SALHIA

ANNUAL REPORT 2009

H.H Shaikh
Sabah Al-Ahmed-Al-Jaber Al Sabah

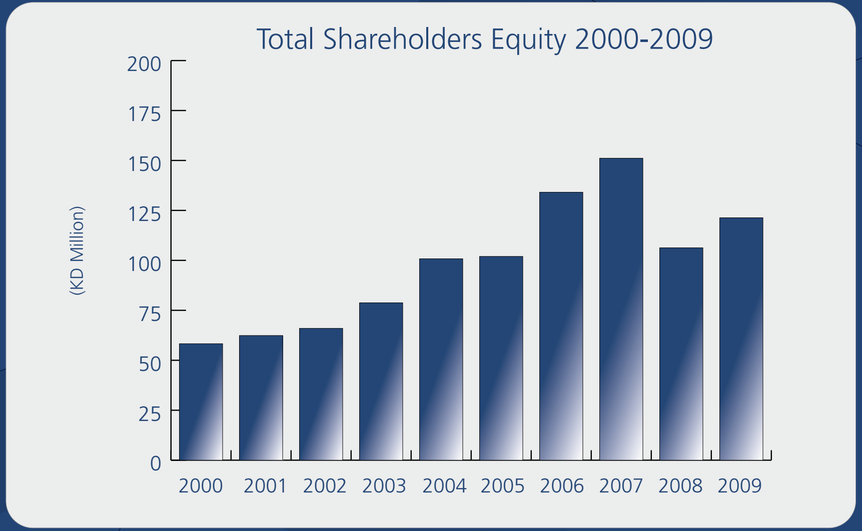
Amir of State of Kuwait

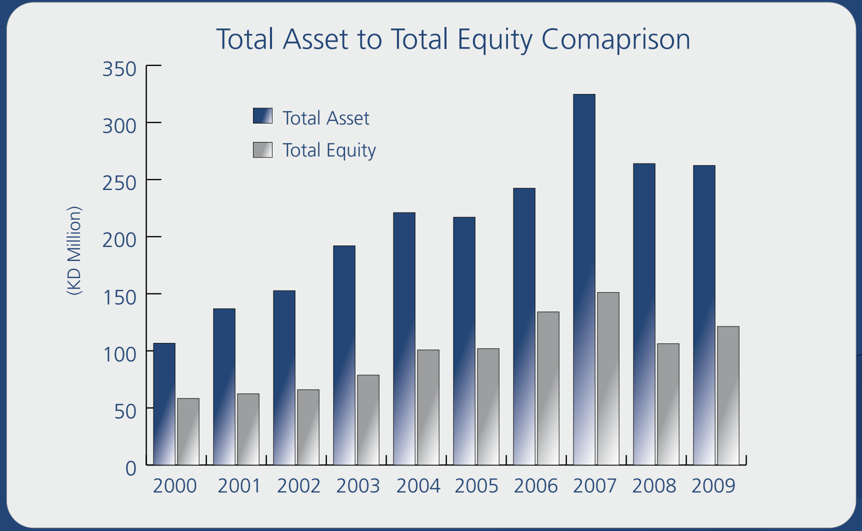
H.H Shaikh
Nawaf Al-Ahmed-Al-Jaber Al Sabah

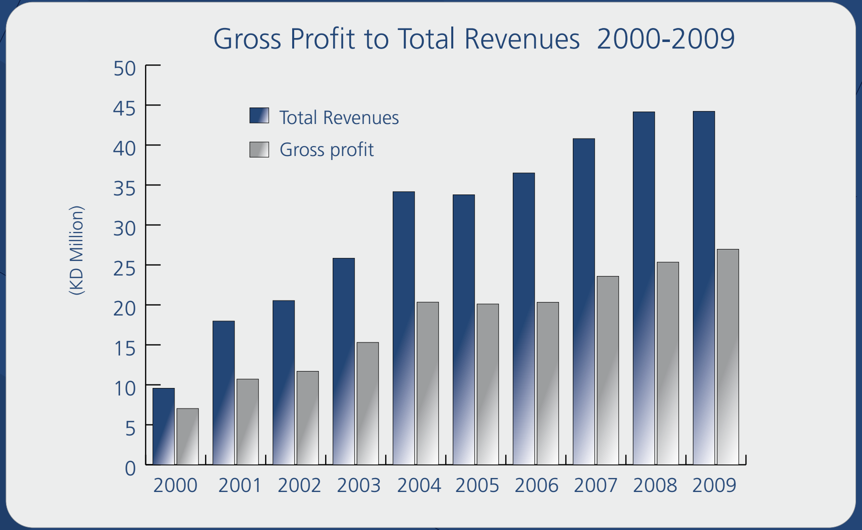
Crown Prince

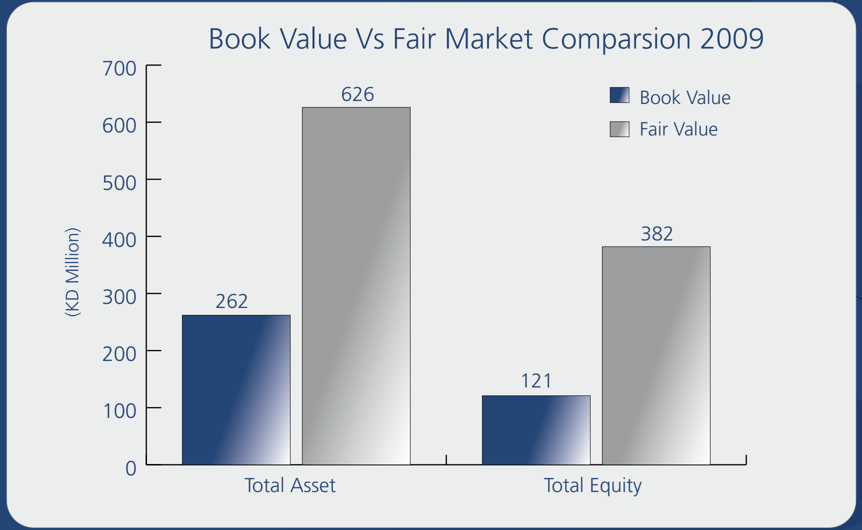
H.H Shaikh
Naser Mohammed Al Sabah

Prime Minister









- The fair market value for the company total asset as evaluated by independent professional evaluators in the GCC & Europe 626/M KD (262/M KD Book value).
- Total fair market value for the company share holders equity is estimated to be 382/M KD (121/M KD Book value).

CONTENTS

BOARD MEMBERS

Ghazi Fahad Alnafisi
Chairman and Managing Director

Salah Fahad Al-Marzouk
Vice Chairman

Anwar Abdulaziz Al - Usaimi
Deputy Managing Director

Ahmad Faisal Al-Zabin
Board Member

Abdulaziz Saud Al-Babtain
Board Member

Abdulaziz Ghazi Alnafisi
Board Member

Faisal Abdul Mohsen Al - Khatrash
Board Member

Marzouk Fajhan Al - Mutairi
Board Member

Youssef Essa Al – Othman
Board Member

Chairman's Statement

Dear Shareholders,

On behalf of myself, colleagues, members of the board of directors and the executive team at Salhia Real Estate Company, it gives me great pleasure to extend to you our immense gratitude for sharing with us our journey. Throughout this mission, our work relied on advanced organizational mechanisms and professional corporate structure characterized by transparency and integrity. Therefore, the Company always aimed to produce genuine and unique real estate ideas that fulfill the requirements for sustainable long term growth.

Prolongation of the adverse ramifications of the global financial and economic crisis was apparent on all sectors at both levels, domestic and foreign during 2009. Therefore, the Company devised and implemented a strategic plan to confront the economic crisis, which helped maintain values of its assets and stabilize its operational revenue. Accordingly, the Company managed to secure the liquidity necessary to support its operational assets and fulfill all its obligations towards loan repayments in 2009.

As a summary of the financial performance for year 2009, the Company has realized profit amounting to 7.2 million Kuwaiti Dinars which represents a profit of 19 Fils per share, as compared with a loss of 35.5 Million Kuwaiti Dinars, which represents a loss of 90 fils per share for last year, an increase of 120%.

The Company's total assets amounted to 262 Million Kuwaiti Dinars as compared with 264 Million Kuwaiti Dinars for 2008, that is a reduction equivalent to 0.63%.

The liabilities declined from 146 Million Kuwaiti Dinars for 2008 year to 128 Million Kuwaiti Dinars in 2009, a decrease of 12.4% (18 Million Kuwaiti Dinars).

The shareholders' equity increased from 106 Million Kuwaiti Dinars to 121 Million Kuwaiti Dinars as compared with last year, a 14.2% increase amounting to 15 Million Kuwaiti Dinars.

The Company's operational revenues remained stable, generating 44.2 Million Kuwaiti Dinars. Revenues in 2008 amounted to 44.1 Million Kuwaiti Dinars.

As a result of the positive growth in shareholders equity by 14.2%, the share book value increased to 311 Fils.

Taking into consideration that all the abovementioned financial figures were recorded on the basis of historical cost, and were booked in the financial statements of 2009.

With respect to the actual market value of the Company's assets, which were assessed by professional valuers at the end of 2009, the value amounted to KD. 626,097,067 Million Kuwaiti Dinars and ownership equity at the amount of 382,110,718 Million Kuwaiti Dinars, increasing the book value per share to 981 Fils.

The Company resumed its successful asset management in realizing an occupancy level of 100% in all its existing properties, in addition to achieving the required level of occupancy rates in its hotels. Hence, contributing positively towards maximizing the value of cash-flow for the Company and stabilizing the profitability level.

With regards to the New Arraya Tower, we have completed all the building and construction works and commenced the leasing process, arriving at an occupancy level equaling 82%.

With respect to Al-Asima Real Estate Project, Salhia continues to retain a 50% stake of Al-Asima Real Estate Company, which owns the Al-Asima project.

Site work began after securing all formal approvals, but was halted by notification from the Ministry of Finance pending execution of a leasing agreement. Salhia has strived with the Ministry of Finance and other concerned authorities to obtain approval to resume work.

The Company has been working diligently with the Ministry of Finance and the other concerned authorities to clarify the nature of Al-Asima project and that it should not be subjected to Build Operate and Transfer (B.O.T) laws and projects categorization.

Recently, there has been several positive factors emerging in favor of the project. Initiatives presented by the relevant State Bodies in order to distinguish between projects have been discussed. These new initiatives should clarify which projects will be subjected to (B.O.T) laws. Salhia is therefore optimistic and anticipates to receive the official State Properties Contract during the first quarter of 2010. Such developments were reflected on the litigation procedures between Salhia and the State Properties Department. At the present time, the Company is working on a judicial settlement satisfactory to all parties, while keeping in mind the ongoing negotiation with the State Properties Department.

For the local non-real estate investments, Salhia adopted a carefully studied strategic plan of systematic divestment from some investments in order to realize adequate returns for the Company's shareholders during 2009. This plan allowed suitable liquidity to be available to assist in capturing forthcoming investment opportunities available in the local markets.

In the United Kingdom, Salhia's activities are run by a joint venture company, Key Properties Investments Company (KPI). It has a diversified portfolio of income-producing assets and refurbishment and redevelopment opportunities. Excellent progress is being made on the mixed use town centre scheme at Farnborough with the completion and occupation of Sainsbury's food store. There has also been progress with the construction of the Warwickshire College at KPI's Rugby site.

The Birmingham project, known as The Beorma Quarter, is a major central city regeneration project. A formal planning application was submitted in February 2009 to Birmingham City Council and a resolution to grant consent was given at Committee in May with final approval following Judicial Review granted unanimously in November 2009.

In Germany, Salhia's investments are run by Haddia Holding Company which provides nursing home services for senior citizens. During this year, real estate values in Germany stabilized. The market values of the company's properties remains above book value. In 2009, Haddia Group were rated as "Best Consumer Friendly" properties by the new law of transparency of quality of nursing homes in Germany.

Dearest Shareholders,

Through this statement we report to you the main financial results of the Company for 2009, hoping that we were transparent and up to the level of reciprocal trust. At this point, we are obliged to commemorate our deceased Mr. Salah Fahad Al-Marzouk the former Vice-Chairman, who shared in the growth of Salhia Real Estate Company since its inception, and was a close brother, friend and support to us during difficult times. May God have mercy on him and place him in Heaven.

In conclusion, I wish to express my appreciation and gratitude to all Shareholders of Salhia, its Board of Directors and employees. I pray to Allah for the sustained blessings safety and security for our beloved country, Kuwait, under our progressive leaders His Highness Sheikh Sabah Al-Ahmed Al-Sabah, the Amir of Kuwait, the Crown Prince His Highness Nawaf Al-Ahmed Al-Jaber Al-Sabah, and the Prime Minister Sheikh Nasser Al-Mohammed Al-Ahmad Al-Sabah and his judicious government.

Ghazi Fahad Alnafisi

Chairman and Managing Director

Report of the board of Directors

Local Investments

Salhia commercial complex

The Company's flagship development has maintained its position as one of Kuwait's most elegant shopping and office complexes for the last 31 years, complemented by the Sahab Tower, which rises 20 storeys as a dominant feature of the city' s skyline. The entire complex, established in 1978, is an outstanding example of impressive architecture designed and built with a modern vision that has maintained its enduring status as Kuwait's most luxurious shopping mall. Salhia Real Estate has reserved its commercial complex's valuable position, since its inception in 1978, with an achievement of 100% occupancy for sixteen consecutive years.

Salhia Plaza

Completed in 2007, Salhia Plaza has rapidly become an integral component of Salhia Commercial Centre. The Plaza came into being on completion of the Salhia underground Car Park, where the spacious area above provided a perfect strip for cafés and restaurants. Extensive landscaping and outdoor plants set the tone to establish Salhia Plaza as popular meeting place.

Sahab Tower

Opened in 1997, Sahab Tower is Salhia's 20-storey office tower with three floors of retail space. It is occupied by local and international companies that enjoy the benefits of a prime city-centre location and the facilities offered by the neighboring Salhia Commercial Complex and Salhia Plaza, as well as amazing views over Kuwait City.

Salhia continues to ensure that high standard and efficient services are provided to their tenants resulting in a 100% occupancy rate for the eleventh consecutive year.

JW Marriott Hotel

In partnership with Marriott International Hotels, Salhia has developed the JW Marriott and Courtyard by Marriott hotels, providing top-class accommodation and conference facilities.

JW Marriott Hotel Kuwait is renowned for its impressive range of accommodations, restaurants and meeting space. Located in the heart of the city and connected to the prestigious Salhia Shopping Complex enabling its guests to be within walking distance to the commercial districts, ministries and banks. Spacious accommodations are furnished to meet the highest standards, while the 52 elegantly designed suites provide superior luxury and exclusive services.

Most recently, the hotel has been awarded "Best Business Hotel" by Business Traveller Magazine.

Arraya Commercial Centre

Arraya Commercial Centre is a luxurious Salhia development comprising a contemporary mall, a luxurious four-star hotel, offices, conference centre and multi-storey car park. The three storey shopping mall is tenanted by famous international retailers offering the finest brands of jewelry, clothing, accessories and beauty products, complemented by fine restaurants and cafés for a stylish dining and shopping experience. During 2009 new international brands and restaurants opened. Another highlight of this year was the holding of various social and cultural events that serviced and attracted many visitors to the centre. As a result, Arraya Commercial Centre has a 100% occupancy of both retail and commercial offices for the sixth consecutive year.

The Arraya Car Park accommodates 1,400 vehicles over six floors, serving visitors to the Arraya Commercial Centre and the surrounding commercial area.

Arraya Plaza

Arraya Commercial Centre also incorporates a 3,000m^2 climate controlled outdoor plaza area at its centre. Sophisticated environmental systems, tensile fabric shading and fountains provide year-round comfort for patrons. Paved with deluxe granite and using innovative lighting techniques, the plaza provides an additional venue for restaurants, shopping and entertainment.

New Arraya Tower

At 300 meters high, Arraya Tower is one of Kuwait's currently tallest office buildings which was completed in the second quarter of 2009, with 60 floors serviced by 16 elevators. The open plan design with no intervening columns allows for very flexible office layouts, with floor areas ranging from 520m^2 to 740 m^2. The project total construction cost is KD 32 million. The building is designed to incorporate the latest information technology systems, along with luxurious architectural finishes.

Salhia Real Estate was successful in letting 82% of the tower to local and international companies.

Courtyard Marriott Hotel

The Courtyard Marriott is recognized as one of the finest business hotels in Kuwait, conveniently located near embassies and the financial and business districts. Spacious guest rooms are equipped with a work desk, high-speed internet connection, satellite TV, mini-bar and safe. Recently the Club Lounge was added on the 15th floor allowing business travellers to relax and work.

A dedicated Business centre has been added on the 3rd floor along with additional four private meeting rooms able to cater up to 10 people. The number of parlor suites has increased along with a special bridal suite and a unique crew lounge.

Arraya Ballroom

Located next to the Courtyard Marriott Hotel, the Arraya Ballroom is also managed by Marriott International Inc. This state-of-the-art conference venue provides more than 1,500 m^2 of meeting space, bridal suites and offices on two floors. The main feature is a grand ballroom that is divisible into six separate halls or one huge space with a floor area of 1,500 m^2 and an five-metre ceiling height.

This exquisite facility is Kuwait's largest indoor events venue, equipped with the most modern audio-visual and communications technology. It has rapidly become one of the region's leading convention venues and has been the top selected venue for city wide events and conferences.

Al - Asima Project

Salhia retained a 50% stake of Al-Asima Real Estate Company, which owns the Al-Asima project.

Site work began after securing all formal approvals, but was halted by notification from the Ministry of Finance pending execution of a leasing agreement. Salhia has worked hard with the Ministry of Finance and other concerned authorities to obtain approval to resume work.

The Company has been working diligently with the Ministry of Finance and the other concerned authorities to clarify the nature of Al-Asima project and that it should not be subjected to B.O.T laws and projects categorization.

Recently, there has been several positive factors emerging in favor of the project. Initiatives presented by the relevant State Bodies in order to distinguish between projects have been discussed. These new initiatives should clarify which projects will be subjected to (B.O.T) laws. Salhia is therefore optimistic and anticipates to receive the official State Properties Contract during the first quarter of year 2010. Such developments were reflected on the litigation procedures between Salhia and the State Properties Department. At the present time, the Company is working on a judicial settlement satisfactory to all parties, while keeping in mind the ongoing negotiation with the State Properties Department.

Local Investments - Non Real Estate

Salhia formulates its investment plans to create a balance between risk and return. The Company created a diversified investment portfolio by entering the local and Gulf markets. The portfolio's investments were focused on the leading shares that had excellent performances. However, the economic crisis continues to negatively effect the performance indicator of Kuwait Stock Exchange and the Gulf market. The Kuwait Stock Exchange had lost 10% of its value in 2009.

Salhia adopted a carefully studied strategic plan of systematic divestment from some investments in order to realize adequate returns for the Company's shareholders during 2009. This plan allowed suitable liquidity to be available to assist in capturing forthcoming investment opportunities available in the local markets.

As a policy, Salhia again implemented the most conservative interpretation of the latest professional accounting standards. The Company therefore recorded provisional losses in investments value of 4,153,229 Kuwaiti Dinars.

Report of the Board of Directors

International Investments

United Kingdom

KPI Properties

2009 has been an extraordinary year in the UK property market, with similar experiences worldwide. In the first quarter of the year, the effects of the banking crisis were being felt in all sectors and concern about the future was being expressed by all property owners. By the third quarter of the year there had been an unexpected change in the market with investors buying some well located and well let properties, often with cash in spite of continuing concerns over the UK economy.

KPI is a UK joint venture between Salhia and St Modwen Properties PLC. It has a diversified portfolio of income-producing investments, refurbishment and redevelopment opportunities.

Although the construction programme has been scaled back in response to market conditions, KPI has nevertheless remained active and has made significant progress on a number of important new schemes.

Excellent progress is being made on the mixed use town centre scheme at Farnborough with the completion and occupation of Sainsbury's food store in December 2009.

There has also been progress with the construction of the 14,000 m^2 Warwickshire College at KPI's Rugby site, despite the insolvency of the main contractor. Using the skill and knowledge of the St Modwen in-house construction team, direct responsibility for this construction programme was assumed thereby not only safeguarding numerous subcontractor jobs but also keeping the project on programme and within the original budget.

These pre-sold transactions have enabled KPI to continue to be active and to maintain a degree of momentum with all key strategic projects.

On the investment side, Elephant & Castle has strongly underpinned its rental values due to the competitive pressures brought about by near 100% occupancy levels. The shopping centre continues to perform very well as a standing investment. Basingstoke has been troubled by significant voids to which a highly competitive rent reduction has been KPI's principal response. These factors, together with the effects of the market, have been reflected in the yields and rental values used in the year end valuations.

Whilst there have been improvements in some sectors of the property market, valuers are still reflecting a degree of uncertainty which has an adverse impact on the valuations applied to properties in the portfolio.

The principal aim in KPI has been to maintain income on all investments and continue to make progress on all the developments in the portfolio and this has been successfully achieved.

Salhia International Investments Ltd.

Beorma Quarter - Birmingham

Salhia International Investments Ltd, a Jersey based company and a wholly owned subsidiary, has been created to benefit from the current UK tax regime, and to acquire the shareholding of Ingleby (1733) Ltd. Ingleby owns properties in central Birmingham which are being held for a major mixed use city centre development. Birmingham is one of England's most important cities outside of London with a population of over 2 million people and a total catchment of around 20 million people within 1 hour's drive of the City centre.

The Birmingham project, known as The Beorma Quarter, Digbeth, is a major potential central city regeneration project. It will comprise a mixed use office, hotel and residential development close to the centre of Birmingham and adjacent to the Bull Ring Shopping Centre, a 93,000 m^2 prestigious scheme which is acknowledged as one of the most successful shopping centre schemes in the UK and includes Selfridges, an iconic and widely known building.

A formal planning application was submitted in February 2009 to Birmingham City Council and a resolution to grant consent was given at Committee in May with final approval following Judicial Review granted unanimously in November 2009. The scheme will provide space in excess of 59,500 m^2 gross.

This is an important and historical site and the proposed project fits into the Birmingham Big City plan. Salhia's involvement of a development of this scale has been warmly welcomed by Birmingham City Council and all other relevant stakeholders. Construction is proposed to be carried out in phases, commencing towards the end of 2010.

Drawbridge Securities Ltd.

Salhia established Drawbridge Securities to acquire options for land and enhance value through planning negotiations and consent. There has been a marked and noticeable improvement in property values towards the end of 2009 following the events of the world banking crisis in 2008. Liquidity in the UK Banking market and lack of availability for commercial and residential mortgages affected all property values, reaching the lowest point in about the first quarter of 2009.

The reduced values, weakened UK currency and higher yields started to attract investors back into the market. By September 2009 increasing demand for secure investments, properties let on long leases to good tenants or properties in good locations, has resulted in improving values in some sectors.

The impact on DSL and the company's projects has been less severe compared to many other property companies.

The Southampton office building has been completed and has been let to Grant Thornton and Santander Bank with only part of one floor remaining unlet. The strategy is to sell the completed investment at an appropriate time.

The Peterborough project continues to grow in scale and potential. Gazeley (UK) Ltd (owned by Dubai World), our partner on the project, have renamed it Magna Park, their brand name for their most significant distribution warehouse parks. Their proposed formal planning application for up to 370,000 m^2 will be submitted towards the end of 2010.

Following the adjustment in market values in land and buildings, more interesting opportunities are beginning to appear. Confidence is returning and DSL will continue to source and consider suitable planning and development opportunities, capitalising on the current market conditions and presenting them to the Board for consideration.

Germany

Haddia Holding

Haddia Holding GMBH, 90.89% owned by Salhia, specializes in high-quality care for the elderly. Haddia owns through its subsidiary, SAREC Gmbh,18 high quality nursing care properties located in different districts of Northern Germany. The properties include 13 nursing homes, 4 senior residences and one office building. All properties have long-term leases with one of the largest private operators of nursing homes in Germany, DANA Gmbh.

By having distinguished properties and providing high quality service, Haddia managed to increase the occupancy rate reaching an average of 88% of the total 1,577 senior citizens apartments and nursing homes beds in 2009. While the average occupancy for the nursing homes, 1,314 beds, increased to 91%. Through the company's continuous efforts, the sales improved in 2009 by 6.8%, rising from €34.9 million in 2008 to €37.2 million in 2009.

During this year real estate values in Germany stabilized. The market values of the company's properties remains above book value. In 2009, Haddia Group were rated as "Best Consumer Friendly" properties by the new law of transparency of quality of nursing homes in Germany. The company continuously strives to maintain high standards of service and quality helping it to maintain its reputation in the market.

Bahrain

A land sale agreement was signed in 2007 for a site in the Bahrain Bay development, where an office tower and multi-storey car park will be built at a project cost of KD 43 million. The office tower will have 36,000m^2 of rentable office space, 7,900m^2 retail space, complemented by 891 car parking spaces. The design of the project was appointed to Skidmore, Owings, and Merrill (architecture, engineering and urban planning consultancy) and are expected to complete the design and commence construction by 2010.

Oman

Salhia invested an amount of K.D 1,760,000 in the Sultanate of Oman which equals to 5% in the shares of Global Real Estate Investment Company (GLOREI) headquartered in Oman. The principle function of the company is investing in the real estate and construction domain as well as land acquisition. Furthermore, Salhia purchased six parcel lands, namely in Suwihira, Luqaiba commercial quarter, Liwa port, Umaq, and Qirba. The total area of these lands is 134,665 m^2 with a total value of K.D 4,810,000. The company is undertaking best use studies on these land holdings.

International Investments – Non Real Estate

In early 2007, Salhia entered into an investment program to diversify away some core risks in its assets holdings, both in its asset-class and geographical spread. Also, the program was tailored to generate cash flows of over 18%-20% return on equity that would support the company's development pipeline. The total committed amount was US$250 million, split between US$100 million in equity and US$150 million in debt. Roughly 75% of that portfolio was invested in developed economies (i.e. USA, Western Europe and Japan) with the remainder going into emerging economies, such as; China, Korea, Brazil, Turkey, Russia, Mexico and Malaysia.

Further, the nature of these investments was predominantly structured products (in bonds, equities and commodities) that had conditional capital protection. The thesis in structuring the portfolio was to benefit from the forecasted global economic growth and hence circa 75% of it was allocated to indices and not single stocks per se. During the year, a significant portion was redeemed due to the maturities of these investments and there proceeds were used to mainly deleverage the portfolio. At the end of the year, the portfolio's total size before any mark to market treatment came to circa US$145 million (US$95 million in equity and US$50 million in debt). Moreover, the maturities of these investments are varied but the vast majority of it will redeem in 2010. The provision that was accounted for at the end of 2009 is circa $8 million.

The year 2009 was a substantially different year in most accounts. The MSCI World index of 23 developed nations, gained 27% in the year, the most since 2003. Also, the S&P 500 managed a 23% gain. Further, the S&P GSCI of 24 raw materials and commodities gained 50%, its best performance since at least 1970. Extreme volatility shaved off more than two-thirds the highs of 2008 and is now back to historical average levels. Moreover, the MSCI Emerging Markets Index closed the year up 74%, the biggest gain since records began in 1988. With hindsight, commodities were the best play in 2009. Oil ended the year around $80 a barrel, close to 80% gain for the year. White sugar, copper, lead and zinc prices all appreciated over a 100%, while gold managed a relatively meager of circa 25%.

2009 only started to stabilize and move upwards post the first quarter and only to close the year to roughly October-November 2008 equity price levels (the period when Lehman Brothers Holdings went bankrupt). Although 2009 was a brilliant year in terms of net returns, relative returns don't display the equivalent picture. US and Europe unemployment rates remain at a historical high, so does governments intervention in the financial sector, in particular the US and the UK.

Information Technology

Salhia Utilizes sophisticated IT systems to accommodate all aspects of its business and development needs by incorporating highly qualified personnel and equipping them with the latest technology.

Salhia completed the installation of the latest systems and equipment to link Arraya Tower II Project with the existing data center in Arraya Commercial Center providing the latest technologies and services to the new tenants.

During 2009 Salhia updated its corporate website, (www.salhia.com) providing detailed information on the company's history, philosophy, management team and projects.

Human Resource

Management of human resources is considered amongst the most vital administrative functions at any organization. It focuses on the human element, arguably the most valuable asset of an organization and also for the important bearing it has on productivity. Salhia has put in place a well thought of strategy that relies on the participation of both employees and senior management in achieving the company's vision and goals. Each employees responsibility is determined by their capability and level of expertise, which are continuously enhanced through further training and development.

Executive Management

Ghazi Fahad Alnafisi	Chairman and Managing Director
Anwar Abdulaziz Al-Usaimi	Deputy Managing Director
Abdulaziz Ghazi Alnafisi	Investment Group Head
Hany A. Abdelnour	Finance and Accounting Group Head
Nasser Bader Al-Ghanim	Senior Manager, Foreign Investment
Eng. Kifah Georges	Senior Manager, Construction
Abdul Nasser Al-Turkait	Senior Manager, IT
Eng. Bader Khalifah Al-Adsani	Manager, Real Estate
Mohammed Khalil Al-Musaibeeh	Senior Manager, Accounting
Ali Jassim Abul	Assistant Manager, Human Resource & Administration

Financial Highlights

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SALHIA REAL ESTATE COMPANY K.S.C. (CLOSED)

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' 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 auditors consider internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

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

Report on other Legal and Regulatory Matters

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

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

ALI A. AL-HASAWI
LICENSE NO.30-A
RODL MIDDLE EAST
BURGAN – INTERNATIONAL ACCOUNTANTS

10 March 2010
Kuwait

CONSOLIDATED STATEMENT OF INCOME

YEAR ENDED 31 DECEMBER 2009

	Note	2009 KD	2008 KD
Revenues		**44,213,336**	44,146,975
Operating costs		**(17,249,380)**	(18,799,472)
Gross profit		**26,963,956**	25,347,503
Share in joint venture's results	10	**(271,773)**	2,544,012
Share of associate's results	16	**(1,389,735)**	(2,031,962)
General and administrative expenses		**(4,372,819)**	(5,884,649)
Depreciation	11&12	**(5,042,706)**	(5,180,805)
Sales and marketing expenses		**(856,746)**	(1,023,621)
Investment income	3	**7,773,641**	8,606,288
Foreign exchange loss		**(856,859)**	(704,612)
Interest income		**75,734**	175,447
Other income	4	**1,169,948**	391,768
Impairment loss on financial assets available for sale	9	**(9,513,832)**	(47,894,714)
Reversal of (charge for) impairment loss on real estate properties	11	**1,059,157**	(3,673,427)
Finance costs		**(6,263,287)**	(7,158,296)
Profit (loss) before tax		**8,474,679**	(36,487,068)
Foreign tax		**(1,075,728)**	(47,629)
PROFIT (LOSS) BEFORE CONTRIBUTION TO KFAS, NLST, ZAKAT AND DIRECTORS' FEES		**7,398,951**	(36,534,697)
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		**(35,015)**	-
National Labour Support tax (NLST)		**(202,295)**	-
Zakat		**(76,514)**	-
Directors' fees	20	**(135,000)**	-
PROFIT (LOSS) FOR THE YEAR		**6,950,127**	(36,534,697)
Attributable to:			
Equity holders of the Parent Company		**7,248,686**	(35,494,609)
Non-controlling interests		**(298,559)**	(1,040,088)
		6,950,127	(36,534,697)
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO THE EQUITYHOLDERS OF THE PARENT COMPANY	6	**19 fils**	(90) fils

The attached notes 1 to 29 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2009

	Note	2009 KD	2008 KD
Profit (loss) for the year		**6,950,127**	(36,534,697)
Other comprehensive income (loss)			
Net movement in cumulative change in fair value		**3,712,708**	(38,723,939)
Realised on sale of financial assets available for sale	3	**(3,218,652)**	(6,534)
Impairment loss transferred to consolidated statement of income		**7,138,555**	46,168,456
Exchange differences arising on translation of foreign operations		**699,353**	(6,087,786)
Other comprehensive income for the year included in consolidated statement of changes in equity		**8,331,964**	1,350,197
Total comprehensive income (loss) for the year		**15,282,091**	(35,184,500)
Attributable to:			
Equity holders of the Parent Company		**15,563,745**	(33,946,025)
Non-controlling interests		**(281,654)**	(1,238,475)
		15,282,091	(35,184,500)

The attached notes 1 to 29 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2009

	Note	2009 KD	2008 KD
ASSETS			
Cash and bank balances	7	**3,561,088**	6,472,316
Fixed deposits	7	**3,911,056**	1,162,900
Inventories		**336,880**	366,565
Accounts receivable and other assets	8	**9,627,574**	6,387,309
Financial assets available for sale	9	**63,798,084**	71,829,726
Investment in associate	16	**-**	-
Interest in joint venture	10	**9,040,006**	10,956,432
Investment properties	11	**68,786,388**	35,552,857
Property and equipment	12	**103,280,478**	131,281,443
TOTAL ASSETS		**262,341,554**	264,009,548
LIABILITIES, DEFERRED GAIN AND TOTAL EQUITY			
LIABILITIES			
Due to banks and financial institution	13	**33,015,794**	44,964,253
Accounts payable and other liabilities	14	**17,148,147**	18,662,082
Bank loans	15	**77,921,038**	82,586,066
TOTAL LIABILITIES		**128,084,979**	146,212,401
DEFERRED GAIN	16	**12,926,307**	11,536,572
EQUITY			
Share capital	17	**39,922,126**	39,837,848
Share premium		**27,524,906**	27,524,906
Treasury shares	18	**(2,428,530)**	(1,072,354)
Treasury shares reserve		**1,807,235**	1,807,235
Statutory reserve	19	**18,648,149**	18,259,091
Voluntary reserve	19	**18,648,149**	18,259,091
General reserve		**4,250,000**	4,250,000
Employee share options plan reserve	21	**-**	227,549
Retained earnings (accumulated losses)		**2,282,984**	(3,806,930)
Cumulative changes in fair value		**10,767,888**	3,135,277
Foreign currency translation reserve		**(1,448,555)**	(2,131,003)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		**119,974,352**	106,290,710
Non-controlling interests		**1,355,916**	(30,135)
TOTAL EQUITY		**121,330,268**	106,260,575
TOTAL LIABILITIES, DEFERRED GAIN AND TOTAL EQUITY		**262,341,554**	264,009,548

Ghazi Fahad Alnafisi
Chairman and Managing Director

The attached notes 1 to 29 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2009

	Note	2009 KD	2008 KD
OPERATING ACTIVITIES			
Profit (loss) before contribution to KFAS, NLST, Zakat and Directors' fees		**7,398,951**	(36,534,697)
Adjustments for:			
Share in joint venture's results net of related tax	10	**504,302**	(2,544,012)
Share in associate's results		**1,389,735**	2,031,962
Depreciation		**5,042,706**	5,180,805
Provision for employees' terminal benefits		**666,684**	702,133
Investment income		**(7,773,641)**	(8,606,288)
Gain on sale of properties		**(15,498)**	-
Foreign exchange loss		**856,859**	704,612
Interest income		**(75,734)**	(175,447)
Finance costs		**6,263,287**	7,158,296
Impairment loss of financial assets available for sale		**9,513,832**	47,894,714
(Reversal of) charge for impairment loss on real estate properties		**(1,059,157)**	3,673,427
		22,712,326	19,485,505
Changes in operating assets and liabilities			
Inventories		**29,685**	(15,848)
Accounts receivable and other assets		**(3,324,542)**	2,629,431
Accounts payable and other liabilities		**(1,924,036)**	(1,712,648)
Cash from operations		**17,493,433**	20,386,440
Employees' terminal benefits paid		**(252,487)**	(223,987)
KFAS paid		**-**	(290,167)
National Labour Support Tax paid		**-**	(789,129)
Zakat paid		**-**	(19,703)
Directors' fees paid		**-**	(165,000)
Net cash from operating activities		**17,240,946**	18,898,454
INVESTING ACTIVITIES			
Purchase of financial assets available for sale		**(4,439,978)**	(43,954,050)
Proceeds from sale of financial assets available for sale		**13,809,051**	34,894,274
Additions to investment properties and property and equipment		**(6,181,619)**	(24,509,891)
Proceeds from sale of investment properties and property and equipment		**43,234**	34,569,256
Investment income received		**4,554,989**	8,599,754
Dividend received from joint venture		**-**	1,948,000
Interest income received		**75,734**	175,447
Net cash from investing activities		**7,861,411**	11,722,790
FINANCING ACTIVITIES			
Proceeds from issue of shares under employee share options plan		**84,278**	-
Purchase of treasury shares		**(1,356,176)**	-
Proceeds from sale of treasury shares		**-**	6,795,153
Proceeds from bank loans obtained		**11,578,436**	23,011,125
Bank loans repaid		**(17,320,670)**	(20,763,078)
Loans from financial institution received (repaid)		**476,830**	(25,080,733)
Finance costs paid		**(6,302,838)**	(7,154,625)
Dividends paid		**-**	(17,908,436)
Net cash used in financing activities		**(12,840,140)**	(41,100,594)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**12,262,217**	(10,479,350)
Cash and cash equivalents at the beginning of the year		**(25,271,181)**	(14,791,831)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	7	**(13,008,964)**	(25,271,181)

The attached notes 1 to 29 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year ended 31 December 2009

Attributable to equity holders of the Parent Company

	Share capital KD	Share premium KD	Treasury shares KD	Treasury shares reserve KD	Statutory reserve KD	Voluntary reserve KD	General reserve KD
Balance at 1 January 2009	**39,837,848**	**27,524,906**	**(1,072,354)**	**1,807,235**	**18,259,091**	**18,259,091**	**4,250,000**
Profit (loss) for the year	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income (loss)	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	(1,356,176)	-	-	-	-
Employee share options exercised (Note 21)	84,278	-	-	-	-	-	-
Loss on partial sale subsidiary (Note 22)	-	-	-	-	-	-	-
Non-controlling interests arising on partial sale of subsidiary	-	-	-	-	-	-	-
Transfer to reserves	-	-	-	-	389,058	389,058	-
Balance at 31 December 2009	**39,922,126**	**27,524,906**	**(2,428,530)**	**1,807,235**	**18,648,149**	**18,648,149**	**4,250,000**

Attributable to equity holders of the Parent Company

	Share capital KD	Share premium KD	Treasury shares KD	Treasury shares reserve KD	Statutory reserve KD	Voluntary reserve KD	General reserve KD
Balance at 1 January 2008	36,216,226	27,524,906	(7,093,274)	1,033,002	18,259,091	18,259,091	4,250,000
Loss for the year	-	-	-	-	-	-	-
Other comprehensive income (loss)	-	-	-	-	-	-	-
Total comprehensive loss	-	-	-	-	-	-	-
Sale of treasury shares	-	-	6,020,920	774,233	-	-	-
Issue of bonus shares	3,621,622	-	-	-	-	-	-
Cash dividends paid	-	-	-	-	-	-	-
Employees' share based payment	-	-	-	-	-	-	-
Balance at 31 December 2008	39,837,848	27,524,906	(1,072,354)	1,807,235	18,259,091	18,259,091	4,250,000

The attached notes 1 to 29 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the Year ended 31 December 2009

Attributable to equity holders of the Parent Company

	Employee share options plan reserve KD	Retained earnings / (accumulated losses) KD	Cumulative changes in fair values KD	Foreign currency translation reserve KD	Subtotal KD	Non-controlling interests KD	Total equity KD
Balance at 1 January 2009	**227,549**	**(3,806,930)**	**3,135,277**	**(2,131,003)**	**106,290,710**	**(30,135)**	**106,260,575**
Profit (loss) for the year	-	7,248,686	-	-	7,248,686	(298,559)	6,950,127
Other comprehensive income	-	-	7,632,611	682,448	8,315,059	16,905	8,331,964
Total comprehensive income (loss)	-	7,248,686	7,632,611	682,448	15,563,745	(281,654)	15,282,091
Purchase of treasury shares	-	-	-	-	(1,356,176)	-	(1,356,176)
Employee share options exercised (Note 21)	(227,549)	143,271	-	-	-	-	-
Loss on partial sale subsidiary (Note 22)	-	(523,927)	-	-	(523,927)	(52,450)	(576,377)
Non-controlling interests arising on partial sale of subsidiary	-	-	-	-	-	1,720,155	1,720,155
Transfer to reserves	-	(778,116)	-	-	-	-	-
Balance at 31 December 2009	**-**	**2,282,984**	**10,767,888**	**(1,448,555)**	**119,974,352**	**1,355,916**	**121,330,268**

Attributable to equity holders of the Parent Company

	Employee share options plan reserve KD	Retained earnings / (accumulated losses) KD	Cumulative changes in fair values KD	Foreign currency translation reserve KD	Subtotal KD	Non-controlling interests KD	Total equity KD
Balance at 1 January 2008	-	53,217,737	(4,302,706)	3,758,396	151,122,469	1,208,340	152,330,809
Loss for the year	-	(35,494,609)	-	-	(35,494,609)	(1,040,088)	(36,534,697)
Other comprehensive income (loss)	-	-	7,437,983	(5,889,399)	1,548,584	(198,387)	1,350,197
Total comprehensive loss	-	(35,494,609)	7,437,983	(5,889,399)	(33,946,025)	(1,238,475)	(35,184,500)
Sale of treasury shares	-	-	-	-	6,795,153	-	6,795,153
Issue of bonus shares	-	(3,621,622)	-	-	-	-	-
Cash dividends paid	-	(17,908,436)	-	-	(17,908,436)	-	(17,908,436)
Employees' share based payment	227,549	-	-	-	227,549	-	227,549
Balance at 31 December 2008	227,549	(3,806,930)	3,135,277	(2,131,003)	106,290,710	(30,135)	106,260,575

The attached notes 1 to 29 form part of these consolidated financial statements

1 CORPORATE INFORMATION

The consolidated financial statements of Salhia Real Estate Company K.S.C. (Closed) (the "Parent Company") and Subsidiaries (collectively "the Group") for the year ended 31 December 2009 were authorised for issue in accordance with a resolution of the Parent Company's Board of Directors on 10 March 2010. The general assembly of the shareholders of the Parent Company has the power to amend these consolidated financial statements after issuance.

The Group comprises Salhia Real Estate Company K.S.C. (Closed) and its subsidiaries listed in Note 23.

The Parent Company is a Kuwaiti Shareholding Company incorporated on September 16, 1974 and is listed on the Kuwait Stock Exchange. The Group's main activities comprise real estate leasing and development of commercial properties and hotel operations in Kuwait and care home operation in Germany. Surplus funds are invested in real estate and securities portfolios managed by specialist investment managers.

The Parent Company's registered address is Salhia Complex, Fahad Al Salem Street, P.O. Box 23413 Safat 13095 Kuwait.

2.1 BASIS OF PREPARATION

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB) and applicable requirements of Ministerial Order No. 18 of 1990.

Basis of preparation

The consolidated financial statements are prepared under the historical cost convention as modified for the revaluation at fair value of financial assets available for sale.

The consolidated financial statements have been presented in Kuwaiti Dinars, which is the Parent Company's functional and presentation currency.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company for the year ended 31 December 2009 and the financial statements of its subsidiaries prepared to a date not earlier than three months of the Parent Company's year end as disclosed in Note 23. Adjustments are made for non-uniform accounting policies.

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. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Parent Company obtained control, and continue to be consolidated until the date that such control ceases. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of income from the date of acquisition or up to the date of disposal, as appropriate.

The financial statements of the subsidiary companies are consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. All intra-group balances and transactions, including intra-group profits and unrealised gains and losses and dividends resulting from intra-group transactions are eliminated in full on consolidation.

Non-controlling interests in the net assets (excluding goodwill) 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 interests' share of changes in equity since the date of the combination.

Profits and losses are attributed to the owners of the Parent Company and to the non-controlling interests in the ratio of their respective equity holdings even if this results in the non-controlling interests having a deficit balance.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction

2.2 CHANGES IN ACCOUNTING POLICIES

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

The Group has adopted the following new, amended and issued International Accounting Standards Board (IASB) standards and International Financial Reporting Interpretations Committee (IFRIC) interpretations effective for annual periods beginning on or after 1 January 2009.

- ***IFRS 7: Financial Instruments: Disclosures (Amended)***
- ***IFRS 8: Operating Segments***
- ***IAS I : Presentation of Financial Statements (Revised)***
- ***IAS 23: Borrowing Costs (Revised)***
- ***IAS 40: Investment Properties (Revised)***

IFRS 7(Amended) Financial Instruments: Disclosures

The amended standard requires additional disclosures about fair value measurement. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. This amendment does not require the companies to provide comparative information on transition. Thus, the Group elected not to provide comparative information .The fair value measurement disclosures are presented in Note 9.

IFRS 8 Operating segments

The new standard which replaced IAS 14 'Segment reporting' requires a management approach for segment reporting under which segment information is presented on the same basis as that used for internal reporting purposes. Accordingly, segments are reported in a manner that is more consistent with the internal reporting provided to the Chief Decision Maker. The Group concluded that the operating segments determined in accordance with IFRS 8 are the same as the business segments previously identified under IAS 14. IFRS 8 disclosures are presented in Note 25, including comparative information.

IAS 1 (Revised) Presentation of Financial Statements

The revised standard requires only owner changes in equity to be presented in the consolidated statement of changes in equity. All non-owner changes in equity (i.e. comprehensive income) are required to be presented separately from owner changes in equity in a performance statement (statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the statement of changes in equity. The Group has elected to present the consolidated statement of income and the consolidated statement of comprehensive income separately.

IAS 23 (Revised) Borrowing Costs

The revised IAS 23 requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The transitional requirements of the standard require it to be adopted as a prospective change from the effective date. The revised standard has not had any impact on the Group's financial statements since the Group currently capitalises borrowing costs related to the acquisition and construction of a qualifying asset.

IAS 40 (Revised) Investment Properties

The improvements to IFRS project revised the scope of IAS 40 'Investment properties' such that property under construction or development for future use as an investment property is classified as investment property. Since the Group follows the 'cost model', property under construction or development is carried at cost less impairment, if any, at each financial position date.

2.2 CHANGES IN ACCOUNTING POLICIES (continued)

Improvement to IFRSs

In May 2008 and April 2009 the IASB issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments, relevant to the Group, has resulted in changes to certain accounting polices but did not have any impact on the financial position or performance of the Group.

- IFRS 7 Financial Instruments: Disclosures: the amendment removed the reference to 'total interest income' as a component of finance costs. This had no impact to the accounting policy and financial position of the Group as this policy was already applied.
- IAS 10 Events after the Reporting period: the amendment clarifies that dividends declared after the end of the reporting period are not obligations. This had no impact to accounting policy and financial position of the Group as this was already applied.
- IAS 16 Property, Plant and Equipment: replaces the term 'net selling price' with 'fair value less costs to sell'. The change in accounting policy did not impact the Group's financial position.
- IAS 18 Revenue: the amendment replaces the term 'direct costs' with 'transaction costs' as defined in IAS 39.
- IAS 27 (Amended) Consolidated and Separate Financial statements: this amendment requires that any subsidiaries held in accordance with IAS 39 continue to be treated at that value when they meet the definition of held for sale. The change in accounting policy did not impact the Group's financial position, as no subsidiaries meet the criteria under IFRS 5, and the Group does not account for any subsidiaries at fair value on subsequent measurement.
- IAS 28 Investment in Associate: An investment in an associate is a single asset for the purpose of conducting the impairment test. Therefore, any impairment test is not separately allocated to the goodwill included in the investment balance. This amendment has no impact on the Group because this policy was already applied.
- 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'. This amendment has no immediate impact on the disclosures of the consolidated financial statements of the Group because the recoverable amount of its cash generating units is currently estimated using 'value in use'.

The following International Accounting Standard Board (IASB) Standard and International Financial Reporting Interpretation Committee (IFRIC) Interpretation have been issued but are not yet effective and have not been early adopted by the Group

IFRS 9 Financial Instruments

On 13 November 2009, the IASB issued the chapters of IFRS 9 relating to the classification and measurement of financial assets and is effective for annual periods beginning on or after 1 January 2013. IASB intends that IFRS 9 will ultimately replace IAS 39 in its entirety. However, in response to requests from interested parties that the accounting for financial instruments should be improved quickly, IASB divided its project to replace IAS 39 into three main phases. As the IASB completes each phase, as well as its separate project on the derecognition of financial instruments, it will delete the relevant portions of IAS 39 and create chapters in IFRS 9 that replace the requirements in IAS 39. IASB aims to replace IAS 39 in its entirety by the end of 2010.

The Group has not early adopted this standard for the year ended 31 December 2009.

SALHIA REAL ESTATE COMPANY K.S.C. (CLOSED) and Subsidiaries
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2009

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

- Rental income from investment properties is recognised on an accrual basis.
- Interest income is recognised as it accrues using the effective interest rate method ("EIR").
- Hotel and care home income represents the invoiced value of services provided during the year.
- Dividend income is recognised when the Group's right to receive payment is established.
- Gain on sale of property is recognised when the sale has been consummated and the contracts have been signed, the significant risks and rewards of ownership have passed to the buyers and the Group has no continuing involvement in the property.
- Gain on sale of investments is recognised on a trade date basis.

Finance costs

Finance costs that are directly attributable to the acquisition and construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete. Other finance costs are recognised as an expense in the period in which they are incurred.

Taxation

Kuwait Foundation for the Advancement of Sciences (KFAS)

The Group calculates the contribution to KFAS at 1% of profit for the year (net of accumulated losses brought) after accounting for the transfer to statutory reserve.

National Labour Support Tax (NLST)

The Group calculates the NLST in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit for the year. In determining taxable profit, profit of associates and subsidiaries subject to NLST and cash dividends from listed companies subject to NLST are deducted.

Zakat

Contribution to Zakat is calculated at 1% of the profit of the Group in accordance with the Ministry of Finance resolution No. 58/2007 effective from 10 December 2007.

Taxation on overseas subsidiaries

Taxation on overseas subsidiaries is calculated on the basis of the tax rates applicable and prescribed according to the prevailing laws, regulations and instructions of the countries where these subsidiaries operate.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through the consolidated statement of income.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in consolidated statement of income or as change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the consideration transferred over the Group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Cash and cash equivalents

For purpose of the consolidated statement of cash flows, cash and cash equivalents are short-term, highly liquid investments including fixed deposits that are readily convertible to known amounts of cash with original maturities up to three months from the date of acquisition and that are subject to an insignificant risk of change in value, net of due to banks contractually due within three months.

Financial instruments – initial recognition and subsequent measurement

(i) Financial assets

Initial recognition and measurement

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

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

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

The Group's financial assets include cash and bank balances, fixed deposits, receivables and financial assets available for sale.

Subsequent measurement

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

Loans and receivables

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

Subsequent measurement (continued)

Financial assets available for sale

Financial assets available for sale include equity securities. Equity securities classified as available for sales are those, which neither classified as held for trading nor designated at fair value through income statement. Investments in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

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

Derecognition

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

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

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

(ii) Impairment and uncollectibility of financial assets

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

Financial assets available-for-sale

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

(ii) Impairment and uncollectibility of financial assets (continued)

In relation to accounts receivable, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

(iii) Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include accounts payable, bank loans and due to banks and financial institution. At 31 December 2009, the Group did not have any financial liabilities at fair value through income statement.

Subsequent measurement

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

Accounts payable

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

Bank loans

After initial recognition, interest bearing bank loans are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of income when the liabilities are derecognised as well as through the effective interest rate amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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

(iv) Offsetting of financial instruments

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

Fair values

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and the fair value estimates.

Underlying the definitions of fair value is the presumption that the Group is a going concern without any intention or requirement to materially curtail the scale of its operations or to undertake a transaction on adverse terms.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values (continued)

Fair value of financial instruments

For financial instruments that actively traded in organised financial markets, fair value is determined by reference to stock exchange quoted market bid prices at the close of business on the financial position date. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

Financial instruments with no reliable measures of their fair values and for which no fair value information could be obtained are carried at their initial cost less impairment in value as noted in Note 9.

Fair value of real estate properties

For real estate properties, fair value is determined based on external valuations by independent, registered real estate valuers.

Impairment of non-financial assets

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

An assessment is made at each financial position date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of income. After such reversal, the depreciation charge is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Inventories

Inventories of food and beverages are valued at the lower of cost and net realisable value after making due allowance for any expired or slow-moving items. Cost is determined by the first-in, first-out method.

Net realisable value is based on estimated selling price less any further costs expected to be incurred on sale.

Inventories of operating supplies are valued at cost less due allowance for any obsolete or slow-moving items. Cost is determined on a weighted average basis.

Interest in joint venture

The Group has an interest in a joint venture which is a jointly controlled entity. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venture has an interest.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest in joint venture (continued)

Under the equity method, the interest in joint venture is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the investee. Goodwill relating to a joint venture is included in the carrying amount of the investment and is not amortised. The Group recognises in the consolidated statement of income its share of the results of the joint venture from the date that influence effectively commenced until the date that it effectively ceases. Distributions received from the joint venture reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Group's share in the joint venture arising from changes in the joint venture's equity. Where there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes in the consolidated statement of comprehensive income.

Unrealised gains on transactions with joint venture are eliminated to the extent of the Group's share in the joint venture. Unrealized losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred. An assessment for impairment of interest in joint venture is performed when there is an indication that the asset has been impaired, or that impairment losses recognised in prior years no longer exist.

The joint venture's financial statements are prepared to the Parent Company's financial position date or of a date not earlier or later than three months of the Parent Company's financial position date. Where practicable, appropriate adjustments for non-uniform accounting policies are made to the joint venture's financial statements to bring them in line with Group accounting policies.

Investment in associate

An associate is an entity over which the Group exerts significant influence. Investment in associate is accounted for under the equity method of accounting.

Under the equity method, the investment in associate is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the investee. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. The Group recognises in the consolidated statement of income its share of the results of the associate from the date that influence effectively commenced until the date that it effectively ceases. Distributions received from the associate reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Group's share in the associate arising from changes in the associate's equity. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes in the consolidated statement of comprehensive income.

Unrealised gains on transactions with associate are eliminated to the extent of the Group's share in the associate. Unrealized losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred. An assessment for impairment of investments in associates is performed when there is an indication that the asset has been impaired, or that impairment losses recognised in prior years no longer exist.

The associate's financial statements are prepared to the Parent Company's financial position date or of a date not earlier than three months of the Parent Company's financial position date. Where practicable, appropriate adjustments for non-uniform accounting policies are made to the associate's financial statements to bring them in line with Group accounting policies.

Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at depreciated cost less provisions for impairment. Buildings are depreciated using the straight line method over their estimated useful lives which vary between 10 to 50 years.

The carrying amounts are reviewed at each financial position date to assess whether they are recorded in excess of their recoverable amount, and where carrying values exceed their recoverable amount, properties are written down to their recoverable amount.

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2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

Investment property is derecognised when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of income in the year of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Properties under construction

Properties under construction are carried at cost less any impairment in value. Costs are those expenses incurred by the Group that are directly attributable to the construction of asset.

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

Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and any impairment in value. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of income during the financial year in which they are incurred.

Freehold land is not depreciated. Depreciation on other assets is provided on a straight line basis at rates calculated to write-off the cost of each asset over its expected useful life as follows:

• Buildings and related immovable equipment	10 to 50 years
• Furniture and equipment	10 years
• Motor vehicles	5 years

The carrying amounts are reviewed at each financial position date to assess whether they are recorded in excess of their recoverable amount, and where carrying values exceed their recoverable amount, assets are written down to their recoverable amount.

The useful economic lives of property and equipment are reviewed at each financial year and revised for significant change where necessary.

Capital work in progress

Capital work in progress is carried at cost less any impairment in value. Costs are those expenses incurred by the Group that are directly attributable to the construction of asset. Once completed the asset is transferred to the respective assets class.

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Treasury shares

The Parent Company's own shares are accounted for as treasury shares and are stated at purchase consideration including directly attributable costs. When the treasury shares are sold, gains are credited to a separate account in shareholders' equity (treasury shares reserve) which is non-distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the treasury shares reserve account. No cash dividends are distributed 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.

Share-based payment transactions

The Group operates an equity-settled, share-based employee share options plan (ESOP). Under the terms of the plan, share options are granted to eligible employees and are exercisable at the end of the vesting period. The fair value of the options is recognised as an expense over the vesting period with a corresponding effect in equity. The fair value of the options is determined using the Black-Scholes option pricing model.

The proceeds received from the exercise of the share options are credited to share capital (nominal value) and share premium when the options are exercised.

Provisions

A provision is recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) 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 each financial position date 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 incurred to settle the obligation.

Contingencies

Contingent liabilities are not recognised on the consolidated statement of financial position. They are disclosed in the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised on the consolidated statement of financial position, but disclosed in the consolidated financial statements when an inflow of economic benefits is probable.

Foreign currency translation

Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the financial position date. All differences are included within foreign currency gain or loss in the consolidated statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at closing rate.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation (continued)

Group companies

As at the financial position date, the assets and liabilities of foreign subsidiaries, and the carrying values of foreign associates and joint venture investments, are translated into the Parent Company's presentation currency (the Kuwaiti Dinars) at the rate of exchange ruling at the financial position date, and their income statements are translated at the weighted average exchange rates for the year. Exchange differences arising on translation are taken directly to other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to the particular foreign operation is recognised in the consolidated statement of income.

Judgements

In the process of applying the Group's accounting policies, management has made the following significant judgements, apart from those involving estimations, which have the most significant effect in the amounts recognised in the consolidated financial statements:

Classification of real estate property

Management decides on acquisition of a developed and under development real estate property whether it should be classified as trading, investment property or properties and equipment.

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

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

The Group classifies property as property and equipment when it is acquired for owner occupation.

Classification of equity investments

Management decides on acquisition of investments whether it should be classified as held for trading, at fair value through income statement, or available for sale.

All investments are classified as available for sale.

Impairment of financial instruments

The Group treats financial assets available for sale as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgement. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

Impairment of receivables

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

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimation uncertainty (continued)

Valuation of unquoted equity instruments

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

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

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. There are a number of investments where this estimation cannot be reliably determined. As a result, these investments are carried at cost less impairment (see note 9).

3 INVESTMENT INCOME

	2009 KD	2008 KD
Gain on sale of financial assets available for sale	3,218,652	6,534
Dividend income	673,193	2,500,719
Interest income from managed portfolio	3,881,796	6,099,035
	7,773,641	8,606,288

4 OTHER INCOME

Included in other income is an amount of KD 651,519 (31 December 2008: Nil) related to certain expense accruals that are no longer required.

5 NET GAIN (LOSS) ON FINANCIAL ASSETS

Net gain or loss on financial assets, analysed by category, is as follows:

	2009 KD	2008 KD
Loans and receivables:		
Cash and bank balances and fixed deposits	75,734	173,367
Financial assets available for sale:		
Recognised in other comprehensive income	10,851,263	7,444,517
Recycled from other comprehensive income to consolidated statement of income	3,218,652	6,534
Recognised directly in consolidated statement of income	4,554,989	8,599,754
Impairment loss	(9,513,832)	(47,894,714)
	9,186,806	(31,670,542)
Net loss recognised in the consolidated statement of income	(1,664,457)	(39,115,059)
Net gain recognised in other comprehensive income	10,851,263	7,444,517
	9,186,806	(31,670,542)

6 BASIC AND DILUTED EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY

Basic and diluted earnings (loss) per share attributable to equity holders of the Parent Company is computed by dividing the profit (loss) for the year attributable to equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares).

	2009	2008
Profit (loss) for the year attributable to equity holders of the Parent Company (KD)	7,248,686	(35,494,609)
Weighted average number of ordinary shares outstanding during the year (excluding treasury shares)	389,598,516	394,506,844
Basic and diluted (loss) earnings per share attributable to equity holders of the Parent Company	19 fils	(90) fils

7 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated statement of cash flows include the following financial position amounts:

	2009 KD	2008 KD
Cash and bank balances	3,561,088	6,472,316
Fixed deposits	3,911,056	1,162,900
Due to banks contractually due within three months (Note 13)	(20,481,108)	(32,906,397)
Cash and cash equivalents	(13,008,964)	(25,271,181)

Bank balances represent non-interest bearing current bank accounts held with local commercial banks.

Fixed deposits are placed with a high credit quality local bank yielding an effective interest rate of 1.7% to 2.75% (2008: 1.5% to 3%) per annum and mature within three months of the placement date.

8 ACCOUNTS RECEIVABLE AND OTHER ASSETS

	2009 KD	2008 KD
Hotel guests and care home residents receivables	**1,720,696**	2,082,282
Rent receivable	**141,359**	165,168
Due from related parties (Note 24)	**1,633,734**	1,684,460
Staff receivables (Note 24)	**576,789**	507,472
Deposits and prepaid expenses	**696,259**	1,028,504
Advance payments to contractors	**41,105**	307,605
Other receivables	**3,709,775**	611,818
Receivable from partial sale of subsidiary (Note 22)	**1,107,857**	-
	9,627,574	6,387,309

As at 31 December 2009 and 31 December 2008, the Group did not have significant receivables that were impaired.

Hotel guests and care home residents receivables are non-interest yielding and are generally on 30-90 days terms.

Movement in the provision for impairment of hotel guests and care home residents receivables were as follows:

	2009 KD	2008 KD
At 1 January	**79,160**	91,475
Release (charge) of provision for the year	**(13,961)**	7,000
Provision written off	**(12,798)**	(19,315)
At 31 December	**52,401**	79,160

As at 31 December, the analysis of hotel guests and care home residents receivables that were past due but not impaired is as follows:

		Past due but not impaired					
	Neither past due nor impaired KD	*< 30 days KD*	*30 to 60 days KD*	*60 to 90 days KD*	*90 to 120 days KD*	*> 120 days KD*	*Total KD*
2009	**152,930**	**924,390**	**183,319**	**80,424**	**31,703**	**400,331**	**1,773,097**
2008	140,837	481,518	437,321	263,391	62,554	775,821	2,161,442

Hotel guests and care home residents receivables include amounts denominated in the following major currencies:

	2009 KD	2008 KD
Kuwaiti Dinar	**1,497,791**	1,859,429
EURO	**222,905**	222,853
	1,720,696	2,082,282

9 FINANCIAL ASSETS AVAILABLE FOR SALE

	2009 KD	2008 KD
Managed portfolios	**79,139,861**	97,012,126
Managed funds	**298,450**	298,450
Unquoted securities	**28,007,110**	30,280,606
	107,445,421	127,591,182
Less: Impairment loss	**(43,647,337)**	(55,761,456)
	63,798,084	71,829,726

	2009 KD	2008 KD
Local investments	**15,308,480**	21,789,032
Foreign investments	**48,489,604**	50,040,694
	63,798,084	71,829,726

	2009 KD	2008 KD
Financial assets carried at fair value	**53,565,352**	59,595,704
Financial assets carried at cost less impairment	**10,232,732**	12,234,022
	63,798,084	71,829,726

Managed portfolios represent local and foreign equity investments and are carried at market bid prices and fair values as reported by the portfolio managers. During the year, the Parent Company recorded an impairment loss of KD 4,153,229 and KD 5,360,603 (2008: KD 21,096,728 and KD 25,594,378) against local and foreign equity investments respectively.

Managed portfolios include an investments portfolio with a carrying value of KD 27,540,200 (2008:KD 24,623,801) managed by a foreign financial institution which was partly funded by a short-term facility amounting to KD 12,534,686 obtained through the same foreign financial institution. The facility is secured by the investments portfolio (see Note 13).

Unquoted securities include an investment with a carrying value of KD 11,623,916 (2008: KD 13,838,831) carried at fair value for which the Group recorded a revaluation loss of KD 2,214,915 (2008: a revaluation gain of KD 7,360,064) in other comprehensive income based on fair value determined using sum of parts valuation methodology.

9 FINANCIAL ASSETS AVAILABLE FOR SALE (continued)

Determination of fair value and fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial assets available for sale by valuation technique:

Level 1: quoted (unadjusted) prices in active markets.

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

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

31 December 2009	*Level 1*	*Level 2*	*Level 3*	*Total*
	KD	*KD*	*KD*	*KD*
Managed portfolios	41,715,895	-	-	41,715,895
Managed funds	-	225,541	-	225,541
Unquoted securities	-	11,623,916	-	11,623,916
	41,715,895	**11,849,457**	**-**	**53,565,352**

During the reporting period ending 31 December 2009, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

10 INTEREST IN JOINT VENTURE

This represent the Group's 50% (2008: 50%) interest in a United Kingdom based joint venture entity, Key Property Investments, engaged in real estate leasing and development.

	2009	*2008*
	KD	*KD*
Carrying amount of the investment in the joint venture:		
At 1 January	**10,956,432**	14,407,638
Dividend received	**-**	(1,948,000)
Share in the joint venture's results	**(271,773)**	2,544,012
Share in the joint venture's tax	**(232,529)**	-
Foreign currency translation adjustment	**(1,412,124)**	(4,047,218)
At 31 December	**9,040,006**	10,956,432
Share of joint venture entity's financial position:		
Current assets	**688,611**	4,559,370
Long-term assets	**46,663,207**	43,013,776
Current liabilities	**(196,812)**	(2,932,714)
Long-term liabilities	**(38,115,000)**	(33,684,000)
Net assets	**9,040,006**	10,956,432
Share of joint venture entity's revenue and (loss) profit:		
Revenues	**13,123,731**	8,791,620
(Loss) profit after tax	**(504,302)**	2,544,012

11 INVESTMENT PROPERTIES

	Freehold land KD	Buildings KD	Property under construction KD	Total KD
Balance at 1 January 2009	18,410,081	17,142,776	-	35,552,857
Depreciation charge for the year	-	(588,134)	-	(588,134)
Transfers from property and equipment	-	-	32,640,195	32,640,195
Additions	-	71,959	-	71,959
Reversal of impairment loss	1,059,157	-	-	1,059,157
Foreign currency translation adjustment	-	-	50,354	50,354
Balance at 31 December 2009	**19,469,238**	**16,626,601**	**32,690,549**	**68,786,388**
Cost	19,469,238	29,239,392	32,690,549	81,399,179
Accumulated depreciation	-	(12,612,791)	-	(12,612,791)
Balance at 31 December 2009	**19,469,238**	**16,626,601**	**32,690,549**	**68,786,388**

Investment properties with a carrying value of KD 41,197,623 (2008: KD 39,022,602) are mortgaged against bank loans (see note 15).

Investment properties with a carrying value of KD 4,738,420 (2008: KD 3,679,263) are registered in the name of a nominee.

During the year, the Parent Company reversed a previously recorded impairment loss of KD 1,059,157 related to investment properties situated in the Sultanate of Oman based on a valuation obtained from an independent real estate assessor.

The fair value of real estate properties, including investment properties and property (listed as freehold land and buildings in Note 12) amounted to KD 431,197,823 at the financial position date (2008: KD 331,343,522) based on independent third party valuations provided by professionally qualified valuers using acceptable methods of valuation such as sales comparison and income capitalisation.

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12 PROPERTY AND EQUIPMENT

	Freehold land KD	Buildings KD	Furniture and equipment KD	Motor vehicles KD	Capital work in progress KD	Total KD
Balance at 1 January 2009	12,888,347	74,647,341	10,232,412	114,552	33,398,791	131,281,443
Additions	-	5,347	264,443	34,175	5,805,695	6,109,660
Disposals	-	-	(8,617)	(17,933)	(1,459)	(28,009)
Transfers from capital work in progress	-	1,750,344	737,503	-	(2,487,847)	-
Transfers to investment properties	-	-	-	-	(32,640,195)	(32,640,195)
Depreciation charge for the year	-	(2,317,306)	(2,087,056)	(50,210)	-	(4,454,572)
Foreign currency translation adjustment	321,276	2,232,794	91,839	-	366,242	3,012,151
Balance at 31 December 2009	**13,209,623**	**76,318,520**	**9,230,524**	**80,584**	**4,441,227**	**103,280,478**
Cost	13,209,623	102,039,892	30,158,926	372,856	6,866,491	152,647,788
Accumulated depreciation	-	(25,721,372)	(20,928,402)	(292,272)	-	(46,942,046)
Accumulated Impairment loss	-	-	-	-	(2,425,264)	(2,425,264)
Net carrying amount at 31 December 2009	**13,209,623**	**76,318,520**	**9,230,524**	**80,584**	**4,441,227**	**103,280,478**

Freehold land and buildings with a carrying value of KD 16,547,654 (2008: KD 16,667,695) are mortgaged against bank loans (Note 15).

Buildings with a carrying value of KD 7,356,038 (2008: KD 7,234,880) are constructed on land leased from the State of Kuwait.

13 DUE TO BANKS AND FINANCIAL INSTITUTION

	2009 KD	2008 KD
Due to banks (Note 7)	**20,481,108**	32,906,397
Due to financial institution	**12,534,686**	12,057,856
	33,015,794	44,964,253

Due to banks represents bank overdraft subject to effective interest rate ranging from 4.5% to 5.25% per annum (2008: 5.75% to 6.25%per annum).

Due to financial institution represents a short-term facility obtained from a foreign financial institution to fund investments purchased through the same foreign financial institution (see note 9). The facility is secured by the investments portfolio with a carrying value of KD 27,540,200 (2008: KD 24,623,801) managed by the foreign financial institution. Under the terms of the facility agreement, repayments of the facility are funded by the proceeds from sale of investments in the portfolio.

14 ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2009 KD	2008 KD
Accounts payable	**4,916,455**	5,837,518
Retentions payable	**1,234,749**	1,569,453
Accrued expenses	**1,644,805**	2,276,116
Deposits from tenants, hotel and care home guests	**538,454**	521,884
Rents received in advance	**1,514,003**	1,378,523
Employees' terminal benefits	**3,714,645**	3,302,788
Provisions	**147,663**	143,944
Kuwait Foundation for the Advancement of Sciences	**35,015**	-
National Labour Support Tax	**202,295**	-
Zakat	**76,514**	-
Directors' fees	**135,000**	-
Other payables	**1,813,354**	2,477,569
Due on purchase of investment property	**1,175,195**	1,154,287
	17,148,147	18,662,082

15 BANK LOANS

Bank loans are denominated in the following currencies:

	2009 KD	2008 KD
Kuwaiti Dinars	**35,756,618**	31,054,236
Euro	**34,426,920**	33,591,800
Japanese Yen	**1,710,500**	3,377,000
US Dollars	**6,027,000**	14,563,030
	77,921,038	82,586,066

The loans are contractually due for repayment as follows:

	2009 KD	2008 KD
Instalments payable within one year	**29,895,249**	29,462,462
Instalments payable within one year to two years	**6,778,284**	11,723,812
Instalments payable within two years to three years	**4,185,727**	5,241,922
Instalments payable within three years to four years	**4,254,934**	5,346,827
Instalments payable after four years	**32,806,844**	30,811,043
	77,921,038	82,586,066

The loans are repayable in equal periodic installments over variable periods of time with maturities extending to December 2030.

The Kuwaiti Dinar loans carry variable interest rates, which range from 2% to 2.75% per annum (2008: 1% to 2.25% per annum) over the Central Bank of Kuwait discount rate. The interest rate on these loans reprices when the Central Bank of Kuwait discount rate changes. The foreign currency loans carry both variable and fixed interest rates which range from 1.5% to 2.5% per annum (2008: 1.5% to 2.5% per annum) over LIBOR. The variable interest rate loans are repriced every 3 to 6 months.

Bank loans of the Group with a carrying value of KD 19,800,451 (2008: KD 24,181,236) are secured by investment properties with a carrying value of KD 41,197,623 (2008: KD 39,022,602) and freehold land and buildings with a carrying value of KD 16,547,654 (2008: KD 16,667,695) owned by the Group. Loans amounting to KD 34,426,920 (2008: KD 33,591,800) have been obtained by subsidiaries under the terms of which lenders have no recourse to the Parent Company in the event of default.

16 INVESTMENT IN ASSOCIATE / DEFERRED GAIN

	2009 KD	2008 KD
Investment in associate	**40,000,000**	40,000,000
Elimination of gain on sale of real estate asset	**(49,056,614)**	(49,056,614)
Share of associate's results adjustment	**(3,869,693)**	(2,479,958)
Deferred gain	**(12,926,307)**	(11,536,572)
Opening balance	**(11,536,572)**	(9,504,610)
Share of associate's results for the year	**(1,389,735)**	(2,031,962)
Deferred gain	**(12,926,307)**	(11,536,572)

The investment in associate represents the Group's 50% equity interest in Al Asima Real Estate Company K.S.C. whose principal activity is real estate development.

During the year 2006, the Parent Company sold a real estate asset with a carrying value of KD 16,536,771 to its associate resulting in a gain of KD 98,113,228 of which the Parent Company recorded KD 49,056,614 after eliminating the share of the gain attributable to its interest in the associate's equity. The excess of the gain over the carrying value of the associate has been accounted for as a deferred gain. Deferred gain will be offset against future increases in the carrying value of the associate until the deferred gain is fully utilised.

	2009 KD	2008 KD
Share of associate's financial position:		
Assets (Non-current)	**61,742,991**	62,275,634
Liabilities (Non-current)	**(25,164,688)**	(24,307,596)
Net assets	**36,578,303**	37,968,038
Adjustment to properties under development	**(49,504,610)**	(49,504,610)
Net assets after adjustment	**(12,926,307)**	(11,536,572)

17 SHARE CAPITAL

As at 31 December 2009, the Parent Company's authorised, issued and fully paid share capital consist of 399,221,255 shares of 100 fils each (2008: 398,378,478 shares of 100 fils each).

18 TREASURY SHARES

At 31 December 2009, the Parent Company held 11,020,000 of its own shares (2008: 3,380,000), equivalent to 2.76% (2008: 0.85%) of the total issued share capital at that date. The market value of these shares at the financial position date was KD 2,402,360 (2008: KD 730,080). Reserves of the Parent Company equivalent to the cost of the treasury shares have been ear-marked as non distributable.

19 STATUTORY AND VOLUNTARY RESERVES

As required by the Commercial Companies Law and the Parent Company's articles of association, 10% of profit for the year before contribution to KFAS, NLST, Zakat and directors' fees and after offsetting accumulated losses brought forward, is required to be transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve equals or exceeds 50% of paid-up share capital. Distribution of this reserve is limited to the amount required to enable the payment of a dividend of 5% of paid-up share capital to be made in years when accumulated profits are not sufficient for the payment of a dividend of that amount.

As required by the Parent Company's articles of association, 10% of profit for the year before contribution to KFAS, NLST, Zakat and Directors' fees after offsetting accumulated losses brought forward, is required to be transferred to voluntary reserve. Such transfer may discontinue by a resolution at the General Assembly.

20 DIVIDENDS DISTRIBUTION/DIRECTOR' FEES

For the year ended 31 December 2009, the Parent Company's Board of Directors proposed cash dividends of 15 fils (2008: Nil) per share. This proposal is subject to the approval of the annual general assembly of the shareholders of the Parent Company and completion of legal formalities.

Directors' fees of KD 135,000 (2008: KD Nil) are subject to approval by the annual general assembly of the shareholders of the Parent Company.

21 EMPLOYEE SHARE OPTIONS PLAN

At the annual general assembly of the shareholders of the Parent Company held on 29 April 2009, the shareholders approved the modification of the terms and conditions of equity-settled share options granted to eligible employees on 14 April 2008 by reducing the exercise price from 270 fils to 100 fils per share. Following modification of the exercise price, the eligible employees exercised their share options under the employees share option plan. As a result, the Parent Company issued 842,775 shares at 100 fils each.

22 LOSS ON PARTIAL SALE OF SUBSIDIARY

During the year ended 31 December 2009, the Group's German subsidiary sold 60% of a wholly owned subsidiary for a consideration of KD 576,377 but retained control. In accordance with IAS 27 (Revised 2008), the difference between the amount by which the non-controlling interest was adjusted and the fair value of the consideration received amounting to KD 523,927 has been recognised directly in equity and is attributed to the Parent Company.

23 SUBSIDIARIES

Details of subsidiaries are set out below:

Name of the company	Percentage of ownership 2009	2008	Country of incorporation	Financial position date	Principal activity
Directly held:					
Haddia Holding GMBH	90.89%	90.89%	Germany	31 December 2009	Holding company
Drawbridge Securities Limited	50.00%	50.00%	United Kingdom	30 November 2009	Property development
Ingelby Limited	50.00%	50.00%	United Kingdom	30 September 2009	Property development
Bunyan Al-Salhia Project Management Company W.L.L.	100.00%	100.00%	Kuwait	31 December 2009	Project management
Held through Haddia Holding GMBH:					
SAREC GMBH	100.00%	100.00%	Germany	31 December 2009	Leasing of properties
Dana Semiorenresidenzen und Pflegeheime GMBH	100.00%	Nil	Germany	31 December 2009	Company for further operations
Dana Senioreneinrichtungen GMBH	40.00%	100.00%	Germany	31 December 2009	Care home operator
Dana Ambulante Pfegedienste GMBH	40.00%	100.00%	Germany	31 December 2009	Care home service provider
Dana Services GMBH (Gredo GMBH)	40.00%	100.00%	Germany	31 December 2009	Care home catering service provider

As at 31 December 2009, the Group continued to consolidate Dana Senioreneinrichtungen GMBH, Dana Ambulante Pfegedienste GMBH and Dana Services GMBH (Gredo GMBH), as the Group has the power to govern the financial and operating policies of these companies so as to obtain benefits from their activities.

24 RELATED PARTY TRANSACTIONS

Related parties represent the major shareholders, associate and joint venture entities, directors and key management personnel of the Group, and companies which are controlled by them or over which they have significant influence. Pricing policies and terms of these transactions are approved by the Parent Company's management.

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

	Associate KD	Major shareholders KD	Other related parties KD	**Total 2009 KD**	Total 2008 KD
Management income	**17,000**	-	-	**17,000**	150,000

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

	Associate KD	Major shareholders KD	Other related parties KD	**Total 2009 KD**	Total 2008 KD
Amounts due from related parties	**1,625,374**	**8,360**	-	**1,633,734**	1,684,459
Staff receivables	-	**357,611**	**219,178**	**576,789**	507,472

Compensation of key management personnel

The remuneration of key management personnel of the Group during the year were as follows:

	2009 KD	2008 KD
Short-term benefits	**451,816**	656,263
Employees' end of service benefits	**140,188**	374,967
	592,004	1,031,230

25 SEGMENTAL INFORMATION

Primary segment information

The Group is organised into functional divisions to manage its various lines of business. For the purposes of primary segment reporting, the Parent Company's management has grouped the Group's products and services into the following business segments:

- Real estate operations: Consist of development and leasing of properties.
- Hotel operations: Consist of the hotel hospitality services provided through JW Marriott Hotel – Kuwait, Courtyard Marriott Hotel-Kuwait and Arraya Ball Room - Kuwait.
- Care home operations: Consist of care home activities provided by subsidiary companies.

25 SEGMENTAL INFORMATION (continued)

The following is the detail of the above segments, which constitutes the Group's operating segments:

	31 December 2009			
	Real estate operations	*Hotel operations*	*Care home operations*	*Total*
	KD	*KD*	*KD*	*KD*
Segment revenue	**13,432,806**	**14,781,995**	**15,998,535**	**44,213,336**
Segment operating costs	**(1,579,195)**	**(4,549,050)**	**(11,121,135)**	**(17,249,380)**
Segment gross profit	**11,853,611**	**10,232,945**	**4,877,400**	**26,963,956**
Share in joint venture's results	**(271,773)**	**-**	**-**	**(271,773)**
Share of associate's results	**(1,389,735)**	**-**	**-**	**(1,389,735)**
Depreciation	**(1,815,475)**	**(1,952,026)**	**(1,275,205)**	**(5,042,706)**
Reversal of (charge for) impairment loss on real estate properties	**1,059,157**	**-**	**-**	**1,059,157**
Other operating expenses	**(1,616,263)**	**(2,301,042)**	**(1,312,260)**	**(5,229,565)**
Foreign tax	**(250,143)**	**-**	**(825,585)**	**(1,075,728)**
Segment results	**7,569,379**	**5,979,877**	**1,464,350**	**15,013,606**
Interest income				**75,734**
Investment income				**7,773,641**
Impairment loss of financial assets available for sale				**(9,513,832)**
Finance costs				**(6,263,287)**
Other non-operating income				**313,089**
Profit (loss) before contribution to KFAS, NLST, Zakat and Directors' fees				**7,398,951**
Unallocated expenses				**(448,824)**
Profit (loss) for the year				**6,950,127**
Other information:				
Segment assets	**153,926,467**	**49,433,524**	**49,941,557**	**253,301,548**
Investment in joint venture	**9,040,006**	**-**	**-**	**9,040,006**
Total assets	**162,966,473**	**49,433,524**	**49,941,557**	**262,341,554**
Segment liabilities	**88,831,228**	**2,821,932**	**36,431,819**	**128,084,979**
Capital expenditure	**6,006,931**	**-**	**174,688**	**6,181,619**

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25 SEGMENTAL INFORMATION (continued)

The following is the detail of the above segments, which constitutes the Group's operating segments:

	31 December 2008			
	Real estate operations	*Hotel operations*	*Care home operations*	*Total*
	KD	*KD*	*KD*	*KD*
Segment revenue	13,179,986	15,991,247	14,975,742	44,146,975
Segment operating costs	(2,489,868)	(5,439,789)	(10,869,815)	(18,799,472)
Segment gross profit	10,690,118	10,551,458	4,105,927	25,347,503
Share in joint venture's results	2,544,012	-	-	2,544,012
Share of associate's results	(2,031,962)	-	-	(2,031,962)
Depreciation	(1,927,410)	(1,983,616)	(1,269,779)	(5,180,805)
Reversal of (charge for) impairment loss on real estate properties	(3,673,427)	-	-	(3,673,427)
Other operating expenses	(3,653,303)	(2,639,602)	(1,319,977)	(7,612,882)
Foreign tax	57,913	-	(105,542)	(47,629)
Segment results	2,005,941	5,928,240	1,410,629	9,344,810
Interest income				175,447
Investment income				8,606,288
Impairment loss of financial assets available for sale				(47,894,714)
Finance costs				(7,158,296)
Other non-operating income				391,768
Profit (loss) before contribution to KFAS, NLST, Zakat and Directors' fees				(36,534,697)
Unallocated expenses				-
Profit (loss) for the year				(36,534,697)
Other information:				
Segment assets	155,928,295	50,023,397	47,101,424	253,053,116
Investment in joint venture	10,956,432	-	-	10,956,432
Total assets	166,884,727	50,023,397	47,101,424	264,009,548
Segment liabilities	108,391,749	2,700,542	35,120,110	146,212,401
Capital expenditure	18,717,668	-	190,810	18,908,478

25 SEGMENTAL INFORMATION (continued)

Geographic information

The Group operates in two geographical markets: Kuwait and GCC and Europe. The following table shows the distribution of the Group's segment revenues, assets and capital expenditure.

	31 December 2009			*31 December 2008*		
	Kuwait and GCC	***Europe***	***Total***	*Kuwait and GCC*	*Europe*	*Total*
	KD	***KD***	***KD***	*KD*	*KD*	*KD*
Revenue	**28,158,135**	**16,055,201**	**44,213,336**	28,583,821	15,563,154	44,146,975
Assets	**198,095,518**	**64,246,036**	**262,341,554**	213,279,140	50,730,408	264,009,548
Capital expenditure	**4,723,185**	**1,458,434**	**6,181,619**	18,615,596	292,882	18,908,478

26 RISK MANAGEMENT

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities.

The Group's principal financial liabilities comprise non-derivatives financial instruments such as bank loans, due to banks and financial institutions and account payables. The main purpose of these financial liabilities is to fund the Group's operations. The Group has various financial assets such as accounts receivable, cash and bank balances and short-term fixed deposits, which arise directly from its operations. The Group also holds financial assets available for sale.

The main risk arising from the Group's financial instruments are market risk, credit risk and liquidity risk.

The Parent Company's Board of Directors and Executive Committee are ultimately responsible for overall risk management including setting, reviewing and agreeing policies for managing each of these risks which are summarised below.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, foreign currency risk and equity price risk. Financial instruments affected by market risk include loans and borrowings, deposits, financial assets available for sale.

The sensitivity analyses in the following sections relate to the position as at 31 December 2009 and 2008.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and the proportion of financial instruments in foreign currencies are all constant.

The analyses exclude the impact of movements in market variables on the carrying value of provisions and on the non-financial assets and liabilities of foreign operations.

The following assumptions have been made in calculating the sensitivity analyses:

- The statement of financial position sensitivity relates to financial assets available for sale.
- The sensitivity of the relevant income statement item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 December 2009 and 2008.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Group is exposed to interest rate risk with respect to its bank balances, fixed deposit, due to banks and financial institution, and bank loans which are both at fixed floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between floating rate and fixed rate borrowings.

Positions are monitored on a regular basis to ensure positions are maintained within established limits.

26 RISK MANAGEMENT (continued)

Market risk (continued)

Interest rate risk (continued)

The following table illustrates the sensitivity of the profit for the year to a reasonable possible change of interest rate in terms of basis points with effect from the beginning of the year. The calculation is based on the Group's financial instruments held at each financial position date. All other variables are held constant. There is no impact on Group's equity.

	Increase/decrease in basis points	Effect on profit before KFAS, NLST, Zakat and Directors' fees KD
2009		
Kuwaiti Dinar	**25**	(1,375,389)
Kuwaiti Dinar	**-50**	275,078
Euro	**25**	(861,160)
Euro	**-25**	861,160
US Dollar	**50**	(92,808)
US Dollar	**-75**	1,392,126
GBP	**50**	(6,013)
GBP	**-25**	30,067
2008		
Kuwaiti Dinar	25	(1,204,266)
Kuwaiti Dinar	-50	240,853
Euro	25	(839,795)
Euro	-25	839,795
US Dollar	50	(133,104)
US Dollar	-75	1,996,566
GBP	50	(39,500)
GBP	-25	19,750

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional and presentation currency) and the Group's net investments in foreign subsidiaries.

Foreign currency risk is managed on the basis of limits determined by the Parent Company's Board of Directors and executive committee and a continuous assessment of the Groups' open positions. The Group, where possible, matches currency exposures inherent in certain assets with liabilities in the same currency or correlated currency.

Currency risk principally arises from the Group's exposure to investments in overseas markets and borrowings in foreign currency. The Group is exposed to changes rates of US Dollar, Japanese Yen, Euro and Great Britain Pounds. To mitigate the Group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored. The Group does not hedge foreign currency exposures.

26 RISK MANAGEMENT (continued)

Market risk (continued)

Foreign currency risk (continued)

The Group's significant net exposure to foreign currency denominated monetary assets less monetary liabilities at the financial position date, translated into Kuwaiti Dinars at the closing rates are as follow:

	2009 KD Equivalent	2008 KD Equivalent
US Dollar	**29,918,652**	14,161,965
Japanese Yen	**(1,649,566)**	(3,373,362)
Euro	**114,802**	1,027,128
Pound Sterling	**80,921**	2,255,236

The effect on profit and equity as a result of change in currency rate which is attributed to changes in the fair value of monetary assets and liabilities, with all other variables held constant is shown below:

	2009			2008		
Currency	Change in currency rate in %	Effect on profit KD	Effect on equity KD	Change in currency rate in %	Effect on profit KD	Effect on equity KD
US Dollar	**3%**	**(553,897)**	**1,451,456**	3%	(789,957)	1,214,815
Japanese Yen	**4%**	**(65,983)**	**-**	24%	(809,607)	-
Euro	**6%**	**81**	**6,807**	1%	31	10,240
Pound Sterling	**15%**	**7,287**	**4,851**	(30%)	(616,421)	(60,150)

Equity price risk

Equity price risk arises from changes in the fair values of equity investments. Equity price risk is managed by the direct investment department of the Parent Company through diversification of investments in terms of geographical distribution and industry concentration. The Group's quoted investments include securities listed on the Kuwait Stock Exchange and a portfolio of foreign investments (managed by a foreign financial institution) sensitive to recognised international indices.

The effect on equity (as a result of a change in the fair value of financial assets available for sale at 31 December 2009) due to a reasonably possible change in market indices, with all other variables held constant is as follows:

	2009		2008	
Market indices	Change in equity price %	Effect on equity KD	Change in equity price %	Effect on equity KD
Kuwait	**+/-5**	**856,053**	+/-5	1,124,231
International	**+/-5**	**22,880**	+/-5	73,984

There is no impact on the consolidated statement of income as the Group did not have any financial assets at fair value through income statement.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group manages credit risk by setting limits for individual counter-parties, and groups of counter-parties and for geographical and industry segments. The Group also monitors credit exposures, and continually assesses the creditworthiness of counterparties. In addition, the Group obtains security where appropriate and limits the duration of exposures.

The Group's exposure to credit risk is limited to the carrying amounts of financial assets recognised at the financial position date, as summarised below:

	2009	*2008*
	KD	*KD*
Bank balances	**3,539,822**	4,886,843
Fixed deposits	**3,911,056**	1,162,900
Accounts receivable (Note 8)	**1,720,696**	2,082,282
Total exposure of credit risk	**9,171,574**	8,132,025

The credit risk exposure for bank balances and fixed deposits is not considered to be significant because the counterparties are reputable, financially sound financial institutions.

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The maximum exposure to a single counter party is KD 475,086 (2008: KD 931,135). There are no significant concentrations of credit risk within the Group.

None of the Group's financial assets are secured by collateral or other credit enhancements.

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. The Group objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans.

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The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2009 and 31 December 2008 based on contractual undiscounted payments:

	Within 3 months	***3 to 6 months***	***6 to 12 months***	***Over one year***	***Total***
Year ended 31 December 2009	***KD***	***KD***	***KD***	***KD***	***KD***
Due to banks and financial institution	33,022,479	-	-	-	33,022,479
Accounts payable and accruals	6,355,815	2,517,233	1,305,822	6,967,520	17,146,390
Bank loans	3,828,358	3,798,954	26,635,079	64,248,550	98,510,941
TOTAL LIABILITIES	**43,206,652**	**6,316,187**	**27,940,901**	**71,216,070**	**148,679,810**

	Within 3 months	*3 to 6 months*	*6 to 12 months*	*Over one year*	*Total*
Year ended 31 December 2008	*KD*	*KD*	*KD*	*KD*	*KD*
Due to banks and financial institution	44,969,307	-	-	-	44,969,307
Accounts payable and accruals	5,054,041	2,839,953	1,181,321	9,586,767	18,662,082
Bank loans	2,281,780	2,273,716	26,331,405	55,782,448	86,669,349
TOTAL LIABILITIES	52,305,128	5,113,669	27,512,726	65,369,215	150,300,738

The table below shows the contractual expiry by maturity of the Group's contingent liabilities and commitments.

	Within 3 months	***3 to 12 months***	***1 to 5 years***	***Total***
Financial liabilities 2009	***KD***	***KD***	***KD***	***KD***
Contingent liabilities	-	16,272,190	-	16,272,190
Commitments	2,974,646	3,823,900	-	6,798,546
Total	2,974,646	**20,096,090**	-	**23,070,736**
2008				
Contingent liabilities	16,183	20,197,471	120,990	20,334,644
Commitments	1,000,000	6,597,600	-	7,597,600
Total	1,016,183	26,795,071	120,990	27,932,244

27 FAIR VALUE OF FINANCIAL INSTRUMENTS

In the ordinary course of business the Group uses non-derivative financial instruments. The fair value of borrowings has been calculated by discounting the expected future cash flows at prevailing interest rates. The carrying values of variable rate short-term and long-term loans approximate their fair values because of the short- term repricing of interest rates. Fixed rate long term loans approximate their fair values because prevalent interest rates for similar loans are not significantly different from contractual rates. In the opinion of the Parent Company's management, carrying values of all other financial instruments are not significantly different from fair values except as noted in Note 9.

28 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may review the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, interest bearing loans and borrowings and other liabilities, less cash and bank balances and fixed deposits. Capital includes equity attributable to the equity holders of the Parent Company less cumulative changes in fair values.

	2009	*2008*
	KD	*KD*
Interest bearing loans and borrowings	**110,936,832**	127,550,319
Other liabilities	**17,148,147**	18,662,082
Less: cash and bank balances and fixed deposits	**(7,472,144)**	(7,635,216)
Net debt	**120,612,835**	138,577,185
Equity attributable to the equity holders of the Parent Company	**119,974,352**	106,290,710
Less: cumulative changes in fair value	**(10,767,888)**	(3,135,277)
Total capital	**109,206,464**	103,155,433
Capital and net debt	**229,819,299**	241,732,618
Gearing ratio	**52%**	57%

29 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

At the financial position date, the Group had the following contingencies and capital commitments:

	2009	*2008*
	KD	*KD*
Letters of guarantee	**16,272,190**	20,334,644
Construction projects	**6,798,546**	7,597,600
	23,070,736	27,932,244