PRICEWATERHOUSECOOPERS
Draft for discussion

# Al Madina for Finance and Investment – K.S.C. (Closed)
# And its subsidiaries
# State of Kuwait

## Interim Condensed Consolidated Financial Information
## For the nine months ended 30 September 2009
## With Review Report
## (Unaudited)

PRICEWATERHOUSECOOPERS

Al-ATEEQI
CERTIFIED
ACCOUNTANTS

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**Al Madina for Finance and Investment – K.S.C. (Closed)**
**And its subsidiaries**
**State of Kuwait**

Interim Condensed Consolidated Financial Information
For the nine months ended 30 September 2009
With Review Report
(Unaudited)

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**Al Madina for Finance and Investment – K.S.C. (Closed)**
**And its subsidiaries**

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**Draft for discussion**

## Interim Condensed Consolidated Statement of Financial Position as of 30 September 2009
**(Unaudited)**
*(All amounts are in Kuwaiti Dinars)*

| | Note | 30 September 2009 | 31 December 2008 (Audited) | 30 September 2008 |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalent | | 408,123 | 1,078,422 | 1,601,712 |
| Investments in Murabaha and Mudarba | 3 | 12,947,545 | 24,555,339 | 15,446,321 |
| Investments at fair value through profit or loss | 4 | 12,403,306 | 13,110,045 | 19,084,852 |
| Finance lease receivables | | 32,834 | 127,413 | 162,212 |
| Other debit balances | 5 | 26,077,898 | 29,590,830 | 65,440,417 |
| Lands and real estates under development | 6 | 10,661,191 | 8,752,932 | 15,339,438 |
| Investment properties | 7 | 42,389,610 | 45,738,178 | 23,470,670 |
| Investments in associates | 8 | 58,459,739 | 61,998,780 | 73,628,828 |
| Intangible assets | | 841,844 | 840,469 | 10,929,645 |
| Property and equipment | | 6,194,646 | 5,847,723 | 5,509,140 |
| **Total Assets** | | 170,416,736 | 191,640,131 | 230,613,235 |
| **Liabilities and equity** | | | | |
| **Liabilities** | | | | |
| Payables and other credit balances | | 13,508,397 | 22,238,342 | 32,397,654 |
| Murabaha and Wakala payables | 9 | 61,806,375 | 73,330,085 | 83,307,808 |
| Employees' end of service indemnity | | 239,523 | 171,985 | 471,344 |
| Total liabilities | | 75,554,295 | 95,740,412 | 116,176,806 |
| **Equity** | | | | |
| Equity attributable to shareholders of the Parent Company | | | | |
| Share capital | 10 | 37,780,875 | 37,780,875 | 37,780,875 |
| Share premium | | 30,936,375 | 30,936,375 | 30,936,375 |
| Treasury Shares | 11 | (5,007,330) | (5,077,087) | (3,287,765) |
| Statutory reserve | | 3,507,676 | 3,507,676 | 3,387,160 |
| Voluntary reserve | | 3,409,102 | 3,409,102 | 3,288,586 |
| Other reserves | 12 | 298,576 | (1,174,947) | (678,829) |
| Retained earnings | | 3,515,189 | 8,314,232 | 22,498,485 |
| Total equity attributable to shareholders of the Parent Company | | 74,440,463 | 77,696,226 | 93,924,887 |
| Non-controlling interest | | 20,421,978 | 18,203,493 | 20,511,542 |
| Total equity | | 94,862,441 | 95,899,719 | 114,436,429 |
| **Total liabilities and equity** | | 170,416,736 | 191,640,131 | 230,613,235 |

The accompanying notes from page (6) to (14) form an integral part of this interim condensed consolidated financial information

**Khalid Yacoub Al Mutawa**
Chairman & Managing Director

**Al Madina for Finance and Investment – K.S.C. (Closed)**
**And its subsidiaries**

PRICEWATERHOUSECOOPERS
**Draft for discussion**

**Interim Condensed Consolidated Statement of Income**
**For the nine months ended 30 September 2009**
**(Unaudited)**
*(All amounts are in Kuwaiti Dinars)*

| | Note | Three months ended 30 September 2009 | 2008 | Nine months ended 30 September 2009 | 2008 |
|---|---|---|---|---|---|
| **Revenues** | | | | | |
| (Loss)/ profit from investments at fair value through profit or loss | 13 | (153,165) | (649,486) | 18,982 | 10,412,453 |
| Group's share from associates' results | | (182,229) | 2,172,655 | (925,088) | 5,059,812 |
| Profit from disposal shares in subsidiaries | | - | 684,738 | 57,146 | 3,602,210 |
| Profit/ (loss) from disposals shares in associate | | 16,599 | (904,865) | (1,377,445) | 4,489,589 |
| Group's shares from the excess of the fair value of asset acquired over the cost of acquisition | 8.6 | 903,638 | - | 903,638 | - |
| Investments properties income | | 114,300 | - | 381,000 | - |
| Consulting services income | 4.3 | 933,101 | (44,821) | 993,926 | 309,399 |
| Lands and real estates income | 7 | - | 6,315,498 | 4,434,386 | 6,315,498 |
| Profit/ (loss) foreign currency translation | | 215,167 | 279,482 | (616,772) | 279,482 |
| Gross profit oilfield services | | 285,914 | 216,072 | 722,396 | 813,982 |
| Other Income | | 198,444 | 16,309 | 117,513 | 1,013,028 |
| | | 2,331,769 | 8,085,582 | 4,709,682 | 24,203,654 |
| **Expenses and other charges** | | | | | |
| Finance charges | | (1,334,370) | 1,892,636 | (3,573,481) | 5,123,440 |
| General and administrative expenses | | (849,245) | (840,336) | (1,785,687) | (3,104,981) |
| Provision for doubtful debts | | (180,250) | (86,766) | (307,429) | (97,266) |
| | | (2,363,865) | (2,819,769) | (5,666,597) | (8,325,687) |
| (Loss) / profit for the period | | (32,096) | 5,265,814 | (956,915) | 15,877,967 |
| Contribution Kuwait Foundation for Advancement of Science "KFAS" | | - | (22,759) | - | (81,395) |
| National Labor Support Tax | | - | (69,211) | - | (240,109) |
| Zakat expense | | - | (31,803) | - | (100,162) |
| Net (loss) / profit for the period | | (32,096) | 5,142,041 | (956,915) | 15,456,301 |
| Net profit attributable to: | | | | | |
| Shareholders of the Parent Company | | 97,450 | 4,801,744 | (2,512,478) | 14,226,926 |
| Non-controlling interest | | (129,546) | 340,297 | 1,555,563 | 1,229,375 |
| Net (loss) / profit for the period | | (32,096) | 5,142,041 | (956,915) | 15,456,301 |
| Earning / (loss) per share (fils) | 14 | 0.27 | 13.16 | (7.05) | 55.66 |

The accompanying from page (6) to (14) form an integral part of this interim condensed consolidated financial information

**Al Madina for Finance and Investment – K.S.C. (Closed)**
**And its subsidiaries**

PRICEWATERHOUSECOOPERS
**Draft for discussion**

**Interim Condensed Consolidated Statement of Comprehensive Income**
**For the nine months ended 30 September 2009**
**(Unaudited)**
*(All amounts are in Kuwaiti Dinars)*

| | Note | Three months ended 30 September 2009 | Three months ended 30 September 2008 | Nine months ended 30 September 2009 | Nine months ended 30 September 2008 |
|---|---|---|---|---|---|
| Net profit/ (loss) for the period | | (32,096) | 5,142,041 | (956,915) | 15,456,301 |
| Group's share in associate's reserve | | 551,382 | - | 1,274,724 | - |
| Foreign currency translation reserve | | 82,049 | (125,568) | 198,799 | (565,579) |
| Other comprehensive income for the period | | 633,431 | (125,568) | 1,473,523 | (565,579) |
| Total comprehensive income for the period | | 601,335 | 5,016,473 | 516,608 | 14,890,722 |
| Distributed as follows: | | | | | |
| The shareholders of the Parent Company | | 730,881 | 4,676,176 | (1,038,955) | 13,661,347 |
| Non-controlling interest | | (129,546) | 340,297 | 1,555,563 | 1,229,375 |
| | | 601,335 | 5,016,473 | 516,608 | 14,890,722 |

The accompanying notes from page (6) to (14) form an integral part of this interim condensed consolidated financial information

Al Madina for Finance and Investment – K.S.C. (Closed)
And its Subsidiaries

PRICEWATERHOUSECOOPERS
Draft for discussion

**Interim Condensed Consolidated Statement of Changes in Equity**
**For the nine months ended 30 September 2009**
**(Unaudited)**
*(All amounts are in Kuwaiti Dinars)*

| | Shareholders of the Parent Company | | | | | | | | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium | Treasury shares | Statutory reserve | Voluntary reserve | Other reserves (Note 12) | Retained earnings | Total equity attributable to shareholders of the Parent Company | | |
| **Balance as of 1 January 2008** | 17,422,500 | 36,000 | - | 3,387,160 | 3,288,586 | (113,250) | 17,946,343 | 41,967,339 | 14,80,244 | 56,047,583 |
| Total comprehensive income for the period | - | - | - | - | - | (565,579) | 14,226,926 | 13,661,347 | 1,229,375 | 14,890,722 |
| Paid up capital according to employees' stock option plan | 150,000 | 148,500 | - | - | - | - | - | 298,500 | - | 298,500 |
| Share capital increase | 17,572,500 | 30,751,875 | - | - | - | - | - | 48,324,375 | - | 48,324,375 |
| Bonus shares dividends | 2,635,875 | - | - | - | - | - | (2,635,875) | - | - | - |
| Cash Dividends | - | - | - | - | - | - | (7,029,000) | (7,029,000) | - | (7,029,000) |
| Purchase of treasury shares | - | - | (6,090,550) | - | - | - | - | (6,090,550) | - | (6,090,550) |
| Sale of treasury shares | - | - | 2,802,785 | - | - | - | (9,909) | 2,792,876 | - | 2,792,876 |
| Minority share in capital increase of a subsidiary | - | - | - | - | - | - | - | - | 3,645,466 | 3,645,466 |
| Purchase of subsidiaries | - | - | - | - | - | - | - | - | (3,085,500) | (3,085,500) |
| Sale of subsidiaries | - | - | - | - | - | - | - | - | 4,641,957 | 4,641,957 |
| **Balance as of 30 September 2008** | 37,780,875 | 30,936,375 | (3,287,765) | 3,387,160 | 3,288,586 | (678,829) | 22,498,485 | 93,924,887 | 20,511,542 | 114,436,429 |
| **Balance as of 1 January 2009** | 37,780,875 | 30,936,375 | (5,077,087) | 3,507,676 | 3,409,102 | (1,174,947) | 8,314,232 | 77,696,226 | 18,203,493 | 95,899,719 |
| Effect of reclassification investment in associate (Note 8.2) | - | - | - | - | - | - | (2,098,554) | (2,098,554) | - | (2,098,554) |
| | 37,780,875 | 30,936,375 | (5,077,087) | 3,507,676 | 3,409,102 | (1,174,947) | 6,215,678 | 75,597,672 | 18,203,493 | 93,801,165 |
| Total comprehensive income for the period | - | - | - | - | - | 1,473,523 | (2,512,478) | (1,038,955) | 1,555,563 | 516,608 |
| Sale of investment in subsidiary (Note 8.6) | - | - | - | - | - | - | - | - | 662,922 | 662,922 |
| Purchase of treasury shares | - | - | (399,085) | | | | - | (399,085) | - | (399,085) |
| Sale of treasury shares | - | - | 468,842 | | | | (188,011) | 280,831 | - | 280,831 |
| **Balance as of 30 September 2009** | 37,780,875 | 30,936,375 | (5,007,330) | 3,507,676 | 3,409,102 | 298,576 | 3,515,189 | 74,440,463 | 20,421,978 | 94,862,441 |

The accompanying notes from page (6) to (14) form an integral part of this interim condensed consolidated financial information



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**Al Madina for Finance and Investment – K.S.C. (Closed)**
**And its Subsidiaries**

PRICEWATERHOUSECOOPERS
Draft for discussion

**Interim Condensed Consolidated Statement of Cash Flows**
**For the nine months ended 30 September 2009**
**(Unaudited)**
*(All amounts are in Kuwaiti Dinars)*

| | Nine months ended 30 September | |
|---|---|---|
| | 2009 | 2008 |
| **Cash flows from operating activities** | | |
| Net (loss) / profit for the period | (956,915) | 15,456,301 |
| **Adjustments:** | | |
| Depreciation and amortization | 136,977 | 323,822 |
| Provision for doubtful debts | 307,429 | 97,266 |
| Investments income | (18,982) | (10,412,453) |
| Group's share of associates' results | 925,088 | (5,059,812) |
| Losses from disposal shares in associates | 1,377,445 | - |
| Gain from disposal of share in subsidiaries | (57,146) | - |
| Group's share from the excess of the fair value of the assets acquired over the cost of acquisition | (903,638) | - |
| Land and real estate income | (4,434,386) | (6,315,498) |
| Finance charges | 3,573,481 | 5,123,440 |
| Employees' end of service's indemnity | 67,538 | 291,616 |
| Operating profit / (losses) before changing in the working capital | 16,891 | (495,318) |
| Investments at fair value through profit or loss | 986,918 | 6,665,470 |
| Finance lease receivables | 95,986 | 2,939,163 |
| Other debit balances | 1,084,182 | 3,949,013 |
| Payables and other credit balances | 2,773,790 | (7,080,452) |
| Net cash generated from operating activities | 4,957,767 | 5,977,876 |
| **Cash flows from investing activities** | | |
| Investments in Murabaha and Mudarbah | 12,257,576 | (10,622,474) |
| Dividends received | 749 | 760,420 |
| Payment for purchase of investments in associates | (32,937,042) | (83,358,746) |
| Proceeds from sale of investments in associates | 33,443,862 | 58,223,651 |
| Payment for purchase of investments in subsidiaries | - | (10,507,871) |
| Proceeds from sale of investments in a subsidiary | - | 10,558,850 |
| Payment for purchase of investment properties | (784,232) | (540,730) |
| Payment for purchase of lands under development | (1,908,259) | (8,564,793) |
| Proceeds from sale of lands under development | - | 14,406,279 |
| Payment for purchase of intangible assets | (1,375) | - |
| Payment for purchase of property and equipment | (483,900) | (5,562,089) |
| Net cash generated from / (used in) investing activities | 9,587,379 | (35,407,503) |
| **Cash flows from financing activities** | | |
| Murabaha and Wakala payables | (12,745,090) | (31,309,305) |
| Payment from finance cost | (2,352,101) | (5,755,657) |
| Proceeds from capital increase | - | 48,622,875 |
| Purchase of treasury shares | (399,085) | (6,090,550) |
| Sale of treasury shares | 280,831 | 2,792,876 |
| Cash dividends paid | - | (6,744,446) |
| Proceeds from sale of investment in subsidiary | - | 5,201,923 |
| Net cash (used in) / generated from financing activities | (15,215,445) | 6,717,716 |
| Net decrease in cash and cash equivalent | (670,299) | (22,711,911) |
| Cash and cash equivalent at the beginning of the period | 1,078,422 | 24,313,623 |
| Cash and cash equivalent at the end of the period | 408,123 | 1,601,712 |

The accompanying notes from page (6) to (14) form an integral part of this interim condensed consolidated financial information

## 1. Incorporation of the Group

Al Madina for Finance and Investment is a Closed Kuwaiti Shareholding Company ("The Parent Company") established in Kuwait in 1980, and has been registered as an investment company with the Central Bank of Kuwait on 27 April 2005. The shares of the Parent Company were listed on Kuwait Stock Exchange in 24 April 2006.

The Parent Company's headquarter office is domiciled at Al Soor Street - Mirqab – Jasim Al Asfour Tower.

The principle activities of the Group are representing in all operations of investment, finance and management of movable and unmovable funds and rights, leasing and selling of real estates to customers and trading of lands and real estates. The activities of the Parent Company and its subsidiaries are carried out in accordance with Noble Islamic Share'a principles.

This Interim Condensed Consolidated Financial Information includes the financial statements of the Parent Company and the following subsidiaries (the Group).

| Company Name | Legal form | Country of incorporation | Ownership | |
|---|---|---|---|---|
| | | | 30 September 2009 | 31 December 2008 |
| Al Madina Real Estate Development Company | K.S.C.C. | Kuwait | 87.11% | 90% |
| Al Madina Educational Company | K.S.C.C. | Kuwait | 100% | 100% |
| Al Sary National Holding Company (Formely twenty four seven for central markets) | K.S.C.C. | Kuwait | 100% | 100% |
| Rehab Al Madina Real Estate Company | B.S.C.C | Bahrain | 100% | 100% |
| Real Capital Company | W.L.L. | Kuwait | 100% | 100% |
| Stone for energy Company (Formerly Kuwaiti National Investment Company) | K.S.C.C. | Kuwait | 100% | 100% |
| Sarh Al Madina Real Estate Company | K.S.C.C. | Kuwait | 50.68% | 39.68% |
| Hits Telecom Holding Co. (Formerly Al-Nibras) | K.S.C.C. | Kuwait | - | 75% |
| Stone for Drilling Services Company | E.S.C. | Egypt | 100% | 100% |

For the consolidation purpose, management accounts of the subsidiaries have been used. The total assets of these subsidiaries are KD 85,080,340 as of 30 September 2009 (KD 98,281,148 as of 31 December 2008, KD 162,172,490 as of 30 September 2008) and their net profits amounted to KD 2,313,551 for the period ended 30 September 2009 (KD 7,029,955 for the period ended 30 September 2008).

On 25 June 2009, the General Assembly approved the financial statements for the year ended 31 December 2008.

The interim condensed consolidated financial information was authorized for issuance by the Board of Directors on 15 November 2009.

During the period, the Parent Company sold some of its shares in Al Madina for Real Estate Company with the percentage of 2.89%, the percentage of ownership decrease to 87.11% (note 8.6).

## 2. Basics of preparing financial information

This interim condensed consolidated financial information has been prepared in accordance with International Accounting Standard (34), applicable to Interim Financial Reporting.

Interim condensed consolidated financial information does not include all the information and disclosures required for complete financial statements prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use by the Government of Kuwait for financial institutions regulated by the Central Bank of Kuwait.

The management believes that all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included in the interim condensed consolidated financial information.

The operating results for the period ended 30 September 2009 are not necessarily indicative of the results that may be expected for the year ending 31 December 2009. For further information, refer to the financial statements and its related notes for the year ended 31 December 2008.

The interim condensed consolidated financial information were prepared in accordance with the same accounting policies and methods of computation followed in the latest annual financial statements which were prepared in accordance with the International Financial Reporting Standards as adopted in the State of Kuwait, except of the following:

**IAS (1) 'Presentation of Financial Statements' (Revised).**

The revised standard require changes in equity arising from transaction with owners in their capacity as owner (i.e. Owner changes in income) to be presented in the statement of change in equity. All other change in equity (i.e. non-owner change in equity) are required to be presented separately in a performance statements (consolidated statement of comprehensive of income).

**IFRS (8) 'Operating Segments':**

The new standard e which replace IAS (14)' Segment Reporting' require a ' management approach' under which segment information is presented on the same basis as that used for internal reporting provided to the chief operating decision- maker. This has resulted in an increase in the details of segment information as the previously reported (Note 16).

The following Standards and amendments have been issued, but are not yet effective and have not been early adopted by the group:

- IFRS (3) (revised), "Business combinations" and consequential amendments to IAS (27), "Consolidated and separate financial statements", IAS (28), "Investments in associates" and IAS (31), "Interest in joint ventures". The amendments is effective prospectively to business combinations for which the acquisitions date is on or after the beginning of first annual reporting period beginning on or after 1 July 2009. The Group is assessing the impact of this amendment.

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

- IFRIC (18), "Transfers of assets from customers", effective for transfers of assets received on or after 1 July 2009.

## 3. Investments in Murabaha and Mudaraba

3.1 This balance represents local investments in Murabahat and Mudarabat agreements. The average effective rate of return on Murabahat and Mudarabat is 6.75% as of 30 September 2009 (6.75% as of 31 December 2008, 6.75%as of 30 September 2008).

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

3.3 The investment in Murabaha and Mudarba includes an amount of KD 13,057,094 granted to a related party as of 30 September 2009 (KD 23,895,524 as of 31 December 2008, KD 3,436,908 as of 30 September 2008). This investment secured by quoted investments at portfolio managed by the Group for this party, and against a credit balance due to the same party with KD 1,340,613, also against shares with KD 2,196,000 owned by this party which was pledged against Murabaha payable received by the Parent Company. The fair value of these securities is KD 17,922,095 as of 30 September 2009 (KD 17,829,413 as of 31 December 2008).

## 4. Investments at fair value through profit or loss

| | 30 September 2009 | 31 December 2008 (Audited) | 30 September 2008 |
|---|---|---|---|
| Held for trading investments | 661,332 | 1,046,235 | 3,108,297 |
| Investments designated at fair value through profit or loss at inception | 11,741,974 | 12,063,807 | 15,976,555 |
| | 12,403,306 | 13,110,045 | 19,084,852 |
| Investments in local shares – quoted | 661,332 | 1,,046,238 | 3,168,297 |
| Investments in local shares – unquoted | 4,623,190 | 4,620,000 | 5,794,638 |
| Investments in foreign shares – unquoted | 3,556,567 | 3,556,567 | 3,556,567 |
| Investments in local funds – unquoted | 2,191,986 | 2,575,822 | 4,720,132 |
| Investments in foreign funds – unquoted | 1,370,231 | 1,311,418 | 1,725,218 |
| | 12,403,306 | 13,110,045 | 19,084,8521 |

4.1 Investments in unquoted shares are evaluated based on the available information of the financial position, results of operation of the investee companies, the expected future profits and the transaction prices on the shares as of 31 December 2008. The management believes that there is no significant change in the value of these shares.

4.2 The fair value of the investments in funds is determined based on the last available reports for the net units' value.

4.3 During the period, the Group manages a capital increase subscription of one Kuwaiti shareholding company against management fees of KD 894,283 recorded as in investment service revenues.

## 5. Other debit balances

| | 30 September 2009 | 31 December 2008 (Audited) | 30 September 2008 |
|---|---|---|---|
| Receivable on sale of real estates and investments (net) | 6,339,281 | 9,199,835 | 31,765,461 |
| Advance payments for purchasing of investments | 14,933,680 | 16,858,394 | 22,374,466 |
| Due from related parties | 1,356,028 | 821,068 | 7,792,804 |
| Commissions and accrued dividends | - | 369,891 | 455,549 |
| Prepaid expenses | 73,656 | 203,996 | 287,271 |
| Staff receivables | 99,059 | 122,029 | 140,349 |
| Accrued leasing | 381,000 | - | - |
| Accrued revenues | 1,216,390 | 1,059,407 | - |
| Other debit balances | 1,678,804 | 956,210 | 2,624,517 |
| | 26,077,898 | 29,590,830 | 65,440,417 |

5.1 Receivables on sale of properties are the balance due on sale of properties, these amounts are secured by the sold properties, as the transfer of the ownership of these properties to the buyers take place upon settlement the full amount due.

5.2 In July 2008, based on purchase and sale agreement with a third party, the group acquired four companies established in Cayman Island which has commitments to a real estate under development project in Reem Island-Abu Dhabi with expected estimation total development cost of KD 205,263,258 (equivalent to AED 2,582,480,000). The Group settled an amount of KD 14,933,680 (equivalent to AED 204,624,000) recorded as advance payment for purchase of real estates.

In November 2008, the group exercised the option to resell the companies and receive the amount paid. In January 2009, the group agreed with the third party to cooperate for marketing the real estate project and share the net proceeds after covering its dues and any related costs. In the failure of marketing the real estate project within the six months ending 30 June 2009, the third party will repay the group its dues with a dead line period ended 31 July 2009.

Till the date of the financial information, neither the real estate are marketed nor the prepaid advances are received, the Group is negotiating with the selling and the developer parties to collect the prepaid advance or to restructure the deal and the related commitments and liability. On 30 August 2009, an agreement was signed with the selling party for three-month period, which state that this party will cooperate with the company to sign a restructure deal in order to receive a real estate from the developer with the advance payment, also to market these real estate during a period of 18 months against a commission of 35% from the selling profit in case of capability of marketing these real estate.

5.3 Previously, the Group paid advance payments of KD 2,278,750 to purchase investments property. The Group could not finalize the agreement with the seller regarding property's price. As the property's ownership is in the name of the Group, the Group has filed a legal case against the seller to complete the deal, also the real estate was recorded with its fair value of KD 3,060,000 against the settlement of the prepaid and the remaining of KD 781,250 is shown as creditors to purchase of real estate (this transaction is eliminated from he statement of cash flow, as it is non-cash transaction).

## 6. Lands and real estates under development

Lands and real estate under development as of 30 September 2009 includes acquired lands in Saudi Arabia Kingdom under primary sharing contracts, its book value amounted to KD 4,392,169 as of 30 September 2009 (KD 4,392,169 as of 30 September 2008). There are lawsuits to reverse the amount paid, in addition to compensation, as the seller does not comply to transfer the lands ownership. According to the Groups' legal consultant, potential loss is almost non-existent. As the Group has two choices either transferring the lands' ownership in the name of the Group or reverse the amount paid.

## 7. Investment properties

Following are the movement on investments properties during the period:

| | 30 September 2009 | 31 December 2008 (Audited) | 30 September 2008 |
|---|---|---|---|
| Opening balance | 45,738,178 | 31,577,418 | 31,577,418 |
| Additions | 784,232 | 763,050 | 239,797 |
| Transferred from advance payments for purchasing investments (note 5.3) | 3,060,000 | - | - |
| Transferred to lands and real estate under development | - | (6,717,445) | (6,717,445) |
| Transferred from lands and real estate under development | - | 8,299,355 | - |
| Disposals | (11,627,186) | (1,629,100) | (1,629,100) |
| Change in fair value | 4,434,386 | 13,444,900 | - |
| Ending balance | 42,389,610 | 45,738,178 | 23,470,670 |

7.1 As of 31 March 2009, the fair value of the investment properties has determined by an independent valuer after deducting 15 % based on the management estimation.

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

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

## 8. Investments in associates

| | Ownership % | 30 September 2009 | Ownership % | 31 December 2008 | Ownership % | 30 September 2008 |
|---|---|---|---|---|---|---|
| Ekttitab Holding Company K.S.C.C. | 22.59 | 9,951,760 | 23.78 | 13,020,732 | 32.03 | 39,064,724 |
| Estratigia for investment Company K.S.C.C. | 21.94 | 1,966,372 | 21.94 | 2,359,934 | 23.8 | 7,754,912 |
| Hits Telecom | 40.56 | 42,744,954 | 43.8 | 46,618,114 | - | - |
| Hits Africa Company | - | - | - | - | 68 | 24,898,760 |
| First Jallia Bank - Kinia | - | - | - | - | 31 | 1,910,432 |
| Amlak Capital holding | 35.24 | 3,796,653 | - | - | - | - |
| | | 58,459,739 | | 61,998,780 | | 73,628,828 |

8.1 The Group has recorded its share of associates' results based on the reviewed financial information for these associates as at 30 June 2009.

8.2 During the current period, Ektitab Company has adjusted its financial information to reflect the impact of reclassifying investments at fair value through profit or loss to investment in associate, which resulted to decrease in the retained earnings as of 1 January 2009 in the associate, accordingly the Group has recorded its share of this decrease which resulted to a decrease in the Group's retained earnings with an amount of KD 2,098,554 as at 30 June 2009.

8.3 The investments of in Ektitab Holding Company includes deferred revenue amounted to KD 194,963 as of 30 September 2009 (KD 252,109 as of 31 December 2008, KD 252,109 as of 30 September 2009 (KD 2,300,113 as of 30 September 2008).

8.4 Hits Telecom investments includes goodwill amounted to KD 5,609,060 as of 30 September 2009 (KD 7,268,203 as of 31 December 2008), and deferred revenue of KD 4,401,836 as of 30 September 2009 (KD 4,870,450 as of 31 December 2008).

8.5 On 2 June 2008, the Group acquired 21.94 % of Estrategia Investment Company for KD 7,754,912, paid KD 3,777,205 and the remaining balance of KD 3,977,707 is recorded as payables from purchase of investments secured by investment in securities with fair value of KD 1,923,045 as of 30 September 2009, (KD 2,300,113 as of 31 December 2008). The provisional goodwill is KD 3,305,415 as of date of acquisition.

During 2009, the Group filed a case against the seller to cancel the deal and receive the amount paid and release the collaterals. Although of this the group recorded KD 493,348 its share from loss during the period ended 30 September 2009 (KD 2,129,874 during the year ended 31 December 2008) and its share from reserve with KD 42,600 during the period ended 30 September 2009 (KD 40,310 during the year ended 31 December 2008) and recorded the impairment of the total amount of the goodwill of KD 3,305,415 during 2008.

8.6 During the period ended 30 September 2009, the Group acquired a stake of 35.24% from Amlak Capital Holding Company. The fair value as of the acquisition date amounted to KD 3,796,653 of the net assets, determined by external independent valuer. The cost of acquisition was settled against transferring shares in associate, investments at fair value through profit or loss and share in subsidiary to the seller, this transaction resulted profit amounted to KD 903,638 during the period ended 30 September 2009. This transaction was eliminated from the statement of cash flow as it is non-cash transaction.

## 9. Murabaha and Wakala payables

9.1 The balance represents Murabaha and Wakala contracts due over average periods from three months to three years. The average effective yield rate ranged from 7% to 9.75% as of 30 September 2009 (from 7% to 9.75 % as of 31 December 2008, from 7 to 10.5 % at 30 September 2008).

9.2 Murabaha and Wakal payables stated guaranteed against pledging the following assets:

| | 30 September 2009 | 31 December 2008 | 30 September 2009 |
|---|---|---|---|
| Investments in associates | 35,277444 | 45,028,849 | 45,696,986 |
| Lands and real estate under development | 3,987,616 | 4,334,408 | 2,028,754 |
| Investments properties | 4,300,019 | 1,208,333 | 404,921 |

9.3 Investments in Wakala and Murabaha include an amount of KD 2,463,220 as at 30 September 2009 (KD 2,394,650 as of 31 December 2008) which represents Murabaha granted from investment funds. The Parent Company is currently in the process of paying such amounts in their due dates and replacing them by finance from financial institutions.

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## 10. Share capital

On 25 June 2009, the General Assembly meeting of the shareholders approved the financial statements for the year ended 31 December 2008 and not to distribute dividends for year 2008 (40% cash and 15% bonus shares: 2007) and approved the following:

- Decrease the share capital by cancelling 1,500,000 shares of the employees that was previously approved on the General assembly meeting 13 April 2008.
- Increase the share capital by issuing 43,137,130 shares with 198 fils per share with 100 fils and 98 fils as share premium and the assignment of the right from the current shareholders to Sarh Al-Madina Real Esate Company shareholders (subsidiary) and delegate the board to determine the procedures of collecting the capital increase.
- Issued 3,000,000 shares for employees' stock option plan with 100 fils and without share premium and the assignment of the right from the current shareholders.

Accordingly the authorized capital amounted to KD 42,394,588 distributed over 423,945,880 share with 100 fils each and all shares are paid in cash. This increase has been registered in the commercial register on 16 July 2009.

## 11. Treasury shares

| | 30 September 2009 | 31 December 2008 (Audited) | 30 September 2008 |
|---|---|---|---|
| Number of shares (share) | 22,460,000 | 21,220,000 | 8,470,000 |
| Shareholding percentage (%) | 5.94 | 5.62 | 2.24 |
| Market value | 1,954,020 | 1,782,480 | 2,371,600 |

## 12. Other Reserves

| | Gain from sale of treasury shares | Employee's stock option reserve | Foreign currency translation reserve | Total |
|---|---|---|---|---|
| **Balance as of 1 January 2008** | - | 490,500 | (603,750) | (113,250) |
| Total comprehensive income for the period | - | - | (565,579) | (565,579) |
| **Balance as of 30 September 2008** | - | 490,500 | (1,169,329) | (678,829) |
| **Balance as of 1 January 2009** | (1,733,733) | 490,500 | 68,286 | (1,174,947) |
| Total comprehensive income for the period | 1,274,724 | - | 198,799 | 1,473,523 |
| **Balance as of 30 September 2009** | 459,009 | 490,500 | 267,085 | 298,576 |

## 13. (Losses) / profit on investments at fair value through profit or loss

| | Three months ended 30 September | | Nine months ended 30 September | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| (Losses) gains from sale of investments at fair value through profit or loss | (182,027) | 109,569 | (197,554) | 298,255 |
| Change in fair value of investments at fair value through profit or loss | (19,453) | (957,797) | (592,831) | 1,524,195 |
| Dividends | 149 | 113,499 | 749 | 203,421 |
| Murabaha income | 48,166 | 85,243 | 808,618 | 294,783 |
| | (153,165) | (649,486) | 18,982 | 2,320,654 |

## 14. Earning / (loss) per share

Earning / (loss) per share is calculated by dividing net profit / (loss) for the period by the weighted average number of outstanding shares during the period as follows:

| | Three months ended 30 September | | Nine months ended 30 September | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| Net profit / (loss) for the period attributable to shareholders of the Parent Company | 97,450 | 4,801,744 | (2,512,478) | 14,226,926 |
| Weighted average number of issued and outstanding shares during the period (share) | 356,588,750 | 362,864,783 | 356,563,950 | 254,687,028 |
| Earning / (loss) per share (fils) | 0.27 | 13.23 | (7.05) | 55.86 |

## 15. Related parties' transactions

Related parties are representing in the Group's shareholders who have representation in the board of directors, members of the board of directors, senior management, associates, and subsidiaries. In the normal course of business, subject to the Group's management approval, there were transactions with related parties during the period ended 30 September 2009. The related parties significant transactions and outstanding balances were as follows:

| | Three months ended 30 September | | Nine months ended 30 September | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| **Transactions** | | | | |
| Murabaha income | 18,381 | 54,575 | 808,618 | 195,547 |
| Senior and executive management remunerations | 55,400 | 38,741 | 166,200 | 158,726 |

| | 30 September 2009 | 31 December 2008 | 30 September 2008 |
|---|---|---|---|
| **Balances** | | | |
| Investment at fair value through profit or loss | 4,350,000 | 4,350,000 | - |
| Other debit balances | 1,356,028 | 821,068 | 7,792,804 |
| Payables and other credit balances | 4,033,134 | 3,166,399 | 9,914,163 |
| Investments in Murabaha and Murabaha | 13,057,094 | 23,895,524 | 14,906,422 |

The Group manages portfolios on behalf of related parties, the net assets of those portfolios amounted to KD 15,701,695 as of 30 September 2009 (KD 21,025,200 as of 31 December 2008 and KD 29,534,175 as of 30 September 2008) which is recognized off consolidated balance sheet items.

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

## 16. Segment distribution

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

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

Analysis of the financial information according to segments for the nine months period ended 30 September is as follows:

| | Real estate | | Finance investments | | Total | |
|---|---|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Segment revenues | 4,815,386 | 6,315,498 | (328,841) | 15,781,664 | 4,486,545 | 22,097,162 |
| Segment results | 4,665,386 | 6,315,498 | (3,902,322) | 10,658,224 | 763,064 | 16,973,722 |
| Segment assets | 74,326,263 | 85,355,569 | 84,685,268 | 119,251,858 | 159,011,531 | 204,607,427 |

| | 2009 | 2008 |
|---|---|---|
| Total segment results | 763,064 | 16,973,722 |
| Other income | 839,909 | 1,827,010 |
| Loss foreign currency translation | (616,772) | 279,482 |
| Provision for doubtful debts | (307,429) | (97,266) |
| General and administrative expenses | (1,635,687) | (3,104,981) |
| Net (loss) / profit before deductions | (956,915) | 15,877,967 |
| Total segment assets | 159,011,531 | 204,607,427 |
| Cash and cash equivalent | 408,123 | 1,601,712 |
| Other debit balances | 4,802,436 | 18,894,956 |
| Property and equipment | 6,194,646 | 5,509,140 |
| Total assets | 170,416,736 | 230,613,235 |

## 17. Off balance sheet items

The Group manages portfolios on behalf of others, which are not included in the balance sheet of the Group. The net assets of these portfolios amounted to KD 43,774,515 as of 30 September 2009 (KD 29,207,359 as of 31 December 2008 and KD 51,328,000 as of 30 September 2008).