Group's financial statements.

IAS 1 (amendment), 'Presentation of financial statements'.
The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Group will apply IAS 1 (amendment) from 1 January 2010. It is not expected to have a material impact on the Group financial statements.

IFRS 2 (amendments), 'Group cash-settled and share-based payment transactions'.
In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 – Group and treasury share transactions', the amendment expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation. The new guidance is not expected to have a material impact on the Group's financial statements.

IFRIC 18 Transfers of Assets from Customers
The Interpretation applicable for transfers effected on or after financial periods beginning on or after July 1, 2009, addresses the accounting by recipients for transfers of property, plant and equipment from 'customers' and concludes that when the item of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient, the recipient should recognize the asset at its fair value on the date of the transfer, with the credit recognized as revenue in accordance with IAS 18 Revenue. The interpretation is not expected to have any impact on the consolidated financial statements.

IAS 7 Statement of Cash Flows:
The amendment is part of the IASB's annual improvements project published in April 2009. The amendment explicitly states that only expenditure that results in recognizing an asset can be classified as a cash flow from investing activities.

IFRS 9 Financial Instruments:
The standard, which will be effective for annual periods beginning on or after January 1, 2013, specifies how an entity should classify and measure its financial assets. It requires all financial assets to be classified entirely based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are measured either at amortized cost or fair value.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of IAS 39. They apply a consistent approach to classifying financial assets and replace the numerous categories of financial assets in IAS 39, each of which had its own classification criteria. They also result in one impairment method, replacing the numerous impairment methods in IAS 39 that arise from the different classification categories

b) Critical accounting estimates and judgments

The Group makes 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.

1) Judgments

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

(i) Revenue Recognition

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

(ii) Provision for doubtful debts

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

(iii) Classification of investments

On acquisition of an investment, the Group decides whether it should be classified as "at fair value through income statement" 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 income statement at inception, provided their fair values can be reliably estimated. All other investments are classified as "available for sale".

(iv) Impairment of investments

The Group follows the guidance of IAS 39 to determine when an available-for-sale equity investment is impaired. This determination requires significant judgment. In making these judgments, the Group evaluates, among other factors, a significant or prolonged decline in the fair value below its cost; and the financial health of and short term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow. The determination of what is "significant" or "prolonged" requires significant judgment.

(v) Classification of land

Upon acquisition of a 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 held for trading

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

2. Properties under development

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

3. Property, plant and equipment

When the intention of the Group is to develop lands for owner occupied purposes such as production, providing goods and services or for management services or for administrative purposes, in this case, land and construction costs (if any,) are classified as property plant and equipment.

4. Investment properties

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

2) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimating uncertainty at the end of the reporting period 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 unquoted securities is not active or not available, the Group establishes fair value by using valuation techniques which include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances. This valuation requires the Group to make estimates about expected future cash flows and discount rates that are subject to uncertainty.

(ii) Impairment of Goodwill

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

(iii) Provision for doubtful debts

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 require ageing analysis, technical assessment and subsequent events. The provisions and write-down of receivables is subject to management approval

(iv) Revaluation of investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognized in consolidated statement of income. The Group engaged independent valuation specialists to determine fair value as at 31 December 2009.

(v) 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 or 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.

c) Principles of consolidation

The consolidated financial statements incorporate the financial statements of National Real Estate Company K.S.C. (the Parent Company) and the following subsidiaries:

Name of subsidiaries	Country of Incorporation	Percentage of ownership 2009 %	2008 %
1) Dasman Commercial Complex – Joint venture	Kuwait	**62.117**	62.117
2) HRD International for Human Resources Development Company W.L.L.	Kuwait	**80**	80
3) Al-Takafouh Al-Thahabi General Trading and Contracting Company W.L.L.	Kuwait	**100**	100
4) Aqaba National Real Estate Projects Company (private shareholding company)	Jordan	**70**	70
5) Kuwait National Real Estate (PVT) Ltd	Pakistan	**100**	100
6) National Holding Group Company (Lebanese shareholding company)	Lebanon	**100**	100
7) Kuwait Touristic Enterprises Development Company (private shareholding company)	Tunisia	**100**	100
8) Kuwait National Real Estate Company (Egyptian shareholding company)	Egypt	**100**	100
9) National Project Holding K.S.C. (Holding)	Kuwait	**98**	93
10) National Investment & Development Company (private shareholding company)	Jordan	**100**	100
11) KREDCO Real Estate Company – Limited	Iraq	**51**	51
12) Fresh World International Catering Company K.S.C. (Closed)	Kuwait	**70**	70
13) Yemen Kuwait Company for General Trading & Contracting W.L.L.	Yemen	**100**	100
14) Middle East Projects General Trading Company W.L.L.	Kuwait	**100**	100
15) Kuwait Wadi El-Nile Urban Development Company (Egyptian shareholding company) (KWADICO)	Egypt	**80**	80
16) National Horizon Office Tower FZ - L.L.C.	U.A.E	**100**	100
17) National Horizon Hotel FZ - L.L.C.	U.A.E	**100**	100
18) Masaken Global Real Estate Co. K.S.C. (Closed)	Kuwait	**100**	100
19) Victus Food Development Co. W.L.L.	Kuwait	**100**	100

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

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

During the year the parent company increased its ownership percentage by 5% in the subsidiary - National Project Holding K S C. (Holding) – from 93% to 98%.

Proportionate consolidation method

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.

The Group reports its interests in jointly controlled entities using proportionate consolidation, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". The Group's share of the assets, liabilities, income and expenses of jointly controlled entities are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

The accompanying consolidated financial statements include proportionate consolidation of the Parent Company's 50% investment in a joint venture (Mediterranean Investment Holding P L.C.) a company registered in Malta. The principal activities are investing and developing real estate projects.

d) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

e) Investments

The Group classifies its investments as investments available-for-sale investments. The classification depends on the purpose for which the investments were acquired and is determined at initial recognition by the management.

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 from the end of the reporting period.

Purchases and sales of investments are recognized on settlement date – the date on which an asset is delivered to or by the Group. 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 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.

Unrealized gains and losses arising from changes in the fair value of investments available for sale are recognized in cumulative changes in fair value in consolidated statement of other comprehensive income.

Where 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 other comprehensive income 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 the end of each reporting period 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 other comprehensive income and recognized in the consolidated statement of income. Impairment losses recognized in the consolidated statement of income on available for sale equity instruments are not reversed through the consolidated statement of income.

f) Accounts receivable

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 (more than 365 days overdue) 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. 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.

g) Associates

Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policy decisions. The consolidated financial statements include the Group's share of the results and assets and liabilities of associates under the equity method of accounting from the date that significant influence effectively commences until the date that significant influence effectively ceases, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognized except to the extent that the Group has an obligation or has made payments on behalf of the associate.

Gains or losses arising from transactions with associates are eliminated against the investment in the associate to the extent of the Group's interest in the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment in associates and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in the consolidated statement of income.

h) Goodwill

Goodwill arising on an acquisition of a subsidiary of a company under common control 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 the subsequent periods.

On disposal of a subsidiary the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described under 'Investment in associates' in note 2(g).

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.

i) Investment in joint ventures

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. 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, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Under the equity method, investments in joint ventures are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the joint venture, less any impairment in the value of individual investments.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of a subsidiary.

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.

j) Properties held for trading

Properties that are purchased and developed for reselling in the future are recorded as properties held for trading. This properties is recorded at lower of cost or the net realizable value. The net realizable value represents the selling price less cost to be incurred in their sale and development.

k) 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

l) Property, plant and equipment

The initial cost of property, plant and equipment 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 property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to profit or loss 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 property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property, plant and equipment.

Property, plant and equipment 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 profit or loss for the period.

Property, plant and equipment includes capital work in progress classified as property plant and equipment that represents properties developed for owner occupied purposes in the productions, providing goods and services or for management services or for administrative purposes where the cost of acquisition and construction of these properties (if any) are classified as property, plant and equipment. This item of property, plant and equipment is not subject to any depreciation except of the completion of the development and when it is ready for use.

Depreciation is computed on straight line basis over the estimated useful lives of items of property, plant and equipment as follows:

	Years
Leasehold improvements	20
Buildings	20
Furniture, decorations and others	5
Office equipment	3 - 5
Motor vehicles	4

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 property, plant and equipment.

m) Impairment of assets

At the end of each reporting period 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 (cash-generating unit) does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset 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.

n) Investment properties

Investment properties, which are properties, held to earn rentals and/or for capital appreciation, or properties to be developed to earn rentals in the future, or properties with no determined intention are stated at their fair value at the end of the reporting period. 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 that are not yet started development or that include significant risks that might be an obstacle for its development, or properties with no determined intention are started at cost less any impairment loss.

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. 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.

o) Accounts payable

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

p) 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.

q) End of service indemnity

Provision is made for amounts payable to employees in accordance with the labor law registration the countries of the parent company and the parent company and it's subsidiaries each according to it's country's employees' contracts. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination on the end of the reporting period, and approximates the present value of the final obligation.

r) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. All other leases are classified as finance leases.

The Group as a lessor
Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term

The Group as a lessee
Rentals payable under operating leases are charged to the consolidated statement of income on a straight-line basis over the term of the relevant lease. Benefits paid and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

s) Share capital

Ordinary shares are classified as equity.

t) 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 shareholder's 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 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.

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.

u) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities.

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

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

Rendering of services
Revenues from maintenance contract are recognized when these services are rendered.

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

Interest income
Interest income is recognized on a time-proportion basis using the effective interest method.

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

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

v) 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 consolidated statement of income in the period in which they are incurred.

w) Provisions

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

x) 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 consolidated statement of financial position date are retranslated into Kuwaiti Dinars at rates of exchange prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the 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 investments available for sale are included in "cumulative changes in fair value" in the consolidated statement of other comprehensive income.

The assets and liabilities of the foreign subsidiary are translated into Kuwaiti Dinars at rates of exchange prevailing at the end of reporting period. The results of those subsidiaries are translated into Kuwaiti Dinars at rates approximating the exchange rates prevailing at the dates of the transactions. Foreign exchange differences arising on translation are recognized directly in the consolidated statement of other comprehensive income. Such translation differences are recognized in profit or loss in the period in which the foreign operations 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.

y) Financial instruments

Financial assets and financial liabilities carried on the consolidated statement of financial position include cash and cash equivalents, receivables, investments, net amount due from Kuwait Port Authority, payables, bank facilities and bonds. 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.

z) 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.

aa) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is identified as the person being responsible for allocating resources, assessing performance and making strategic decisions regarding the operating segments.

3. Cash and cash equivalents

	2009	2008
Cash on hand and at banks	3,119,713	6,680,961
Short term deposits	7,961,297	9,997,234
	11,081,010	16,678,195

The effective interest rate on short term deposits was 3.5% - 5.5% per annum (2008 4% - 6.5% per annum); these deposits have an average maturity of 60 days (2008 – 60 days).

Cash and cash equivalents are denominated in the following currencies:

Currency	2009	2008
Kuwaiti Dinar	3,056,263	5,237,716
EURO	2,709,422	5,053,280
US Dollar	161,473	45,100
Egyptian Pounds	3,260,790	4,154,422
Jordanian Dinar	1,117,839	1,493,072
Pakistan Rupee	90,690	98,726
Tunisian Dinar	325,297	541,229
Lebanese Pounds	37,933	21,921
Yemeni Riyal	33,327	32,729
Emirates Dirham	287,976	-
	11,081,010	16,678,195

There is no material difference between the fair value and the book value of cash and cash equivalents as of December 31, 2009.

4. Term deposit

The effective interest rate on term deposit was 2.5% per annum (2008: Nil); this deposit will mature on June 14, 2010.

5. Accounts receivable and other debit balances

	2009	2008
Current portion		
Accrued rent	1,693,246	1,228,256
Provision for doubtful debts (a)	(1,446,825)	(1,074,593)
	246,421	153,663
Due from related parties	1,112,544	1,316,347
Prepaid expenses	936,647	933,300
Advance payments	1,026,678	1,875,674
Staff receivables	51,918	99,635
Other receivables	2,902,127	2,193,785
Total Current portion	6,276,335	6,572,404
Non-Current portion		
Advance payments (c)	1,096,347	1,948,176
Provision for advance payments (a) & (c)	(1,096,347)	(1,096,347)
Due from related parties	2,071,215	2,548,516
Prepaid expenses	2,461,460	2,441,449
Prepaid lease payments (d)	372,731	380,761
Other receivables	420,000	491,124
Total Non-current portion	5,325,406	6,713,679
	11,601,741	13,286,083

The fair values of accounts receivable and other debit balances approximated their carrying values as at December 31, 2009.

a) Provision for accounts receivable and other debit balances:

The movement during the year is as follows:

	2009	2008
Balance at the beginning of the year	2,170,940	1,644,053
Provision for doubtful debts for the year (Note – 29)	451,842	288,060
Provision for advance payments for the year (Note – 29)	-	1,096,347
Reversal of provision during the year	(79,610)	(857,520)
Balance at the end of the year	2,543,172	2,170,940

Provisions, bad debts written off and reversal of the provision for doubtful debts are included in the consolidated statement of income.

"Provisions for doubtful debts" include an amount of KD 535,118 which represents the provision taken by the Parent Company for the accounts receivable and other debit balances of Kuwait Free Trade Zone, due to the Resolution No. 507/2006 issued by Ministry of Commerce & Industry to cancel the management contract of Kuwait Free Trade Zone with the Parent Company (Note 36-f). This provision was taken on a conservatism approach and not as surrender to the validity of the resolution.

b) The other classes within accounts receivable and other debit balances do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above

c) Advance payments made by the Group include payments made to a local company to invest in real estate on behalf of the Parent Company in Republic of Iraq amounting to KD 1,096,347 (2008 – KD 1,096,347) which has been provided for in full during the year ended December 31, 2008.

d) The prepaid lease payments represent payments for a lease of land in United Arab Emirates for a subsidiary, the lease term is for 49 years and started in 2007.

6. Investments available for sale

During the year ended December 31,2008, the Group has elected to apply the amendments of IAS 39 and IFRS 7 effective July 1, 2008 and has reclassified the amount of KD 9,677,372 from investments held for trading to available for sale investments. The unrealized gain on investments reclassified from investments held for trading to available for sale that would have been recognized in the consolidated statement of income if these financial assets had not been reclassified is KD 684,643 (December 31, 2008 – unrealized loss KD 4,369,304).

	2009	2008
Quoted securities	8,714,169	8,135,210
Managed portfolios and funds	3,072,919	3,134,140
Unquoted securities	6,731,447	8,338,320
	18,518,535	19,607,670

The movement during the year is as follows:

	2009	2008
Balance at the beginning of the year	19,607,670	17,875,026
Additions	328,728	8,765,015
Disposals	(370,765)	(4,177,497)
Reclassified from investments at fair value through income statement	-	9,677,372
Transfers to investment in associates	-	(2,625,000)
Changes in fair value	1,224,323	(5,146,582)
Impairment losses (a) (Note – 25)	(2,271,421)	(4,760,664)
Balance at the end of the year	18,518,535	19,607,670

(a) Impairment losses include losses for quoted & unquoted securities	2009	2008
Quoted securities	676,911	3,110,664
Unquoted securities	1,594,510	1,650,000
	2,271,421	4,760,664

It was not possible to reliably measure the fair value of investments in unquoted securities with a value of KD 5,081,449 (2008 – KD 6,688,320) due to non-availability of a reliable method that could be used to determine the fair value of such investments. Accordingly, they were stated at their cost less impairment losses.

Investments available for sale are denominated in the following currencies:

Currency	2009	2008
Kuwaiti Dinar	8,316,352	14,734,714
US Dollar	1,019,817	1,439,837
Euro	942,605	122,620
UAE Dirham	6,894,427	2,145,635
Qatari Riyal	1,345,334	1,164,864
	18,518,535	19,607,670

7. Investment in associates

Name of the associate	Country of Incorporation	Percentage of ownership 2009	Percentage of ownership 2008	2009	2008
(i) Public Warehousing Company K.S.C (Agility)	Kuwait	**22.444%**	22.444%	**212,500,417**	170,870,429
Goodwill				**4,505,307**	4,505,307
				217,005,724	175,375,736
(ii) Kuwait Bulgarian Dairy Company W.L.L.	Kuwait	**40%**	40%	**120,000**	120,000
(iii) Al Seef International Holding K.S.C.C.	Kuwait	**25%**	25%	**1,173,619**	2,347,238
				218,299,343	177,842,974

The movement during the year is as follows:

	2009	2008
Balance at the beginning of the year	**177,842,974**	185,405,109
Additions	**-**	17,931
Transfer from investment available for sale	**-**	2,625,000
Partial disposal of investment in an associate	**-**	(8,645,722)
Share in the associates' results	**35,108,063**	31,464,824
Cash dividends received	**-**	(17,459,220)
Effect of change in associates' equity (a)	**6,521,925**	(15,564,948)
Impairment losses in value for investment in one of the associates (Note – 25)	**(1,173,619)**	-
Balance at the end of the year	**218,299,343**	177,842,974

(a) The effect of change in associates' equity is as follows:

	2009	2008
Treasury shares reserve	**226,682**	(506,776)
Changes in hedging reserve	**(1,793,928)**	(2,009,612)
Movement in treasury shares	**1,975,947**	(10,869,726)
Foreign currency translation adjustment	**6,105,593**	(2,180,993)
Cumulative changes in fair value of available for sale investments	**7,631**	2,159
	6,521,925	(15,564,948)

(b) The net assets and the results of the associates are summarized as follows:

	2009	2008
Total assets	**1,799,231,578**	1,656,993,578
Current liabilities	**(506,544,233)**	(585,700,233)
Non current liabilities	**(325,202,097)**	(270,225,097)
Net assets	**967,485,248**	801,068,248
Total revenues	**1,720,988,000**	1,859,686,346
Total expenses	**(1,564,707,000)**	(1,718,871,582)
Net profit for the year	**156,281,000**	140,814,764

At each reporting date, the Group's management reviews the book values of each investment in associate individually to ensure that there is no indication of impairment of such investments; in case such indication has proven to exist, the recoverable amount of such investment is calculated to determine the amount of impairment loss, if any.

The Group's share in the contingent liabilities and capital commitments of the associate's amounted to KD 32,316,000 (2008 – KD 37,954,092).

1 - Public Warehousing Company K.S.C. (Agility):
Public Warehousing Company K.S.C. (Agility) is a public shareholding company registered in Kuwait and listed on the Kuwait Stock Exchange and Dubai Financial Market. Its principal activities are storing goods, management and renting of warehouses, all transportation activities, distribution, handling and customs clearance for goods.

The Group's management has compared the recoverable amount (fair value less selling cost or value in use, whichever is higher) for its investment in The Public Warehousing Co. K.S.C (Agility) to its book value as of December 31, 2009, and there is no indication of impairment, hence, the Group had not accounted for any impairment loss for the goodwill in The Public Warehousing Co. K.S.C. (Agility) as of the accompanying the consolidated statement of financial position.

As of December 31, 2009 the fair value of the Group's investment in The Public Warehousing Co. K.S.C. (Agility) amounted to KD 131,571,591 (2008 – KD 145,668,547)

The contingent liabilities and legal cases relating to Public Warehousing Company K.S.C. (Agility) are summarized as follows:

a. A dispute has arisen between the associate and other party with respect to a partnership agreement dated July 30, 2002 for the purpose of bidding for the provision of services for Prime Vendor Services Contract with the U S Government. The partnership agreement provided for the preparation of all infrastructure and assets for that purpose. The associate had submitted all evidences to the Execution Department in proof of the partnership not having any funds, assets or properties and the eventual non-existence of the partnership, as a consequence of the partners not providing any capital contributions.

   On January 7, 2008, the Supreme Court ruled in favor of the associate confirming that the partnership agreement between the associate and the other party was not legally enforceable and is void.

b. During the year 2007, the associate Company was served with an administrative subpoena and, subsequently in March 2008 with a grand jury subpoena, by the US Government in connection with an investigation into certain aspects of the Subsistence Prime Vendor ("SPV") Contract. In addition, some employees of the Group were served with civil investigative demands. The Associate Company cooperated with this investigation and produced numerous records in response to this request

   On 16 November 2009, the Associate Company was indicted by a federal grand jury in United States on multiple counts of False Claims Act violations. Furthermore, The United States Department of Justice also joined the civil qui tam lawsuit against the Associate Company under the US False Claims Act. The Department of Justice is claiming substantial damages for alleged violations in both the criminal and civil proceedings. As a result of this indictment, certain Group companies (including the Parent Company) are suspended from bidding for new contracts or renewing the existing contracts with the US Government pending the outcome of the cases. However, the suspension does not affect continued performance of the existing contracts. Prolonged suspension could have a material impact on the Group's government related business and may result in the associate's assets being impaired. The existing SPV Contract will expire in December 2010.

The Associate Company is in discussions with the US Government with a view to resolving the current legal cases with the US Department of Justice. However, there is no guarantee that the parties can reach a mutually agreeable settlement. The Associate Company has agreed with the federal court to set a briefing schedule. The request for a briefing schedule is intended to preserve the Associate Company's rights while the Associate Company and the Department of Justice conduct discussions. In addition, the US Department of Justice is currently conducting an informal investigation regarding two costs reimbursable US Government contracts in order to ascertain whether reimbursement requests for certain costs incurred by the Associate Company were proper.

Due to inherent uncertainty surrounding these cases, no provision is recorded by the management in the consolidated financial statements. The Associate Company (after consulting the external legal counsel) is not able to comment on the likely outcome of the cases, based on that the Auditors' report of the Associate Company for the year ended December 31,2009 the following emphasis of matter paragraph:

"Without further qualifying our opinion, as more fully explained in Note 2 to the consolidated financial statements, the Associate Company was indicted by a federal grand jury in the United States on multiple counts of False Claims Act Violations. Furthermore, the United States Department of Justice also joined a civil qui tam lawsuit against the Associate Company under the False Claims Act. The Department of Justice is claiming substantial damages for alleged violations in both the criminal and civil proceedings. Certain Group Companies (including the Associate Company) are suspended from bidding for new contracts or renewing the existing contracts with the US Government pending the outcome of the lawsuit. The Group generates a substantial portion of its business from the US Government contracts. Prolonged suspension could have a material impact on the Group's government related business. The Group is engaged in settlement discussions with the US Department of Justice. The ultimate outcome of the matters set out above cannot presently be determined, and therefore no provision has been made in the consolidated financial statements".

c. In year 2007, certain subsidiaries (involved in the freight forwarding business) of the Associate Company along with other major players in the freight forwarding industry received requests for information from the competition authorities of the EU, the United States and other jurisdictions in connection with an industry-wide investigation into the setting of surcharges and fees. These subsidiaries are fully cooperating with the respective authorities.

In July 2009, a subsidiary the Associate Company was named as a defendant in a class action lawsuit filed in the Eastern District of New York, along with a number of other freight forwarding companies, regarding surcharges and fees for services. In November 2009, the defendants filed motions to dismiss the claims that are currently pending before the court. The ultimate outcome of this litigation is uncertain at this time.

On 26 November 2009 the Italian competition authority (ICA) opened an investigation into the activities of some 20 freight forwarding companies. The existence of the Italian investigation is recorded in a decision by the ICA opening formal proceedings and naming Agility. Those allegations will need to be formally confirmed by the ICA in due course in a statement of objections. In February 2010, the European Commission issued a Statement of Objections ("SO") to the Associate Company and two of its subsidiaries. The SO alleges that certain infringements of EU competition law were committed by the subsidiaries. The Commission's final decision is not expected until late 2010 or 2011.

As at 31 December 2009, due to inherent uncertainty surrounding these investigations, the Group's management (after consulting the external legal counsel) is not able to comment on the likely outcome of the investigations and in view of the difficulty in quantifying any potential liabilities in this regard, no provision is recorded in the accompanying consolidated financial statements for the year ended December 31, 2009.

d. During the year 2006, a bank guarantee of the Associate Company has been resolute for the favour of General Administration of Customs for Kuwait ("GAC") against execution' related to contract of a subsidiary of the Associate Company. The subsidiary of the Associate Company appealed this resolution through case No 224/2007 'Administrative - 7".

In the opinion of the Associate Company's external legal consulting firms the violations against which a portion of the bank guarantee provided has been enchased, are non-contractual violations, and in accordance with the law, believe that a verdict shall be issued in favour of the Subsidiary Company to return the enchased portion of the guarantee plus interest of 7%. The Associate Company during the year obtained a report from the expert department of Ministry of Justice on this matter which was in favour of the Company in respect of most of the issues arising from the case. The management of the Associate Company is of the opinion that this matter is incidental and will be resolved in the courts in the near future and, accordingly, no expense should be recorded in the consolidated financial statements.

During the year 2006, the management of the Parent Company has created a provision by the amount of KD 1,226,082 for its share of the enchased portion of the bank guarantee on a conservatism approach and not as surrender to the validity of the encashment.

e. On November 27, 2006, and based on the recommendation by the Ministers' Council, the Ministry of Commerce & Industry issued the Resolution No. 30/2006 to terminate three contracts of those concluded between the associate and the Public Authority of Industry for Mina Abdulla Zone, Kuwait.

The associate protested against this order through the Case No. 940/2006 "Administrative". In the hearing held on December 25, 2006, the court pronounced its ruling to repeal the aforesaid resolution of the Ministry of Commerce & Industry and its resultant impacts.

However, the Government requested the Board of Public Authority of Industry to hold a meeting chaired by the Minister of Commerce & Industry, who issued a new resolution No. 1/2007 to terminate the same contract, being the subject of the previous resolution.

The associate again protested against the new resolution through case No. 36/2007 and assured, in its statement of defense, which is in agreement with the provisions of the law, as confirmed by the Supreme Court including the Kuwait Court of Cessation, that the new Resolution is void, because it has been made on the same subject of the previous resolution. In the opinion of external legal counsel, the court shall pronounce its judgment to revoke the new Resolution issued by the Public Authority of Industry, because it has been based on wrong objects. The Resolutions issued by the governmental authorities are merely of financial concerns that shall be resolved by the courts to establish the associate's rights in such contracts.

The associate is in the process of performing an assessment of the final losses arising from the aforementioned resolutions, so that a claim can be filed with the Government of Kuwait for recovery of these amounts. The associate has not recognized any revenue on the three aforesaid contracts since January 1, 2007.

f. On January 9, 2007 the Ministry of Finance terminated Al-Jahra Fish, Meat and Vegetables Market Project Contract with the associate according to the resolution of the Council of Ministers No. 2/2007. The associate appealed to the Court of First Instance against this resolution through Case No. 200/2007 "Administrative – 3". In January 2008, the Court of Appeal ruled in favor of the associate whereby Al-Jahra Fish, Meat and Vegetables Market Project Contract is to be given back to the associate. The Court of Appeal also ruled out that the associate be compensated for losses and expenses that arose as a result of this case. The Ministry of Finance has filed an appeal against this rule and it is not settled yet. As a result of the ruling, the associate has taken back the project and is currently under its operation.

g. In addition to the above, the associate is involved in various claims and legal proceedings including employees' compensations and contractors disputes. The in-house legal counsel of the associate believes that such claims are not valid and will not have a material adverse effect on the consolidated financial statements of the associate as of December 31, 2009.

2) Al Seef International Company K.S.C.C.
The Group had accounted a provision for the impairment of the investment in Al-Seef International Holding K.S.C.C. with 50% from the book value of the investments as of December 31, 2009.

The Group had not accounted for its share of results in Al-Seef International Holding K.S.C.C. due to non-availability of the financial statements as of December 31, 2009.

3) Kuwait Bulgarian Dairy Company W.L.L.
The Group has not accounted for its share of results in Kuwait Bulgarian Dairy Company W.L.L. due to non availability of financial statements as of December 31, 2009.

8. Investment in a joint venture

Name of the joint venture	Country of Incorporation	Percentage of ownership	2009	2008
Noor Light W.L.L.	Kuwait	50%	(205,919)	(170,758)
Long term loan			631,302	541,223
Provision against long term loan			(425,383)	-
			-	370,465

The principal activities of Noor Light W.L.L. are remanufacturing of iron, aluminum and other raw materials and manufacturing of all types of lighting materials.

The movement during the year is as follows:

	2009	2008
Balance at the beginning of the year	370,465	295,681
Share in the joint venture's results	(35,161)	(38,084)
Increase in the long term loan granted to the joint venture	90,079	112,868
Provision against long term loan (Note 29)	(425,383)	-
Balance at the end of the year	-	370,465

The Group's share of the net assets of the joint venture is as follows:

	2009	2008
Assets	178,145	152,264
Liabilities	(384,064)	(323,022)
Net assets	(205,919)	(170,758)

The Group's share of the results of the joint venture is as follows:

	2009	2008
Revenues	88,732	53,510
Expenses	(123,893)	(91,594)
Net loss for the year	(35,161)	(38,084)

9. Capital work in progress

This represents mainly work in progress relating to foreign subsidiaries. The movement during the year is as follows:

	2009	2008
Balance at the beginning of the year	235,429,364	38,216,590
Transfers from accounts receivable and other debit balances relating to advance payments	-	55,934,302
Additions	-	138,681,339
Transferred to properties held for trading	(31,686,349)	-
Transferred to properties under development	(110,403,217)	-
Transferred to property, plant and equipment	(3,537,070)	(1,145,547)
Transferred to investment properties	(89,791,430)	(3,771,166)
Disposals	(7,550)	(90,075)
Foreign currency translation adjustments	-	1,707,744
Provisions against additions in Kuwait Free Trade Zone set off against contractual obligations	(3,748)	(123,110)
Interest capitalized on capital work in progress	-	6,019,287
Balance at the end of the year	-	235,429,364

10. Net amount due from Kuwait Ports Authority

	2009	2008
Due from Kuwait Ports Authority:		
Rehabilitation costs of properties (a)	6,417,653	6,417,653
Accrued interest on the balance (b)	15,006,567	12,150,703
	21,424,220	18,568,356
Rent due from Kuwait Ports Authority (c)	15,633,440	15,633,440
Gross amount due from Kuwait Ports Authority before its share in rental income of Kuwait Free Trade Zone	37,057,660	34,201,796
Due to Kuwait Ports Authority:		
Gross share of Kuwait Ports Authority in rental income of Kuwait Free Trade Zone (d)	7,566,312	7,566,312
Less: Refunded share of the outstanding and unpaid rent of Kuwait Ports Authority (e)	(637,756)	(637,756)
Net share of Kuwait Ports Authority in rental income of Kuwait Free Trade Zone	6,928,556	6,928,556
Gross amount due from Kuwait Ports Authority after its share in rental income of Kuwait Free Trade Zone	30,129,104	27,273,240
Provision for doubtful debts (b,c,f)	(30,129,104)	(27,273,240)
	-	-

(a) According to clause number 11 in Kuwait Free Trade Zone management contract, if National Real Estate Company K.S.C. (the managing company) makes any rehabilitation for the properties according to the plan implemented by the Ministry of Commerce and Industry, then the managing company has the right to recover all the expenses it incurred for the rehabilitation work for those properties before accounting for the assigned share of Kuwait Ports Authority. These costs need to be approved by the Ministry of Commerce and Industry.

In accordance with this clause and the letter from the Ministry of Commerce and Industry dated November 25, 1998, at which the Ministry approved the costs that amounted to KD 6,449,034; the managing company had charged the amounts incurred in the renovation and overhauling of some properties of Kuwait Ports Authority to its account, including borrowing costs that can be capitalized amounting to KD 73,122 and the interest for the bank loans amounting to KD 100,393 that can be capitalized for the period from the date of commencement of activities till December 31, 1999.

The actual rehabilitation costs incurred by the managing company for Kuwait Ports Authority properties amounted to KD 6,417,653. The Consulting Committee of the Free Zones had approved the rehabilitation costs of KD 5,033,000 during its meeting on January 23, 2002, for the period from May 30, 1998 till October 31, 2000.

(b) The managing company also computes interest on the monthly outstanding balance due from Kuwait Ports Authority at 10% per annum. Interest income recorded in the consolidated statement of income for the year ended December 31, 2009 amounted to KD 2,855,864 (December 31, 2008 – KD 2,585,164). The managing company has fully provided for this interest.

(c) Also, the balance due from Kuwait Ports Authority as of December 31, 2009 includes an amount of KD 15,633,440 (December 31, 2008 – KD 15,633,440) being the balance due for the rents of utilized properties by Kuwait Ports Authority in the Kuwait Free Trade Zone. The managing company has recorded a provision for those rents in the balance due from Kuwait Ports Authority (Note 36 - g).

(d) According to the management contract, 80% of the rent collected in the Kuwait Free Trade Zone from the existing properties that were handed over from Kuwait Ports Authority is assigned to it. As a result of resolution by the Ministry of Commerce and Industry mentioned below (f). The Parent Company has lost control over the assets and on its management. Accordingly Kuwait Authorities share of rent was not calculated for the years 2007, 2008 and also for 2009.

(e) The 80% share relating to the outstanding and unpaid rent of Kuwait Ports Authority is deducted from the gross share of Kuwait Ports Authority in rental income of the Kuwait Free Trade Zone. In case of any settlement regarding those outstanding and unpaid rents, its relative share previously deducted will be refunded back to the share of Kuwait Ports Authority in rental income of Kuwait Free Trade Zone

(f) As a result of the resolution issued by the Ministry of Commerce and Industry No. 507 / 2006 relating to the cancellation of the management contract of Kuwait Free Trade Zone with the managing company (Note 34-f), the managing company has fully provided for the amount due from Kuwait Ports Authority on a conservatism approach and not as surrender to the validity of the cancellation resolution.

11. Properties held for trading

The movement during the year is as follows:

	2009	2008
Balance at the beginning of the year	-	-
Transferred from capital work in progress	31,686,349	-
Additions	2,015,463	-
Interest capitalized on properties held for trading	1,292,242	-
Amortized interest relating to properties held for trading	447,346	-
Foreign currency translation adjustments	712,497	-
Impairment loss of properties held for trading (Note 25)	(4,065,016)	-
Balance at the end of the year	32,088,881	-

12. Properties under development

The movement during the year is as follows:

	2009	2008
Balance at the beginning of the year	-	-
Transferred from capital work in progress	110,403,217	-
Additions	2,544,297	-
Interest capitalized on properties under development	2,250,162	-
Amortized interest relating to properties under development	443,285	-
Foreign currency translation adjustments	4,159,494	-
Balance at the end of the year	119,800,455	-

13. Property, plant and equipment

	Leasehold improvements	Buildings furniture decorations office equipment and motor vehicles	Capital work in progress	Total
Cost:				
At December 31, 2008	8,851,069	4,322,879	-	13,173,948
Additions	280	2,070,378	2,316,733	4,387,391
Transfers from capital work in progress – (Note 9)	-	-	3,537,070	3,537,070
Transfers from completed capital work in progress	-	1,440,038	(1,440,038)	-
Interest capitalized on capital work in progress	-	-	206,548	206,548
Disposals	(6,372)	(162,559)	-	(168,931)
Impairment losses of property, plant and equipment (Note 25)	-	(2,145,293)	-	(2,145,293)
At December 31, 2009	**8,844,977**	**5,525,443**	**4,620,313**	**18,990,733**
Accumulated depreciation:				
At December 31, 2008	1,532,379	1,912,417	-	3,444,796
Charge for the year	59,532	418,280	-	477,812
Related to disposals	(4,055)	(37,203)	-	(41,258)
At December 31, 2009	**1,587,856**	**2,293,494**	**-**	**3,881,350**
Provision relating to cancellation of management's contract of Kuwait Free Trade Zone	(6,618,463)	(56,834)	-	(6,675,297)
Net book value:				
At December 31, 2009	**638,658**	**3,175,115**	**4,620,313**	**8,434,086**
At December 31, 2008	700,227	2,353,628	-	3,053,855

"Leasehold improvements" mainly represent the improvements made by the Parent Company for the infrastructure in the Kuwait Free Trade Zone, and its depreciation was over the period of management contract for the Kuwait Free Trade Zone. As a result of the resolution relating to the cancellation of the management contract of Kuwait Free Trade Zone with the managing company, the managing company has made a provision for the full amount of infrastructure work on a conservatism approach and not as a surrender to the validity of the cancellation of the contract.

14. Investment properties

Investment properties are presented as follows:

	2009	2008
Investment properties stated at fair value (a)	**110,679,447**	66,680,147
Investment properties under construction stated at cost (b)	**88,953,688**	-
	199,633,135	66,680,147

(a) The movement on the investment properties stated at fair value during the year is as follows:

	2009	2008
Balance at the beginning of the year	**66,680,147**	66,411,513
Additions	**12,979,356**	1,231,936
Transferred from capital work in progress	**14,395,643**	3,771,166
Change in fair value of investment properties	**15,156,915**	(4,734,468)
Foreign currency translation adjustments	**1,467,386**	-
Balance at the end of the year	110,679,447	66,680,147

The investment properties are valued by independent valuers. Properties that are built on land rented from others are valued using the discounted cash flow method.

The change in fair value of investment properties includes amount of KD 18,212,318 which represent the Group's share of results from profit generated from revaluation of investment property owned by a subsidiary joint venture (Mediterranean Investment Holding P.L.C.) which is owned by 50% by the Group.

(b) The movement on the investment properties under construction stated at cost during the year is as follows:

	2009	2008
Balance at the beginning of the year	-	-
Transferred from capital work in progress	**75,395,787**	-
Additions	**5,988,866**	-
Interest capitalized on investment properties in progress	**2,956,759**	-
Amortized interest relating to investment properties in progress	**1,329,856**	-
Foreign currency translation adjustments	**3,282,420**	-
Balance at the end of the year	**88,953,688**	-

The Parent Company has certain properties erected on land leased from the Government for 25 years. The Ministry of Finance had issued a resolution to terminate those contracts after the expiry of this 25 years period. However, the Parent Company appealed against this resolution claiming for the renewal of those contracts for another 25 years with the same terms. The Court of First Instance sustains the resolution of the Ministry of Finance, after which the Parent Company appealed against the resolution of the Court of First Instance. The Court of Appeal in its sitting dated June 24, 2007 had decided in its verdict to cancel the resolution of the Court of First Instance and to cancel the resolution of the Minister of Finance to withdraw those properties and consider it as void along with all its consequent effects. The Ministry of Finance appealed against this verdict at the Court of Cassation which had decided in its session dated June 30, 2009 to revoke the Court of Appeal's verdict and corroborate the Court of First Instance's verdict, which ruled that the contracts of those properties are expired and the properties are to be handed over to the Ministry of Finance, that's and the Ministry had obtained possession of these properties from the parent Company on March 24, 2010.

During the prior years, the Group had recorded full provisions for those properties for conservatism purposes. In the Group's opinion, the Court of Cassation's verdict won't have negative financial impact on its financial results as all necessary provisions in that regard are included in its records.

In the opinion of the External Legal Counsel of the Group, there is no ability to comment on the possible financial impact of neither the Court of Cessation's verdict nor the possible compensations which might result for either party of the dispute, as there's no basis that would enable the Group of calculating these financial results, possible compensations or evaluating the possibility of concluding new agreements for those properties in an accurate manner. Taking that into consideration as well as the full provision recorded for those properties in the Group's records, the Group's management had decided that no additional provisions would be necessary as at the date of consolidated statement of financial position.

15 Accounts payable and other credit balances

	2009	2008
Current portion		
Revenue received in advance	**576,304**	1,212,102
Refundable deposits from tenants	**1,783,312**	1,919,513
Retentions	**299,935**	329,577
Payable to contractors	**2,572,017**	455,576
Dividend payable to shareholders	**1,701,632**	1,845,618
Accrued expenses	**2,628,701**	3,944,486
Accrued interest (a)	**334,314**	554,473
Payable for Board of Directors' remuneration	**70,000**	-
Payable for purchase of lands	**32,869,644**	22,915,252
Other payables	**3,221,293**	5,008,685
Total current portion	**46,057,152**	38,185,282
Non current portion		
Revenue received in advance	**11,419,085**	7,337,379
Retentions	**32,489**	346,900
Accrued expenses	**6,775,092**	6,234,066
Provision for contractual obligations	**777,688**	790,432
Payable for purchase of lands	**71,321,738**	82,234,812
Other payables	**2,051,913**	943,164
Total non current portion	**92,378,005**	97,886,753
	138,435,157	136,072,035

a) Accrued interest is normally settled quarterly to semi – annually

b) There is no material difference between the fair value and the book value of accounts payable and other credit balances.

16. Deferred tax liability

This item represents the group share in the deferred tax liability to the joint venture (Mediterranean Investment Holding P.L.C) being a Company registered in Maltas. The deferred tax liability of the joint venture was calculated according to the applicable tax law and in accordance with the relevant laws and fiscal regulations that is applied in Malta.

17. Bank facilities

	Currency	2009	2008
Current:			
Overdraft facility from a local bank carrying an interest rate of 2.5% per annum over the Central Bank of Kuwait discount rate repayable on July 1, 2010.	KD	**9,508,522**	8 883 405
Overdraft facility from a local bank carrying an interest rate of 2% per annum over the Central Bank of Kuwait discount rate repaid on December 1, 2009	KD	-	585,327
Revolving multi currency loans from a local bank carrying an interest rate of 1.75% per annum over the Central Bank of Kuwait discount rate for KD loans, repaid on April 23, 2009	KD	-	30,000,000
Revolving multi currency loan from a local bank carrying an interest rate of 2.5% per annum over the Central Bank of Kuwait discount rate for KD loans, repayable on July 1, 2010	KD	**14,000,000**	-
Revolving loan from a local bank carrying an interest rate of 2.5% per annum over the Central Bank of Kuwait discount rate repaid on December 1, 2009	KD	-	28.000 000
Revolving multi currency loan from an International Bank carrying an interest rate of 4% per annum over the bank borrowing cost repayable through 3 equaled quarter installments till October 1,2010	USD	**8,587,500**	16.587 000
Parent company's share of a multi currency term loan from an international bank secured by a general mortgage over the joint venture's assets (Mediterranean Investments Holding P.L.C. and its subsidiaries) with no recourse on the parent company and subject to floating interest rates. As of December 31, 2009 the effective interest rate is 1.5%, repayable within 1 year	Libyan Dinar	**867,510**	-
Total current portion of bank facilities		**32,961,532**	84,055 732
Non-current			
Term loan from a local bank against a pledge of certain shares of the Group's investment in The Public Warehousing Co. K.S.C. (Agility) carrying an interest rate of 2.25% per annum over the Central Bank of Kuwait discount rate ,maturing in June 28, 2013 and repayable on 11 equal quarterly installments of KD 2,916,667 each and a balloon payment of KD 37,916,663.	KD	-	70,000,000
Midterm loan granted from local bank carrying an interest rate of 3% per annum over the Central Bank of Kuwait discount rate , maturing on May 31, 2011	KD	**9,973,264**	-
Long term loan granted from local bank carrying an interest rate of 3% per annum over the Central Bank of Kuwait discount rate repayable on installments ending on April 30 2014	KD	**21,500,000**	-
Outstanding balance of term loan from a local bank against a pledge of certain shares of the Group's investment in the Public Warehousing Co. K.S.C. (Agility) carrying an interest rate of 2.85% per annum over the Central Bank of Kuwait discount rate , maturing on March 31, 2015 the total loan is repayable on 16 equal quarterly installments of KD 4,000 000 each and a balloon payment of KD 66,000,000.	KD	**117,500,000**	-
Parent company's share of a multi currency term loan from an international bank secured by a general mortgage over the joint venture's assets (Mediterranean Investments Holding P.L.C. and its subsidiaries) with no recourse on the parent company and subject to floating interest rates. As of December 31, 2009 the effective interest rate is 2.5% repayable within 2-5 years	Euro	**10,497,045**	2,500,578
Total non-current portion of bank facilities		**159,470,309**	72,500,578
Total bank facilities		**192,431,841**	156 556 310

One of the local banks renewed and amended a facility contract granted to the parent company through rescheduling the facilities with new conditions and secured by certain properties owned by the parent company and pledging certain of Public Warehousing Company K.S.C. (Agility) shares.

Bank facilities amounting to KD 141,006,522 (2008 – KD 66,883,405) have been secured by promissory notes amounting to KD 160,000,000 (2008 – KD122,000,000).

The carrying amounts of the bank facilities approximate their fair value

18. Bonds

Bonds represent the Parent Company's proportionate share in the bonds issued by Mediterranean Investment Holding P L.C (joint venture).

Currency	Interest rate	Repayable by	2009	2008
Euro (A)	7 5%	December 4,2014	**3,098,392**	2,943,885
Euro (B)	7.5%	August 4,2015	**4,131,000**	3,872,839
			7,229,392	6,816,724

The movement during the year is as follows:

	2009	2008
Balance at the beginning of the year	**6,816,724**	3,031,500
Additions	**-**	3,922,234
Amortization of transaction cost	**54,899**	429
Foreign currency translation adjustments	**357,769**	(137,439)
Balance at the end of the year	**7,229,392**	6,816,724

During the year ended December 31, 2007, Mediterranean Investments Holding P.L.C. (joint venture) issued bonds of a nominal value of € 15,000,000 as if they weren't redeemed earlier as per the redemption option given within the issuance terms, they will be redeemed at face value on December 4, 2014. The issuer reserves the right to redeem the bonds or any part of the issue at any time prior to the stated maturity on either of the interest payment dates falling in 2012 and/or 2013. Redemption of the bonds shall be made at the face value of the bonds.

During the year ended December 31, 2008, Mediterranean Investments Holding P.L.C. (joint venture) issued a seven year bond of € 15,000,000 carrying an interest rate of 7.5% and maturing on August 4, 2015 subject to an over allotment option for a further amount of € 5,000,000, The joint venture exercised its over allotment option, thereby increasing the allotment to € 20,000,000.
In addition to the above, the issuer reserves the right to redeem all of the above bonds at any point of time post issuance date.

19 Provision for employees end of service indemnity

	2009	2008
Balance at the beginning of the year	**740,053**	611,934
Charge for the year	**191,478**	195,518
Paid during the year	**(162,431)**	(67,399)
Balance at the end of the year	**769,100**	740,053

20. Share capital

The authorized, issued and fully paid-up share capital consists of 814,195,060 shares (2008 – 814,195,060 shares) of 100 fils each

21. Treasury shares

	2009	2008
Number of treasury shares	38,988,251	38,188,251
Percentage of issued and fully paid up shares (%)	4.78%	4.69%
Market value (KD)	7,719,674	9,012,427
Cost (KD)	7,179,151	7,015,148

22. Statutory reserve

As required by the Commercial Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year attributable to equity holders of the Parent Company before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST), Zakat and Board of Directors' remuneration is transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve equals 50% of the capital. This reserve is not available for distribution except in cases stipulated by Law and the Parent Company's Articles of Association.

Distribution of the reserve is limited to the amount required to enable the payment of a dividend up to 5% of paid-up share capital in years when accumulated profits are not sufficient to secure the payment of such a dividend.

23. General and administrative expenses

	2009	2008
Cleaning and maintenance	(957,761)	(809,062)
Security	(201,054)	(188,506)
Utilities	(180,559)	(267,202)
Insurance	(70,970)	(69,308)
Land lease and office rent	(1,507,157)	(1,229,717)
Legal fees	(376,287)	(988,225)
Subscriptions and communication	(251,359)	(173,961)
Advertising and marketing	(548,387)	(870,106)
Printing and stationary	(55,462)	(72,114)
Business travel	(271,048)	(207,573)
Bank charges	(54,968)	(42,085)
Company incorporation charges	-	(230,508)
Share of Maastricht School of Management – Netherlands (relating to revenue of a subsidiary)	(253,589)	(252,945)
Others	(2,705,449)	(3,513,863)
	(7,434,050)	(8,915,175)

24. Net investment income

	2009	2008
Dividend income	121,035	722,097
Unrealized loss from investments at fair value through income statement	-	(430,654)
Realized gain on sale of investments at fair value through income statement	-	119,110
Realized gain on partial sale of investment in an associate	-	2,683,011
Realized gain on sale of investments available for sale	34,208	360,723
	155,243	3,454,287

25. Impairment losses

	2009	2008
Impairment losses of investment available for sale (Note – 6)	(2,271,421)	(4,760,664)
Impairment of investment in associate (Note – 7)	(1,173,619)	-
Impairment of properties held for trading (Note - 11)	(4,065,016)	-
Impairment of property, plant and equipment (Note – 13)	(2,145,293)	-
	(9,655,349)	(4,760,664)

26. Other income

	2009	2008
Promotional income	132,706	175,577
Service income – programs and courses fee	1,162,451	1,234,267
Service and registration income - Other	59,608	242,459
Consultancy fees	149,000	8,095
Gain from money market funds	-	35,556
Gain on partial disposal of investment property	-	9,475
Gain on sale of property, plant and equipment	101,831	9,999
Accrued expenses no longer required	538,802	942,005
Miscellaneous	829,431	546,345
	2,973,829	3,203,778

27 Interest income

Interest from:	2009	2008
Call accounts	121,853	224,990
Short term deposits	514,410	446,296
Current account with a related party	136,870	123,221
Current account with a joint venture	35,494	29,709
Balance due from Kuwait Ports Authority	2,855,864	2,585,164
	3,664,491	3,409,380

28. Interest expense

Interest on:	2009	2008
Overdrafts	(540,787)	(641,760)
Term loans	(2,271,019)	(2,519,594)
Bonds	(138,735)	(175,756)
	(2,950,541)	(3,337,110)

29. Provisions

	2009	2008
Provision relating to advance payments for purchase of an investment property in Iraq (Note 5)	-	(1,096,347)
Provision for bad debts related to accounts receivable and other debit balances (Note 5)	(451,842)	(288,060)
Provision for interest income due on the balance due from Kuwait Ports Authority (Note 10-b)	(2,855,864)	(2,585,164)
Provision against long term loan was granted to a joint venture (Note 8)	(425,383)	-
	(3,733,089)	(3,969,571)

30. Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)

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

There is no contribution to Kuwait foundation for advancement of sciences (KFAS) for the year ended December 31, 2009, due to not recognizing profits after deducting the group's share of profit from an associate subject to the law of contribution to Kuwait foundation for advancement of sciences (KFAS)

31. National Labor Support Tax (NLST)

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 cash dividends from Kuwaiti listed shareholding companies.

There is no contribution to National labor support tax (NLST) for the year ended December 31, 2009, due to not recognizing profits after deducting the group's share of profit from an associate subject to the law of National labor support tax (NLST)

32. Zakat

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

There is no contribution to Zakat for the year ended December 31, 2009, due to not recognizing profits after deducting the group's share of profit from an associate subject to Zakat

33. Earnings per share

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, as follows:

	2009	2008
Net profit for the year attributable to equity holders of the Parent Company	**29,520,104**	18,291,821
	2009 Share	2008 Share
Number of issued and fully paid-up shares	**814,195,063**	814,195,063
Less: Weighted average number of treasury shares	**(38,641,128)**	(35,125,080)
Weighted average number of share outstanding	**775,553,935**	779,069,983
	Fils	Fils
Earnings per share attributable to equity holders of the Parent Company	**38.06**	23.48

34. Related party balances and transactions

Related parties represent main shareholders, board of directors, associates, key management personnel and parties related to them. Pricing policies and terms of these transactions are approved by the Parent Company's management. Related party balances and transactions are summarized as follows:

	Major shareholders	Key management personnel	Associate	Joint venture	Others	2009	2008
(i) Balances included in the consolidated statement of financial position:							
Accounts receivable and other debit balances	872,561	93,000	199,983	-	2,018,215	3,183,759	3,864,863
Long term loan	-	-	-	631,302	-	631,302	541,223
Accounts payable and other credit balances	37,536	-	-	-	-	37,536	23,063

(ii) Transactions included in the consolidated statement of income	Major shareholders	Key management personnel	Associate	Joint venture	Others	2009	2008
Rental income	464,591	-	-	-	-	464,591	470,947
Interest income	25,360	-	-	35,494	111,510	172,364	152,390
Provision for long term loan granted to a joint venture	-	-	-	(425,838)	-	(425,838)	-
General and administrative expenses	(263,988)	-	-	-	-	(263,988)	(253,557)

	2009	2008
(iii) Key management compensation:		
Short term benefits	1,076,120	1,047,359
Termination benefits	41,412	38,700
Board of Directors' remuneration	70,000	-

35. Working capital

	2009	2008
Current assets:		
Cash and cash equivalents	**11,081,010**	16,678,195
Term deposit	**600,000**	-
Accounts receivable and other debit balances	**6,276,335**	6,572,404
Quoted investments available for sale	**11,787,088**	11,269,350
Properties held for trading	**32,088,881**	-
Total current assets	**61,833,314**	34,519,949
Current liabilities:		
Accounts payable and other credit balances	**(46,057,152)**	(38,185,282)
Bank facilities	**(32,961,532)**	(84,055,732)
Total current liabilities	**(79,018,684)**	(122,241,014)
Working capital	**(17,185,370)**	(87,721,065)

The Group's current liabilities exceed its current assets by an amount of KD 17,185,370 (2008 – KD 87,721,065). This material and noticeable improvement in the level of the working capital is resulted from the Group's management success in the negotiations with the lending financial institutions to renew or restructure the granted loans. This reflects the reliance of the financial institutions on the quality of the Group's assets and stability of its cash flows.

The consolidated financial statements have been prepared assuming the Group will continue as a going concern. The consolidated financial statements do not include any adjustment that might result from the outcome of the uncertainty. The Group's going concern assumption relies on necessary support from financial institutions, shareholders as well as the Group's ability to promote its cash inflows.

In the Group's management opinion, its lender financial institutions will renew the Group's outstanding borrowings on their respective due dates considering the quality of the Group's assets and the stability of its cash inflows, and that the major shareholders of the Parent Company as well as the associates will provide necessary support, if needed, to enhance the Group's cash inflows.

36. Contingencies and capital commitments

a) At December 31, 2009, the Group's management authorized capital commitments amounting to KD 4,918,278 (2008 – KD 15,677,501)

b) At December 31, 2009, the Group's capital commitment stated above include capital expenditure arising from the Parent Company's interest in Mediterranean Investment Holding Co. P.L.C. (joint venture) is as follows:

(i) Capital expenditure contracted for the construction and development of real estate projects but not yet incurred amounted to KD 2,846,931 (2008 – KD 6,476,250).

(ii) Capital expenditure authorized by the board of directors of the joint venture but has not yet been contracted for amounted to KD 343,247 (2008 – KD1,373,750)

c) At December 31, 2009, the Parent Company had commitments under a non-cancelable operating lease, primarily for land leased from the Government of Kuwait for the Water Front Project as follows:

Year	KD
2010 – 2014	112,800
2015 – 2019	112,800
	225,600

For the operating lease commitments, the Parent Company is required to give a bank guarantee of 0.5% of the total value of the capital project concerned for the purpose of maintenance services to be provided by the final lessor.

d) The Group was contingently liable in respect of the following:

	2009	2008
Letters of guarantee	2,418,003	418,560
Letters of credit	84,986	412,368
	2,502,989	830,928

e) One of the tenants of the Kuwait Free Trade Zone had filed a complaint against the Parent Company claiming for a compensation amounting to KD 11,632,382. An Arbitration Committee was formed under the supervision of Ministry of Commerce and Industry. The Parent Company's management submitted many memoranda objecting about the non-competency of the Arbitration Committee, disapproving the arbitration procedures and agreement, and request for denying the case. However, the Arbitration Committee continued to perform its function and declared a verdict on November 15, 2003 obliging the Parent Company to pay compensation for losses suffered amounting to KD 3,600,000.

The Parent Company's management appealed against the verdict of the Arbitration Committee dated November 15, 2003. On January 19, 2004, the General Court declared that the verdict by Arbitration Committee dated November 15, 2003 is void, and forwarded the case to the Experts Department in Ministry of Justice which had concluded in its report that no compensation to be done to the tenant and the Court of First Instance issued its ruling in which the Arbitration decision was nullified and the compensation claim was rebuffed. The Court of Appeal sustained the decision of the Court of First Instance. The tenant has appealed against the decision of the Court of Appeal in the Court of Cassation which has issued the verdict in favor of the Parent Company on June 17, 2008.

f) As per the decision No. 507 in 2006, the Ministry of Commerce and Industry cancelled the management contract of Kuwait Free Trade Zone in Shuwaikh port dated May 30, 1998 between the Ministry of Commerce and Industry and National Real Estate Company K.S.C (the managing company). Due to this, the managing company had lost its control over the assets located in KFTZ. Accordingly, the managing company had recognized the following provisions.

All these provisions were made on a conservatism approach and not as surrender to the validity of the resolution.

	Amount
Assets located in KFTZ	11,172,070
Provision for contractual obligations relating to the cancellation of management's contract of Kuwait Free Trade Zone	1,653,236
Provision for doubtful debts	535,118
	13,360,424

The managing company had filed a case under 939/2006 appealing against the decision of the Ministry of Commerce and Industry for the cancellation of a management contract for KFTZ. On April 15, 2007, the court forwarded the case to the Experts Department in the Ministry of Justice which is still reviewing the case, where a session is set on February 23, 2010 to issue its report in this regard, which is still under process.

As per the opinion of the managing company's external legal counsel hearing, the decision of the Ministry of Commerce and Industry would be cancelled and in case the decision is not cancelled, then the managing company has the right to recover all expenses incurred due to cancellation of the contract before its maturity and has also the right to be compensated for future benefits for the rest of the managing contract term.

The managing company is in process of performing an assessment of the compensation in case the court sustains the cancellation resolution. In such event, the managing company proposes to offer an initiative for a considerate settlement of its rights with the government. In the event of failure of the initiative, a claim is proposed to be filed by the managing company for the recovery of those compensation claims as per the law

g) The Parent Company had filed a legal case No. 277/2005 against Kuwait Ports Authority & one of the Transport companies claiming for the unpaid and due rentals from their utilization of certain plots in Kuwait Free Trade Zone during its management by the Parent Company. The Court of First Instance in its sitting dated February 15th, 2010 had ruled in favor of the Parent Company obliging Kuwait Ports Authority & that Transport Company to jointly pay the Parent Company an amount of KD 6,956,416 for the areas and duration as stated in that ruling. The court had also denied the case filed by Kuwait Ports Authority & that Transport Company against the Parent Company in the same regard. Both Kuwait Ports Authority & that Transport Company had appealed against that ruling. The Parent Company had appealed against it as well, as it believes in its right for compensation amounts more than that stated in the court ruling. Currently the Court of Appeal is in process of setting the date for the next hearing.

The amount stated in the court ruling represents a portion of the rentals due from Kuwait Ports Authority as recorded in the Parent Company's records As it was appealed against that ruling, and due to not receiving any amounts yet by the Parent Company, No adjustments were recorded in the Parent Company's books for conservatism purposes, as the Parent Company's books include all the required provisions in that regard (Note 10 – c).

37. Financial risk management

In the normal course of business, the Group uses primary financial instruments such as cash and cash equivalents, investments, receivables, net amount due from Kuwait Ports Authority, payables, bank facilities and bonds 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.

Credit risk:
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets which potentially subject the Group to credit risk consist principally of cash and cash equivalents, receivables and net amount due from Kuwait Ports Authority. The Group's cash and cash equivalents are placed with high credit rating financial institutions. Receivables are presented net of allowance for doubtful debts

The Group's maximum exposure arising from default of the counter-party is limited to the carrying amount of cash and cash equivalents, receivables and net amount due from Kuwait Ports Authority.

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 ensures adequate balances are maintained in cash and cash equivalents or other investments that are readily realizable.

a) The maturity profile of financial liabilities was as follows:

	2009					
Financial liabilities	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Accounts payable and other credit balances	**172,704**	**2,103,012**	**43,781,436**	**90,161,996**	**2,218,009**	**138,435,157**
Bank facilities	**-**	**-**	**32,961,532**	**93,470,309**	**56,000,000**	**192,431,841**
Bonds	**-**	**-**	**-**	**3,098,392**	**4,131,000**	**7,229,392**
	172,704	**2,103,012**	**76,742,968**	**186,730,697**	**72,347,009**	**338,096,390**

	2008					
Financial liabilities	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Accounts payable and other credit balances	1,152,115	4,599,973	32,433,194	94,826,986	3,059,767	136,072,035
Bank facilities	-	36,293,500	47,762,232	72,500,578	-	156,556,310
Bonds	-	-	-	-	6,816,724	6,816,724
	1,152,115	40,893,473	80,195,426	167,327,564	9,876,491	299,445,069

b) The analysis of the Group's contingent liabilities and capital commitments by remaining contractual maturities was as follows:

	2009					
Contingent Liabilities	**Up to 1 month**	**1 - 3 months**	**3 - 12 months**	**1 - 5 years**	**Over 5 years**	**Total**
Letters of guarantee	**-**	**-**	**2,418,003**	**-**	**-**	**2,418,003**
Letters of credit	**-**	**84,986**	**-**	**-**	**-**	**84,986**
Capital commitments	**248,054**	**57,950**	**3,325,266**	**1,287,009**	**-**	**4,918,279**
	248,054	**142,936**	**5,743,269**	**1,287,009**	**-**	**7,421,268**

	2008					
Contingent Liabilities	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Letters of guarantee	-	-	418,569	-	-	418,569
Letters of credit	-	-	412,368	-	-	412,368
Capital commitments	384,379	3,281,548	6,587,308	5,255,066	169,200	15,677,501
	384,379	3,281,548	7,418,245	5,255,066	169,200	16,508,438

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 re-priced 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 short term deposits, floating rate borrowings and bonds). There is no impact on Group's equity regarding this matter.

Year	Increase / (Decrease) in interest rate	Balance on December 31	Effect on Consolidated statement of income
2009			
Bank deposits	**± 50 basis points**	**8,561,297**	**42,806 ±**
Overdrafts	**± 50 basis points**	**(9,506,522)**	**47,533 ±**
Loans	**± 50 basis points**	**(182,925,319)**	**914,627 ±**
Bonds	**± 50 basis points**	**(7,229,392)**	**36,147 ±**
2008			
Bank deposits	± 50 basis points	9,997,234	49,986 ±
Overdrafts	± 50 basis points	(9,468,732)	47,344 ±
Loans	± 50 basis points	(147,087,578)	735,438 ±
Bonds	± 50 basis points	(6,816,724)	34,084 ±

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 between other currencies and Kuwaiti Dinar:

Currencies	Change in foreign currency rate	Effect on Consolidated statement of income	Effect on consolidated statement of comprehensive income
2009			
US Dollar	**±5%**	**374,517 ±**	**22,698 ±**
Euro	**±5%**	**234,672 ±**	**5,842 ±**
UAE Dirham	**±5%**	**1,739,340 ±**	**47,609 ±**
Qatari Riyal	**±5%**	**112 ±**	**67,267 ±**
Jordanian Dinar	**±5%**	**176,055 ±**	-
Egyptian Pound	**±5%**	**3,767,594 ±**	-
Others	**±5%**	**11,916 ±**	-
2008			
US Dollar	±5%	798,976 ±	126 ±
Euro	±5%	131,632 ±	6,131 ±
UAE Dirham	±5%	2,096,403 ±	35,949 ±
Qatari Riyal	±5%	108 ±	58,243 ±
Jordanian Dinar	±5%	196,650 ±	-
Egyptian Pound	±5%	3,443,449 ±	-
Others	±5%	53,343 ±	-

Equity price risk

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

	2009		2008	
Market indices	Change in equity price %	Effect on consolidated statement of comprehensive income	Change in equity price %	Effect on consolidated statement of comprehensive income
Kuwait Stock Exchange	±5%	281,418 ±	±5%	301 651 ±
Doha Securities Market	±5%	67,267 ±	±5%	58,243 ±
Abu Dhabi Securities Market	±5%	47,609 ±	±5%	35,949 ±
NASDAQ	±5%	22,698 ±	±5%	4 791 ±
Malta Stock Exchange	±5%	46,450 ±	±5%	49 606 ±

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 current bid prices, discounted cash flow models and other models as appropriate. At December 31, the fair values of financial instruments approximate their carrying amounts, except that it was not possible to reliably measure the fair value of certain available-for-sale investments as indicated in Note 6.

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

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

The following table presents the Company's assets and liabilities that are measured at fair value at 31 December 2009:

	Level 1	Level 2	Total
Investment available for sale:			
Quoted securities	8,714,169	-	8,714,169
Managed portfolios and funds	-	4,722,919	4,722,919
	8,714,169	4,722,919	13,437,088

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily traded equity investments classified as trading securities or available-for-sale.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the end of reporting period, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

38. 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.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt

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

	2009	2008
Bank facilities	192,431,841	156,556,310
Bonds	7,229,392	6,816,724
Less: Cash and cash equivalents	(11,081,010)	(16,678,195)
Term deposit	(600,000)	-
Net debt	187,980,223	146,694,839
Total equity	275,149,756	232,763,631
Total capital resources	463,129,979	379,458,470
Gearing Ratio	40.58%	38.65%

39. Proposed dividend and General Assembly

The Board of Directors of the Parent Company proposed no cash dividends nor bonus shares for the year ended December 31, 2009. This proposal is subject to the approval of the shareholders' general assembly and responsible authorities.

Shareholders' General Assembly

The annual shareholders' general assembly meeting was held on May 27, 2009 and had approved no distribution of either cash dividends or bonus shares for the year ended December 31, 2008 (December 31, 2007: Cash dividends of 20 fils per share and bonus shares of 10 shares for every 100 shares).

On the same meeting as well, the shareholders' general assembly had decided to decline the proposal of cancelling the parent company's share capital increase to KD 103,624,826 through issuing 222,053,200 new shares at a par value of 100 fils per share and a premium of 150 fils per share totaling to a subscription price of 250 fils per share.

As of the date of accompanying consolidated financial statements, the subscription of new shares has not commenced as the parent company is awaiting the approvals from the official authorities.

40. Segment information

(A) The Group's management has grouped the Group's services into the following business segments.

- Real estate and Other operations: consisting of development, trading, leasing and management of real estate properties and other activities.
- Investment operations: consisting of investment in associates, equity securities and joint ventures.

There are no inter-segmental transactions. The following are the details of the above segments:

	2009			2008		
	Real estate & Others	Investments	Total	Real estate & Others	Investments	Total
Segment income	11,560,941	35,228,145	46,789,086	11,234,075	34,881,027	46,115,102
Segment expenses	(12,494,597)	-	(12,494,597)	(12,961,337)	-	(12,961,337)
Depreciation, amortization and change in fair value	14,662,373	-	14,662,373	(5,171,039)	-	(5,171,039)
Deferred taxes	(6,041,940)	-	(6,041,940)	-	-	-
Provisions	(877,225)	-	(877,225)	(1,384,407)	-	(1,384,407)
Impairment Losses	(6,210,309)	(3,445,040)	(9,655,349)	-	(4,760,664)	(4,760,664)
Segment profit	599,243	31,783,105	32,382,348	(8,282,708)	30,120,363	21,837,655
Net interest			(2,141,914)			(2,512,894)
Un allocated expenses			(726,853)			(30,842)
Net profit for the year			29,513,581			19,293,919
Attributable to						
Equity holders of the Parent Company			29,520,104			18,291,821
Non-controlling interest			(6,523)			1,002,098
			29,513,581			19,293,919
Total Assets	383,239,308	236,817,878	620,057,186	335,127,644	197,821,109	532,948,753

(B) For the management purposes, the Group is divided into five geographical segments, which are: State of Kuwait, GCC, Asia, Africa and others.

The geographical segments information are as follows:

	2009						2008					
	Kuwait	GCC	Asia	Africa	Others	Total	Kuwait	GCC	Asia	Africa	Others	Total
Cash on hand & at banks and money market funds	781,450	57,972	414,885	974,862	910,524	3,119,713	3,236,056	899,160	1,341,882	600,164	603,700	6,680,961
Bank deposits	2,504,521	288,048	1,083,700	2,907,650	1,797,177	8,581,297	1,102,501		349,666	4,095,497	4,449,580	9,997,734
Accounts receivable & other debit balances	6,134,329	134,121	3,323,163	284,191	1,755,537	11,631,341	7,474,193	784,658	3,179,338	832,496	1,215,359	13,486,083
Investments available for sale	12,631,945	3,734,170	-		1,962,420	18,518,535	14,734,712	3,310,500			1,562,458	19,607,670
Investment in associates	218,299,343	-	-	-	-	218,299,343	177,842,974		-	-	-	177,842,974
Investment in a joint venture	-				-		370,465					370,465
Capital work in progress		-	-			-	2,805,804	94,387,434	23,737,481	100,123,002	14,356,643	235,429,364
Property, plant and equipment	1,479,004	854,342	5,367,951	377,804	54,785	8,434,886	2,331,383		646,325	147,024	27,123	3,053,856
Properties held for trading		13,257,800	6,816,439	13,014,542	-	33,088,881	-			-	-	-
Properties under development		23,366,042	1,526,605	94,477,808	-	119,370,455	-	-	-	-	-	-
Investment properties	53,773,142	89,474,888	5,794,972	1,683,845	46,906,308	199,633,155	66,520,002	160,145	-	-	-	66,680,147
Total assets	305,783,734	121,137,864	28,027,715	113,760,922	53,387,151	626,097,186	276,118,089	99,541,937	29,436,692	105,598,172	22,253,863	537,948,753
Bank facilities	(181,067,286)	-	-		(11,364,555)	(192,431,841)	(154,055,731)	-	-	-	(2,500,579)	(156,556,310)
Bonds	-	-	-	-	(7,229,392)	(7,229,392)		-	-	-	(5,816,724)	(5,816,724)
Other liabilities	(28,342,723)	(26,155,865)	(883,403)	(79,088,842)	(4,733,324)	(139,204,257)	(27,867,420)	(32,614,113)	(672,994)	(733,777)	(2,085,834)	(136,812,088)
Deferred taxes	-	-	-	-	(5,841,340)	(5,841,340)	-	-	-	-	-	-
Total liabilities	(209,410,009)	(26,155,865)	(883,403)	(79,088,842)	(29,168,211)	(344,907,430)	(181,923,151)	(32,614,113)	(672,994)	(733,777)	(11,403,137)	(300,165,122)

	2009						2008					
	Kuwait	GCC	Asia	Africa	Others	Total	Kuwait	GCC	Asia	Africa	Others	Total
Revenues												
Rental income	8,278,169	3,529	395,424	-	-	8,587,112	7,812,067	5,920	212,326		-	8,030,313
Share in the associates' results	35,168,883	-	-		-	35,168,883	31,484,824	-			-	31,484,824
Net investment income	19,272	123,230	-		(3,279)	139,223	3,878,217	46,679	-		(258,609)	3,666,287
Change in fair value of investment properties	(1,058,483)	-	-		16,212,318	15,153,835	(4,734,468)	-	-			(4,734,468)
Interest income	3,144,812	21,826	73,228	315,884	188,429	3,744,181	2,854,878	3,194	110,296	298,381	142,852	3,409,380
Other income	2,721,484	-	191,174	1,247	148,758	2,972,823	2,815,462	2,952	338,367	(13,795)	192	3,283,178
Total revenues	48,272,764	148,785	481,858	317,851	16,467,226	65,648,683	43,948,785	58,745	660,987	284,586	(115,565)	44,828,088
Expenses												
Staff costs	4,313,557	199,961	282,694	188,434	74,189	5,058,547	3,725,235	4,647	290,138	1,142	25,204	4,046,162
General & Administrative	5,275,382	639,879	432,819	333,925	182,845	7,434,858	7,731,736	45,068	890,208	17,958	76,207	8,915,175
Depreciation and amortization	422,226	1,584	39,898	20,371	16,318	494,567	371,916	-	91,857	9,501	13,291	486,571
Share of results from a joint venture	16,181	-	-	-	-	35,181	38,084	-				38,084
Interest expenses	2,718,316	-	-		731,225	2,958,541	3,160,800	-			176,190	3,337,110
Impairment losses	3,874,197	331,377	3,452,774	1,772,460	433,871	9,855,349	4,760,664	-			-	4,760,664
Provisions	3,558,881		165,716	78,342		3,723,488	3,909,571		-		-	3,909,571
Foreign exchange loss	658,853	-	-	-	-	658,853	30,842		-		-	30,842
Deferred tax expenses	-	-	-	-	6,641,940	6,641,940		-	-		-	-
Others expenses	70,000	-	-	-	-	70,000		-	-		-	-
Total expenses	21,344,278	1,132,003	4,382,012	2,394,472	8,696,318	38,132,072	23,734,718	49,715	1,272,199	180,607	269,892	25,534,179
Net profit for the year	24,928,487	(983,297)	(3,898,154)	(2,077,421)	11,587,918	25,513,581	20,209,998	9,030	(611,212)	101,979	(415,477)	19,293,919
Attributable to												
Equity holders of parent company	24,962,919	(979,384)	(3,923,868)	(2,057,434)	11,587,918	29,590,149	19,295,998	19,871	(640,730)	(2,061)	(415,477)	18,291,821
Non-controlling interest	(34,448)	(3,913)	42,819	(19,987)	-	(6,527)	914,000	(10,841)	28,918	29,518	-	1,002,098
	24,928,487	(983,297)	(3,898,154)	(2,077,421)	11,587,918	29,513,581	20,209,998	9,030	(611,212)	101,979	(415,477)	19,293,919

For more information on the accounting policies used and the nature of the above captions, please refer to Note (2) and the related notes thereto in the accompanying consolidated financial statements

41. Comparative figures

Certain prior year amounts have been reclassified to conform to the current year's presentation.