



ANNUAL REPORT **2009**





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His Highness
Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah
Amir of the State of Kuwait

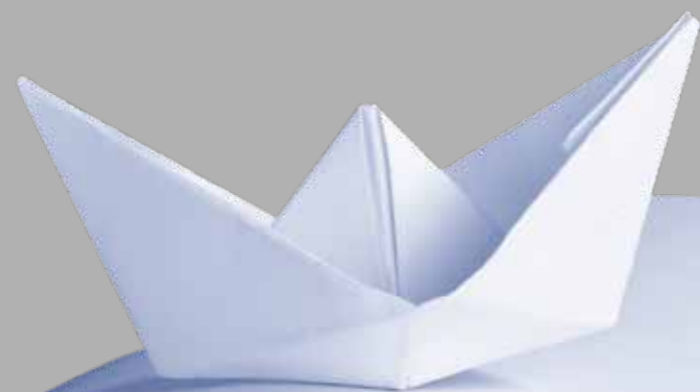


His Highness
Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah
Crown Prince



His Highness
Sheikh Nasser Al-Mohamad Al-Ahmad Al-Sabah
Prime Minister

BOARD MEMBERS



Hamad Abdul Aziz Al-Shaya
Chairman



Faisal Fahad Al-Shaya
Vice Chairman



Mohammad Ibrahim Al-Farhan
Managing Director



Khaled AbdulMohsen Al-Saqer
Board Member



Mohamed Abdul Hameed Almarzook
Board Member

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CHAIRMAN'S MESSAGE

Dear Shareholders,

It gives me immense pleasure to extend to you, on behalf of my fellow members of the board and the management, our sincere gratitude for your valuable participation and to present to you Injazzat Real Estate Development Company's annual report for the fiscal year ended on 31st December 2009, including the results of the company's activities during the year. In order to ensure maximum benefit from its resources, the company adopted a balanced capital spending policy in relation to its various activities in 2009. In the mean time, the company has proceeded with development of the most feasible projects, while other projects have been kept on hold until the market's recovery.

Achievements for the year included completion of Al Barsha Boutique Office at Al Barsha Al Oula Area – Dubai. It is an office building comprising six office floors in addition to a commercial ground floor with a built-up area of 300 thousand square feet. The company holds a 35% stake in this asset. Also, the company completed the Injazzat Tower in 2009. It is a commercial tower with 28 floors and a built-up area of 15,750 square meters. The tower stands stylishly next to Dhow Tower in the heart of the capital city of Kuwait in the Sharq area and is a remarkable addition to the city's skyline. In addition, the company completed a logistics warehouses project at the Bahrain Investment Wharf in the Kingdom of Bahrain. The warehouses were constructed on two lands with a total area of 48 thousand square meters and a total built-up area of about 16 thousand square meters. Besides, in July 2009 the company sold about 871 square meters of land located in Salmiya – Kuwait. Furthermore, in September the same year, the company realized good returns from the sale of its share in a Qatari Real Estate Company.

As everyone is certainly aware, the international financial crisis continues to impact the various economic sectors despite a few signs of sluggish relief. Naturally the company, in spite of its prudent policy in deploying and managing its funds, was not completely unaffected by these challenges and implications, which hit many companies in the real estate

and financial investment fields. Inevitably, the impact of the economic downturn reflected on the company's financial position during the year. As at the end of 2009, the operating revenues stood at KD 11.1m while expenses decreased to KD 6.8m at the end of 2009 against KD 8.9m at the end of 2008, down by 23.6%. The company realized operating profits of KD 4.3m, but in line with its prudent and cautious policies, the company created provisions of KD 24.8m against devaluation in real estate investments and assets available for sale, resulting in a book loss of KD 20.5m.

However, it would be appropriate here to confirm to our shareholders that the losses did not affect the company's capital or any of its reserves, but were charged on its carried profits.

At the financial level, the company's assets totaled KD 170.7m down from KD 203m in 2008, a decrease of 15.9%. Shareholders' equity decreased from KD 90.4m in 2008 to KD 60.3m as at the end of 2009, a decrease of 33.3%. However, it is noteworthy that in February 2009, the company distributed cash dividends of KD 8.6m or 25 fils per share.

In spite of the credit challenges and rigorous lending policies of banks, the company is determined to continue its operating activities and to carry out the plans on its agenda. It will be developing its investments locally, regionally and internationally, leaving no stone unturned to look for promising opportunities and to enter into new markets through strategic alliances that enhance its objectives as well as push it forward into the path of leadership in the real estate arena.

Finally, I would like to extend, on behalf of the members of the board and staff members, our sincere gratitude and appreciation to our shareholders for their valuable confidence and continued support.

I would also like to thank our management and all the staff for their dedicated efforts towards more achievements and for strengthening the company's leadership.

Sincerely,



Hamad Abdul-Aziz Alshaya
Chairman of the Board

INTRODUCTION

Injazzat Real Estate Development Company continues to build on its privileged image and distinguished reputation towards more recognition in the real estate development and investment industry. The company is going forward with steady progress towards consolidating credibility and high reputation through diligently and effectively employing the assets and resources of clients and shareholders in the best real estate investment opportunities, while achieving added value at all local, regional and international levels. All this was possible only with the existence of a committed and highly qualified team of professionals, who have been working out well-studied plans and employing deep expertise and high standards of personal and professional integrity.

Since inception, Injazzat set for itself an unwavering goal that underlined its business strategy, which is to achieve geographical and qualitative diversification by creating a balance between income-generating assets, project development, and trading in land. A closer look at the company's activities would give a true picture of its strategy and achievements.

Local Level

Locally, Injazzat continues to implement its multifaceted strategy to ensure the desired diversification of its assets, which includes trading in land and development of real estate projects to capitalize on the growth of their value and earn lucrative returns from income generating real estates.

COMPANY'S PROJECTS



Dhow Tower

The Dhow Tower, which consists of 33 floors, was completed in 2006 and officially inaugurated in November 2007. It is strategically situated in Sharq area, with a total land area of approximately 2,000 sqm and a total built-up area of 24,000 sqm. The tower serves as an investment opportunity that provides commercial office floors for ownership in the state of Kuwait. It also satisfies the company's need for a permanent headquarter and accommodates for any future expansion.



Injazzat Tower

Injazzat Tower is situated in Sharq area, in the heart of the capital city. It is a commercial tower providing building area of 15,000 sqm. and usable area of up to 8,400 sqm. The tower rises up 28 floors, with the higher floors overlooking a vibrant area of Kuwait. It is distinguished for its strategic location and vicinity to main roads that connect the area to important facilities. The tower is built in smart building style, providing the latest communication means. The tower is due for completion in January 2010.



Al Mal & Aqar Joint Projects

In cooperation with Aqar Real Estate Investment Company, "Al Mal & Aqar Joint Projects Company" was established in the 3rd quarter of 2005, aiming to own and develop a plot of 3,000 sqm into an office tower with a total built up area of 35,000 sqm. Injazzat holds 66.6% of equity in the new company while Aqar holds 33.3%. The project is anticipated to make a significant addition to the area enhancing its stature as an area of commercial focus. The concept design of the tower was awarded to W.S. Atkins, after conducting design competition between a few top selected architectural offices in the region. The design gained W.S. Atkins the prestigious "Future Projects Award for Offices" at the MIPIM 2007 exhibition in Cannes, France.



Lands for trading and development

The Company's agenda is filled with remarkable projects and developmental ideas, which form an integral part of the company's plan that aims to explore and pursue real estate and investment opportunities, particularly at the local level. To this effect, the company has acquired several strategic plots of lands in several areas including Sharq, Shuwaikh. The company is now focusing in preparing the drawings and obtaining the required licenses to develop or trade these lands and to realize the targeted returns.



Shuwaikh Project

In 2007, the company acquired a land at Shuwaikh Industrial area covering an area of 25,300 sq. meters, to be developed into a multi-purpose complex comprising of commercial shops and offices with a total build-up area of about 83,533 sq. meters and a leasable area of 38,982 sq. meters. The shops will be distributed between the basement and the ground floor while the mezzanine will be allocated for offices in addition to a parking lot. SSH International has been appointed to design the project.

GCC Countries

To meet the Company's strategy that aims to achieve geographical diversification to maximize capitalization on all investment opportunities outside the local market, the Company extended its activities to several Gulf countries, which so far include the Kingdom of Bahrain, Qatar, United Arab Emirates and the Kingdom of Saudi Arabia. The Company is continuously seeking to acquire promising real estate opportunities that ensure added value for the company and its shareholders.



Al Dajeej Building

Al-Dajeej Building is located in Al Farwaniya area and was purchased by the company in the year 2003 to be one of the Company's income generating assets. It reinforces the Company's strategy for local expansion, specifically in rental properties owned and operated by the Company. The total leasable area of the building is approximately 10,634 sqm which is currently fully leased by government entities on long-term contracts.

Kingdom of Bahrain

The Kingdom of Bahrain is still presenting itself as one of the most promising markets in GCC region, having managed to avoid some economic impediments suffered by other GCC countries, which basically result from reliance on oil and gas as single resource of income. In Bahrain, the financial and monetary policies and the continuing of the population expanding policy contributed greatly to the economy growth. It has driven the wheel of business and prosperity in the country, adding value to the Bahraini government's efforts to improve and enhance the infrastructure, transportation network and openness to neighboring countries. In line with Injazzat Co. strategy to take lucrative opportunities and the management's keen interest to join such promising economic procession, the company has enhanced its activity in real estate development and construction fields in the Kingdom of Bahrain.

Dhow Real Estate Company

Established in 1999 and fully owned by Injazzat, Dhow Real Estate Company invests, develops and trades in Bahrain's real estate sector. It has realized fine results from a number of sales and acquisition deals. This year, the company has developed a warehouse project with a total built up area of 15,776 sqm on a land of approximately 22,530 sqm aiming to increase its income generating assets. In addition to that, the company owns various strategically located plots in the areas of Al Seef, Sar and Ras Zuwaid.

Injaz Mabanee Real Estate Co.

In association with Mabanee Company and Al Shaya United Company, Injaz Mabanee Real Estate Company was established in September 2007 with a total paid up capital of KD 25 million. Injazzat holds 40% of the shares in the company. Confirming to its goal of investing in real estate opportunities in GCC countries, the company has acquired several lands in KSA and UAE for development or resale purposes.



First Real Estate Company

Established by Injazzat in 2002, and shared equally with a qualified Bahraini investor whose an expert in both the construction and real estate fields, First Real Estate Company focuses on the construction and development of residential complexes.

In 2005, the Company underwent restructuring through the addition of new assets and allowing the entry of new investors, which resulted in a capital increase to BD 30 million. The Company continues to expand its activities while maintaining the quality and performance of its current income-generating assets that retain high occupancy rates. In parallel, it works to continuously invest in new promising projects through the development of its land and assets situated in strategic locations. This year, the company completed a residential tower in Al Fateh area in Al Jufair which consists of 100 fully furnished apartments. Furthermore, the company has completed a built to suite warehouse project according to a 15 years pre lease agreement with a potential investor. Finally, it owned 25% shares in Al Sanbook Real Estate Company, the purpose is to develop a laborcamp in Jabal Ali area in UAE.



Al Muhaisna Project (Labor Accommodation)

In September 2007, the company acquired Al Muhaisna Project in equal shares with First Real Estate Company – Bahrain, in line with the company's strategy for holding income-generating projects. This project covers a total land area of about 57,000 sqf, and comprises of a two storey labor accommodation building containing 401 rooms situated at Al Muhaisna area in the UAE.



Al Barsha'a Real Estate Co.

In alliance with Aqar Real Estate Company and Project Analysis Systems Company (Projacs), the Company commenced with the development of a six storey office building, in addition to a commercial ground floor with a total built-up area of 305,000 sqf. The project has completed in the 4th quarter of 2009.

United Arab Emirates

As part of its well-planned strategy focusing on diversity of income resources and spread of risks, the Company made an advantageous entry into the region's major markets such as the United Arab of Emirates. Since 2005 the company purchased several lands in Al Qouz, Al Barshaa Al Oula, Al Jaddaf and Jebel Ali areas of Dubai in addition to lands in Umm Al Quwain and Abu Dhabi, aiming to take advantage of the increasing growth in these areas and the facilities provided to Arab and foreign investors.



Al Qouz Residential Project (I)

Al Qouz Residential Project is located in Dubai, covering a land area of 100,000 sqm and a total built-up area of approximately 224,000 sqm. The project consists of two labor accommodations providing 620 rooms along with offices and commercial shops. In June 2007, subsequent to the completion and full leasing of the project, the company sold 50% of its share in the project to one of the Kuwaiti companies.

Al Qouz Residential Project (II)

In December 2007, the Company successfully completed the construction of the second labor accommodation project in Al Qouz area and managed to fully lease it. The project covers a land area of 50,000 sqm and a total built-up area of approximately 114,000 sqm. It provides 310 rooms in addition to offices and commercial shops.



Umm Al Quwain Lands

In 2006 and 2007 the company acquired a group of lands in Umm Al Quwain Emirate. The first group is situated at Umm Al Sho'oub covering a total area of about 56,700 sqm. The second group is situated at Al Maidan covering a total area of 6,272 sqm. The company intends to keep these lands and then sell them within the upcoming years to capitalize on expected rise of prices.

Jebel Ali Project (I)

In February 2008, the company acquired a piece of land in Jebel Ali Industrial area covering a total area of 20,000 sqm to be developed into a labor accommodation complex. The project will comprise of a four storey building providing 248 rooms, in addition to a ground floor with a total built-up area of 77,869 sqm.



Jebel Ali Project (II)

In July 2008, and in association with strategic local investors, the company acquired 2 plots of land in Jebel Ali - Dubai covering a total area of 41,980 sqm. The plots are to be developed into a multi-storey labor accommodation project providing a total of 576 rooms with a total built-up area of 176,888 sqm.

Qatar



Over the past few years, Qatar has witnessed considerable growth in the economic performance due to the economic openness policy adopted by the country. Driven by its leading position as one of the world's top liquefied gas exporters and initiating effective economic reforms, Qatar turned into a major attraction for foreign investments. In December 2005, and in line with the company's strategy to take advantage of investment opportunities, the Company acquired a commercial land in Lusail with a total area of 5,846 sqm, the Company has also acquired two plots of land through equal share with Al Shall Economic Consultations Company in January 2006 and March 2008. The first one is a multi-use land covering an area of 14,230 sqm, and the other one is a residential land acquired with an area of 4,751 sqm. The two companies and in association with new investors, have recently established Amwaj Real Estate Co. – a Qatari company with limited liability to undertake the development of the Lusail commercial land.

France



Alpha Investment Fund

During the last quarter of 2003, the company established a real estate fund in compliance with the Islamic Shari'ah principles known as the Alpha Investment Fund. Its investment strategy targets office buildings and warehouses across the North and South eastern French cities between Paris and Marseilles.

Kingdom of Saudi Arabia



Dammam Land

The company's regional expansion would only be complete by entering the Saudi market, which enjoys enormity, diversification and continuous development which is further driven by an accelerating movement in real estate sector and enactment of new legislations, which recently culminated with the Saudi Shura Council's approval to grant housing loans in 2008. This step will certainly encourage the Saudi citizens to possess houses, the fact which gains more significance knowing that 60% of Saudis do not own private houses. Dammam province, which witnesses an increasing real estate development, is becoming an optimal destination for real estate investors.

In December 2007, Injazzat acquired, in partnership with other parties, a multi-use plot of land in the Eastern Province of Dammam covering an area of 223,372 sqm. The land will be subdivided into parcels for both development and sale purposes. Together with the Master Developer the Company has already started the infrastructure works which is expected to be completed by the end of the second quarter of 2010.

International Level

At the international level, Injazzat targeted some attractive real estate opportunities in several countries in Europe and North America. These include direct investments in land and projects under development and indirect investments through real estate funds that provide investors with fixed income and capital growth. These investments are administered by experienced partners who are well positioned to manage property assets to ensure proper management and achievement of the targeted revenues.



Bulgaria

In order to avail of the increasing growth in Bulgaria, Injazzat, in partnership with ARC Global Partners and Euro Capital, invested in three acquisition programs in Sofia city since the beginning of 2007. The first one is located in Lulin which is the western side of Sofia City. The second one is located in Bistritsa Hills on the southwestern side of the city. Finally, the third one is located at Lake View, which is only 1.5 kilometers away from the second one.

The company aims to merge the lands in Lionel after they have been recovered by owners after fifty years of socialist rein, trade in them and sell them out. As for the land located in Bistritsa and Lake View, the company aims to develop them into residential units and then sell them as undeveloped plots or in phases throughout the development stage. It is worth noting that Bistritsa and Lake View are located about 6 kilometers away from the city center and feature a breathtaking scenery along Vitoshka mountains and overlooking wonderful sceneries across Bansherivo Lake.

United Kingdom



In June 2008, in partnership with the international partners ARC Global Limited & Citicourt Investment Partners, Injazzat invested in Threadneedle Real Estate Portfolio, which consists of 19 industrial and commercial buildings situated in various areas of the UK. The aim of this investment is to generate fixed returns for a maximum period of 4 years and then sell and liquidate the portfolio.

United States of America



Eldorado

In January 2004, the Company acquired a major share in a piece of land located in McKinney City, Texas that was intended to be subdivided and sold. The land is strategically located in a newly developing area near main roads and freeways. Some of the plots have already been sold in line with the investment's strategy.



Shmael U.S. Real Estate Fund

During the second half of 2004, and in partnership with Al-Shall Investment (Fund Managers) and Grosvenor Investment Management US Inc. (Fund Asset Manager), Injazzat invested in Shmael U.S. Real Estate Fund, which is in compliance with the Islamic Shari'ah guidelines. The fund invests in the office building sector in major US areas.



Preston Creek

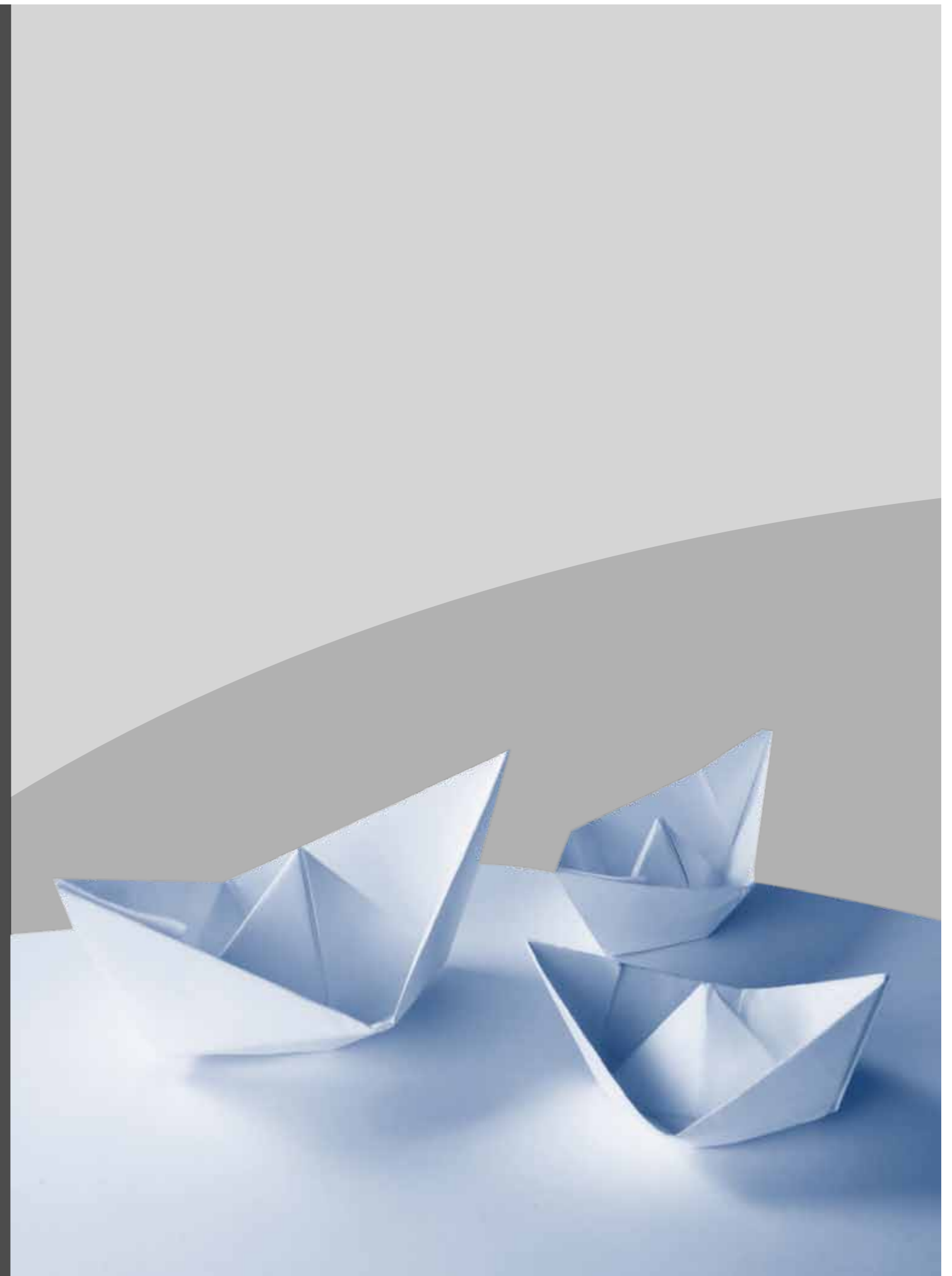
In January 2005, Injazzat acquired a major share of a strategic land in Plano, Texas, which are intends to develop it into a commercial complex for future sale or lease. The plot is strategically located between the cities of Plano and Frisco. The project has been developed in two stages. The first stage has commenced in February 2006 and was completed in April 2007. The second stage started in August 2007 and was completed in August 2008.

Monterrey Village - San Antonio

In October 2006, Injazzat has invested in a 232 hectares mixed-use development project known as Monterrey Village, which is located in a growing area of San Antonio, Texas in the USA. The project includes a blend of family residential units, retail stores, offices, and a hospitality component. The project will be developed by ARC Communities along with Trammel Crow Company, a well known national real estate development and services group.

Santa Ynez - California

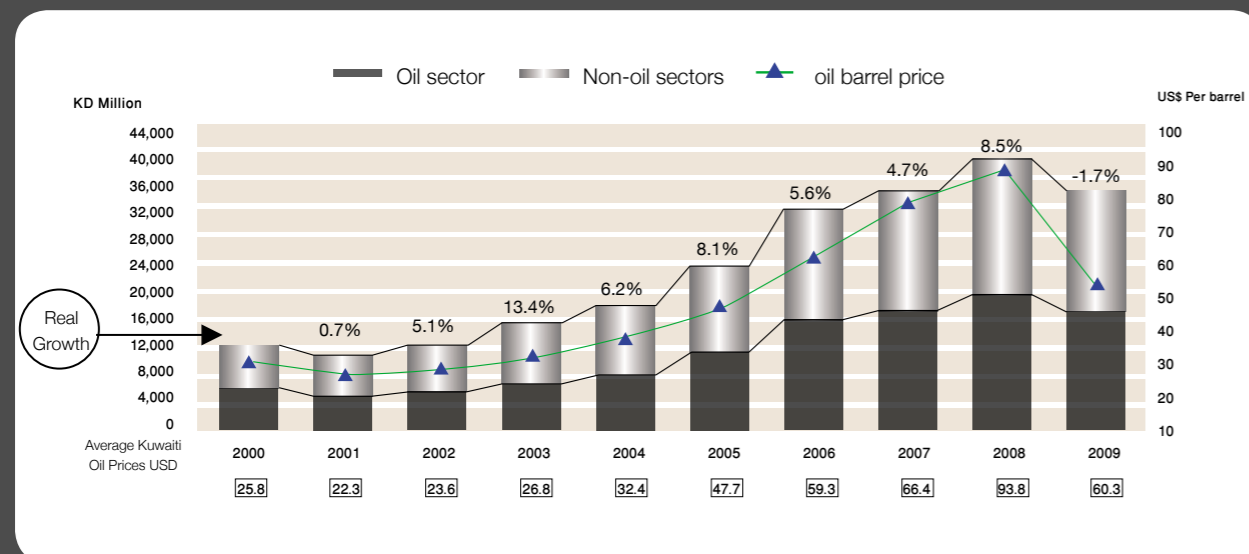
In 2007, in partnership with ARC Global Partners and Fonterra Partners, Injazzat purchased a land known as "The Ranches at Figueroa Canyon" at Santa Ynez, California which is situated about 25 miles north of Santa Barbara. The land contains 18 plots covering an area of 3,286 hectares. The investment plan aims to complete the infrastructure works which include roads and well digging. Once completed, the land will be subdivided merging them into 6 plots for sale.



Performance of the domestic economy

In contrast to the absolute high real growth rate of about 8.5% achieved in 2008, the local economic performance in 2009 was the reverse with GDP achieving a negative real growth of about 1.7% according to the EIU December 2009. However, amidst expectations for the world economy to realize a negative real growth of about 1.2% for the first time since World War II over sixty years ago, and in spite of the poor performance of oil output and prices, the negative growth of the local economy remains within acceptable limits, presuming that 2009 is one of the worst years as a result of the second worst financial crisis the world has witnessed in about 80 years. The EIU forecasts that the local economy will return to positive real growth of about 3.7% in 2010, rising thereafter up to 5.3% in 2011. This is in line with the global growth forecasts of 3.2% and 3.4% respectively. With USA and Japan, the world's largest economies, achieving positive growth over two consecutive quarters, and also with the continued positive growth rates of China, the world's third largest economy, which has achieved a growth rate above the critical 8% level, the world appears to have overcome the crisis and this will positively reflect on the performance of the local economy.

GDP at Current Prices & Average Oil Barrel Price 2000/2001 - 2009/2010



The oil market has served as the barometer for the world economy. The American light oil prices had touched the US\$ 147 mark in July 2008, with an average barrel price of about US\$ 93 for the year. The barrel price has been estimated at 75% above the highest level achieved by December 2008. In 2009 it averaged US\$ 58, losing about 38% of the 2008 average. While the Kuwait oil barrel price had reached about US\$ 93.8 in 2008, the average oil barrel price was about US\$ 60.3 in 2009, losing about 35.7% of its 2008 average and 14% of the output level. Despite the decrease in oil production and prices, the year 2008 witnessed a sharp decline from mid-year to year-end. Meanwhile, it has reversed its curve in 2009 and has shown better performance in the second half of the year, ending with better levels compared to the end of 2008 and beginning of 2009.

Despite the crisis conditions, the public budget realized an actual surplus in the final accounts of the fiscal year 2008/2009, amounting to about KD 2.743bn, down from its record figure of about KD 9.325 for the previous fiscal year, which marked a surplus for the tenth year in a row. Up to the end of December 2009, i.e., in three quarters of the year with the current fiscal year ending on 31/3/2010, and with the Kuwait oil achieving a price per barrel of about US\$ 66 and maximum expenditure of about KD 12.1bn, the budget is expected to achieve a surplus for the eleventh consecutive year. On the other hand, the government has announced its intention to increase its investment spending to some billions of Kuwaiti Dinars each year, covering infrastructure projects such as hospitals, bridges, roads and ports. This type of spending and increased government expenditure, on the investment side in particular, is expected to have a considerable positive impact on the economy. The broader fiscal policy will support the expanding monetary policy with the aim of stimulating economic activity.

As a consequence of the expansionary monetary policy, the discount rate on the Kuwaiti Dinar had been cut by 2 percentage points or 2% in January, October and December 2008 standing at 3.75% towards the end of 2008. Then in 2009 the Central Bank of Kuwait cut the discount rate further in two lots - by 25 percentage points in April and by 50 percentage points in May to stand at 3% towards the end of 2009. In light of unexpected adverse events at the regional level such as the default of Al-Gusaibi and Al-Saad Groups as well as the Dubai crisis, which have led to a fall in asset prices and decrease in inflation from 10.6% in 2008 to 5% in 2009, the potential to cut the discount rate further has become higher than the potential to raise it. Although the low funding cost is considered a positive factor in backing up investment expansion, the panic condition that broke through in the course of the crisis, which received additional backup unlike the situation in most countries in the world, made local banks hesitant to lend and sometimes reluctant to proceed with it. However, it is supposed to overcome this situation at some point in 2010.

The downfall in oil production and prices in 2009 led to a decrease in the current account surplus. The EIU's bulletin of December 2009 forecasts that the current account surplus for 2009 is expected to reach KD 7.8bn, down from its record figure of KD 17.4bn in 2008. It is expected to rise again in 2010 amidst expected rises in oil prices and production levels to about KD 11.2bn. The trade balance surplus will increase as a result.

Kuwait Stock Exchange's performance was unstable. The price index lost about 42.6% between the end of 2007 and the end of 2008. Meanwhile, the beginning of 2009 saw a continuation of the panic that resulted from the crisis late in 2008. KSE price index marked the lowest level on 1/3/2009, then started to make up for its losses by achieving net profits of about 3.8% by the middle of the year compared to the beginning. But the default of Al-Gusaibi and Al-Saad Groups along with the ambiguity of Zain crisis, as well as the American government's lawsuit against Agility and the Dubai crisis had adverse impacts on the price index which lost about 10.9% by the end of 2009 compared to the beginning. However, the world probably seems to have overcome the worst part of its crisis during 2009 although there is still a considerable likelihood that intermittent recovery will continue in 2010 due to the unforeseen adverse events seen by the global economy and the local economy in 2009. Anyhow, both the economies are expected to achieve positive growth in 2010. Backed by expansionist fiscal and monetary policies, and intended spending on investment projects, the local economy is expected to recover at a quicker pace although its positive reflections on the real estate market will take some time before they can show up.

The liquidity position of the Kuwait real estate market stood at around KD 1.878bn in 2009, which when compared to the past two years, shows a decline by around 31.9% from about KD 2.759 mn in 2008 and by around 57.8% from about KD 4.446bn in 2007. In the first half of 2009 the liquidity was about KD 879.5mln while it increased to about KD 998.4 mln in the second half of the year. This clearly indicates signs of an increase over the first half of 2010, signaling the market's gradual recovery from the world's major financial crisis.

Private Housing

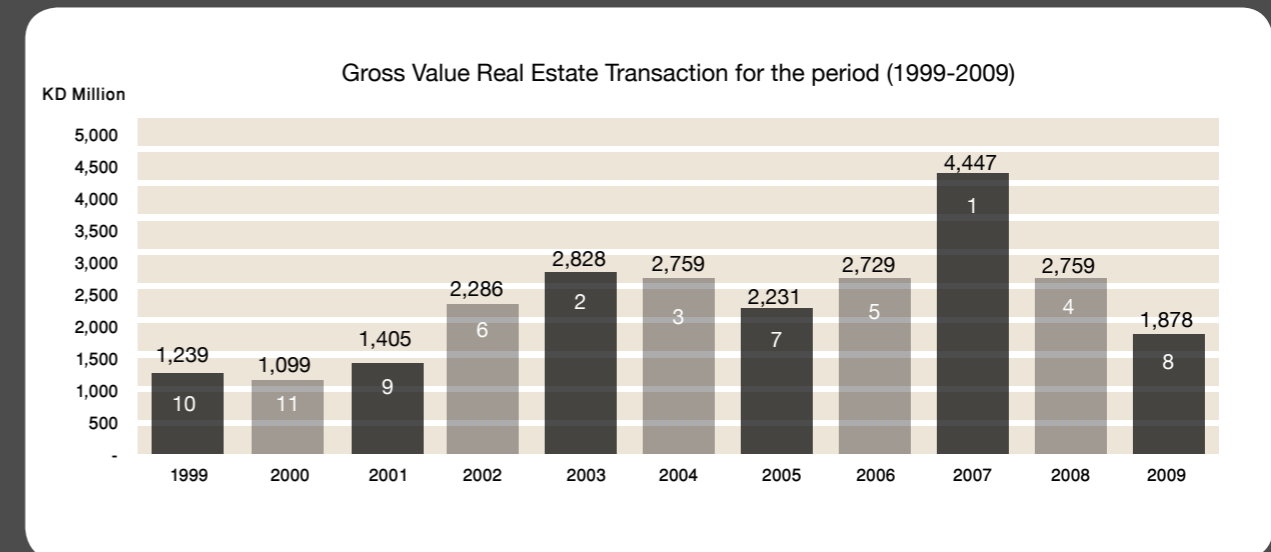
A decline in the liquidity of the real estate market usually indicates that the market is moving in favor of the end user at the expense of speculative commercial trading. However, a favorable court verdict allowing KFH to deal with private housing contributed to the relative liquidity in the private housing sector. Although the absolute trade value of the private housing sector fell by about 26.2% compared to 2008, this relative decline was less than the overall decline in the real estate market. Therefore, the relative contribution of the private housing sector to the total real estate market liquidity rose from 40.3% in 2008 to 43.7% in 2009. The total trade value in this sector was around KD 821.1m covering 3,768 deals in 2009, down from about KD 1.111m covering 5,317 deals in 2008. The average trade value rose by about 4.2% up to about KD 217.9k per deal, which reflects concentration of trading in areas with limited supply and higher price. The increase in prices of private houses, which is an unhealthy phenomenon as it leads to a decline in the purchasing power of fixed income citizens and young people for whom residence is a basic need, resulted in the implementation of two laws in early 2008, which imposed restrictions on commercial dealing or mortgage on this type of housing. The continued increase in the private housing prices was due to the limited supply since the State monopolizes 90% of Kuwait's land and also because the demand side has widened as a majority of Kuwaiti citizens fall within the age group of 21 years. The solution in the short and medium term requires the government to take measures to address the imbalance between the shortage in supply and excess demand. The current restricting laws are only a temporary solution and represent an exceptional measure in the present scenario. Keeping these laws in effect for a prolonged period is not practical because people in normal situations need to borrow as well as engage specialized professional companies to develop private housing real estates. A long term solution would require changing the philosophy or the horizontal expansion concept of housing care. A change in the building techniques and the materials used would also be needed in order to ensure material cost-cutting.

Investment Real Estate

The liquidity in the investment real estate sector declined in 2009 to about KD 710.9m, down by around 35.6% compared to about KD 1.104m in 2008. The sector's contribution to the total real estate market liquidity fell from 40% in 2008 to about 37.9% in 2009, which indicates, as mentioned earlier, a preference towards the private housing sector during the financial crisis. The private housing and investment real estate sectors comprised most of the real estate sector's liquidity with a joint share of about 81.6%. However, the average trade value within the investment real estate sector dropped to about KD 522k, marking a decline of about 8.5% compared to about KD 570.8k in 2008. This drop indicates a decline in the prices of the sector due to decline in liquidity on one hand and pressure on the rates of occupancy as well as leasing levels on the other hand.

Commercial Real Estate

The commercial real estate sector covers all real estate activities other than the sectors mentioned above including offices, commercial complexes and warehousing. The sales value in this sector amounted to about KD 337.8m, down by around 36% compared to KD 527.7m in 2008. The share of this sector in the total real estate market liquidity decreased to about 18% in 2009 from 19.1% in 2008. The average trade value increased from about KD 2.8m in 2008 to about KD 3m in 2009, which is considered a record figure for the average trade value. The logical explanation for this increase in the average trade value is that investors have become selective in their purchases in a market where the buyer imposes his own conditions due to shortage in liquidity, thus making the best choice. The decline in liquidity level in this sector indicates a decrease in the demand and supply that had begun previously when the market was active. This will force a reduction in the prices down to the minimum level unless the economic activity improves, which will in turn improve the demand on the units of this sector. However, this is unlikely to happen in 2010.



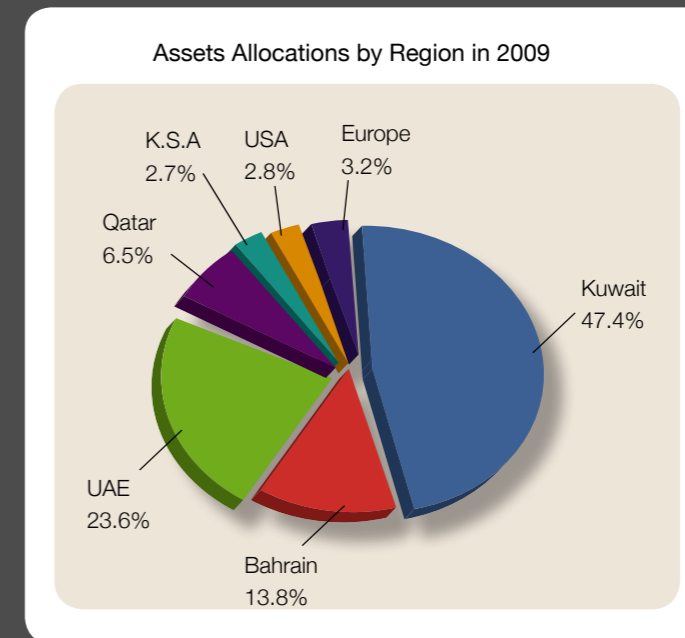
I. Financial Position

In 2009, the company's management decided to adopt the worst potential scenario to deal with the complications of the international financial crisis and the real estate crisis in a number of countries within the region in terms of prices, liquidity and impact of arid financing channels. As a result, for the first time in the eleven years since its inception, the company's assets showed a decrease in 2009 compared to the record assets in 2008.

At the end of 2009, the company's assets totaled KD 170.7mn, significantly down by 15.9% from about KD 203 mn as at the end of 2008. It is noteworthy that the company's total assets were below KD 100 mn as at the end of 2006, meaning it had doubled in two years. However, circumstances beyond control required revaluation of the company's assets at the end of 2009 and creation of sufficient provisions to set a firm foundation for a new rising as we had always promised our shareholders.

The decrease was maximum in the Investment Properties item, marking an 11.8% reduction to about KD 110.5mn in 2009 from KD 125.2mn in 2008 or a decrease of about KD 14.7mn. The Investment Properties in Kuwait decreased by about KD 12.2mn, down by 17.8% and the Investment Properties in GCC countries reduced by about KD 2.5mn, down by about 4.4%. Despite the decrease in the Investment Properties, its contribution to the company's assets increased in 2009 to 64.7% compared to about 61.7% in 2008.

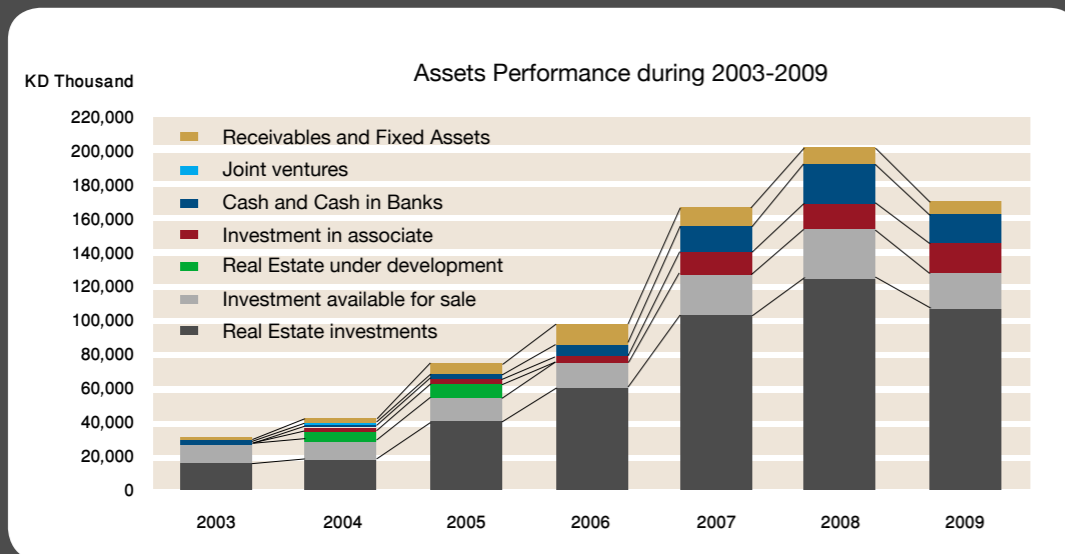
Available for Sale Investments decreased by 40.5% or about KD 11.4mn to about KD 16.8mn as at the end of 2009 against KD 28.1mn in 2008. Its contribution to the company's assets decreased in 2009 to about 9.8% from about 13.9% in 2008.



Geographically, the company's local assets accounted for 47.4%, while regional and international assets posted about 52.6% as at the end of 2009.

Despite the international financial crisis and the shrinking credit resources at the international and regional levels, the company managed to secure its necessary financing needs considering its financial strength, quality assets and full dedication and commitment to serving its objectives. Contracted liabilities (including loans and Sukuk) as at the end of 2009 amounted to about KD 100.8mn against KD 98.5mn in 2008. These liabilities account for about 91.3% of the total liabilities, which amounted to about KD 110.4mn as at the end of 2009.

In 2009, total liabilities accounted for about 64.7% of total assets, which is above the percentage posted in 2008 when it stood at 55.5%. Liabilities to Shareholders Equity increased to about 183.2% against 124.5% in 2008. This increase is due to the decrease in Shareholders Equity by about KD 30.1mn in 2009 due to a significant reduction in Retained Earnings as a considerable part of these profits, which had accumulated over the previous years, has been used against decrease in the fair value of some assets.



II. Financial Performance

For the first time since inception, the company has posted absolute losses of KD 20.5mn due to the decrease in the fair value of some investment real estates or investments for sale. However, it should be noted that a large part of this loss is unrealized and the company will not have to liquidate assets at current prices. The company recorded negative net revenues in the amount of KD 13.7mn compared to about KD 25.2mn in 2008, a decrease of about 154.4%.

Expenses also declined by about 21.3% or about KD 2.1mn posting around KD 6.8mn compared to KD 8.9mn in 2008 after the decline in the funding expenses by about 19.5% or KD 1.15mn. Staff expenses have also decreased by about 40% or about KD 736k.

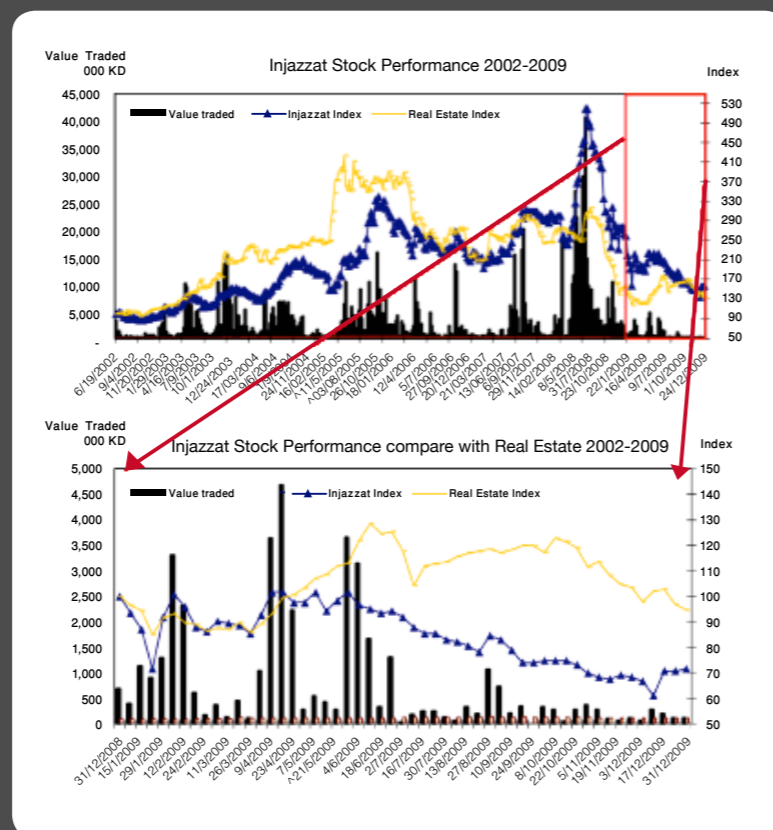
Losses per share marked some 58.5 fils after it had gained about 45.2 fils per share in 2008. The return on assets was around a negative 10% in 2009 compared to about 9% in 2008. The return on equity decreased to about a negative 28.9% compared to the 2008 level of about 19.9%. The Book Value posted a decrease of 26%, amounting to 158 fils, which remains high despite significant prudence in creating provisions. In 2008, it posted about 247 fils.

Listed Real-Estate companies	INJAZZAT CO.	Indicators
0.78	0.99	P/B
-4.1%	28.9%-	ROE
-1.9%	10%-	ROA
%142.1	%52.2	TURN OVER

The Board of Directors proposed not to distribute any profits for 2009 after it had distributed cash dividends at 25% in 2008.

III. Analysis of share performance

The local stock exchange declined in 2009 according to AISHall index, with a slump of 8.1%. The real estate sector index also declined by about 5.4% for the same period. So the value of the company's share declined by about 28.5% for the same year.



The above chart shows the movement of the company's share since enlisting on the local exchange in 2002. The share performance in 2009 shows a decline by a higher rate than the industry's index, posting a higher decline than the real estate decline rate.

The company's share price as at the end of 2009 closed at 176 fils, marking a decrease of 28.5% compared to the share closing price at the end of 2008 which posted 246 fils. The highest market price in 2009 recorded 250 fils on 28/5/2009 and the lowest price was recorded at 150 fils on 10/12/2009.

Market Capital Value	Quantity of traded shares	No. of deals	Value of traded shares	2009
KD	Shares	Deals	KD	No. of trading days
			247	Injazzat Real Estate
58.1	180.3	4.5	41.2	Total of real estate market
1,965.2	24,855	327.7	2,342	Total market
29,980.3	106,018.8	1,938.9	21,828	%of real estate sector
2.95%	0.73%	1.38%	1.76%	% of total market
0.19%	0.17%	0.23%	0.19%	Turnover
			52.2%	

In 2009, P/B posted about 0.99x compared to 0.94x as at the end of 2008 as a result of decline in shareholders' equity at higher than the share price.

Total shares traded in 2009 valued about KD 41.2mn, a daily average of KD 166.9k, down by 89.2% compared to the average daily trading of 2008. The value of traded shares accounted for about 1.8% of the real estate sector trading value in 2009. The quantity of traded shares amounted to about 180.3mn shares, an average daily trading of 729k shares, down by about 80.8% compared to the trading level in 2008. The share turnover amounted to about 52.2% compared to the previous year when it amounted to 267.1%, which indicates a fall in the liquidity of the company's shares. At the same time, the total market value fell to about KD 58.1mn accounting for about 2.9% of the real estate market value, which is less by about KD 26.9mn than the market value realized at the end of 2008.

FINANCIAL STATEMENTS

Consolidated financial statements and independent auditors' report
Injazzat Real Estate Development Company – KSC (Closed)
and Subsidiaries
Kuwait
31 December 2009



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Independent auditors' report

To the shareholders of
Injazzat Real Estate Development Company – KSC (Closed)
Kuwait

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Injazzat Real Estate Development Company (A Kuwaiti Closed Shareholding Company) ("the parent company") and Subsidiaries (collectively "the group") which comprise the consolidated statement of financial position 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 control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

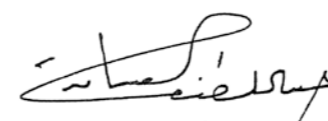
and Subsidiaries
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Opinion

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

Report on Other Legal and Regulatory Requirements

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, and by the parent company's articles of association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of Commercial Companies Law or of the parent company's articles of association, as amended, 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.

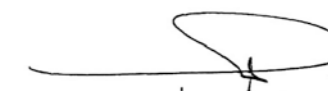


Abdullatif M. Al-Aiban (CPA)
(Licence No. 94-A)

of Grant Thornton – Al-Qatami, Al-Aiban & Partners

Kuwait

25 March 2010



Waleed A. Al Osaimi
(Licence No. 68-A)

of Ernst & Young

and Subsidiaries
Kuwait
31 December 2009

Consolidated statement of income

	Note	Year ended 31 Dec. 2009 KD	Year ended 31 Dec. 2008 KD
Income			
Rental income		3,416,728	3,263,504
Realised loss from investments at fair value through statement of income		-	(464,639)
Profit from sale of available for sale investments		319,099	-
Distribution income from available for sale investments		4,320,147	975,810
Profit from sale of investment properties		51,934	9,181,563
Change in fair value of investment properties	12	(18,885,647)	9,952,528
Management and placement fees		324,214	3,751,590
Share of results of associates		2,870,914	54,112
Other income	6	946,741	1,042,653
Foreign exchange loss		(1,126,231)	(231,556)
Impairment loss on available for sale investments	11	(5,943,373)	(2,321,789)
		(13,705,474)	25,203,776
Expenses & other charges			
Real estate operating costs		334,719	260,620
Staff costs		1,116,131	1,852,499
Depreciation	14	202,167	191,287
General and administrative expenses		344,762	410,926
Consultancy and professional fees		117,748	230,735
Finance costs		4,719,623	5,997,133
		6,835,150	8,943,200
(Loss)/profit before KFAS, Zakat , NLST and Directors' remuneration		(20,540,624)	16,260,576
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		-	(153,950)
Zakat		-	(196,014)
National Labour Support Tax (NLST)		-	(404,510)
Directors' remuneration		-	(100,000)
(Loss)/profit for the year		(20,540,624)	15,406,102
Attributable to:			
Shareholders of the parent company		(20,196,665)	15,325,871
Minority interests		(343,959)	80,231
		(20,540,624)	15,406,102
BASIC & DILUTED (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY			
	8	(58.5) Fils	45.2 Fils

The notes set out on pages 30 to 61 from an integral part of these consolidated financial statements

and Subsidiaries
Kuwait
31 December 2009

Consolidated statement of comprehensive income

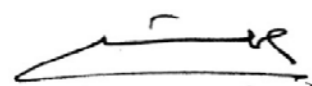
	Year ended 31 Dec. 2009 KD	Year ended .Dec 31 2008 KD
(Loss)/profit for the year	(20,540,624)	15,406,102
Other comprehensive income /(loss)		
Exchange differences arising on translation of foreign operations	1,196,468	451,212
Net movement in cumulative change in fair value of available for sale investments	(2,704,728)	1,501,817
Realised on sale of available for sale investments	(319,099)	-
Impairment loss on available for sale investments transferred to consolidated statement of income	519,368	-
Total other comprehensive (loss)/income for the year	(1,307,991)	1,953,029
Total comprehensive (loss)/income for the year	(21,848,615)	17,359,131
Attributable to:		
Shareholders of the parent company	(21,504,656)	17,278,900
Minority interests	(343,959)	80,231
	(21,848,615)	17,359,131

The notes set out on pages 30 to 61 from an integral part of these consolidated financial statements

and Subsidiaries
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Consolidated statement of financial position

	Note	31 Dec. 2009 KD	.Dec 31 2008 KD
Assets			
Cash and cash equivalents	9	16,316,287	22,882,098
Accounts receivable and other assets	10	6,342,361	9,587,827
Available for sale investments	11	16,754,445	28,143,013
Investment properties	12	110,494,405	125,232,295
Investment in associates	13	19,077,339	15,291,669
Property and equipment	14	1,711,999	1,888,997
Total assets		170,696,836	203,025,899
Liabilities and equity			
Liabilities			
Due to banks	9	488,766	-
Accounts payable and other liabilities	15	9,132,742	14,067,570
Ijara sukuk payable	16	17,232,000	16,581,000
Bank loans	17	83,560,422	81,962,562
Total liabilities		110,413,930	112,611,132
Equity			
Equity attributable to the shareholders of the parent company			
Share capital	18	34,564,860	34,564,860
Treasury shares	19	(559,894)	-
Share premium	18	2,869,130	2,869,130
Statutory reserve	20	7,209,059	7,209,059
Voluntary reserve	20	3,604,530	3,604,530
Gain on sale of treasury shares reserve		4,511,254	4,505,130
Foreign currency translation reserve		1,005,086	(191,382)
Cumulative changes in fair value		1,339,236	3,843,695
Retained earnings		62,428	28,900,308
		54,605,689	85,305,330
Minority interests		5,677,217	5,109,437
Total equity		60,282,906	90,414,767
Total liabilities and equity		170,696,836	203,025,899



Hamad Abdulaziz Al-Shaya
Chairman



Mohammad Ibrahim Al-Farhan
Managing Director

The notes set out on pages 30 to 61 from an integral part of these consolidated financial statements

and Subsidiaries
Kuwait
31 December 2009

Consolidated statement of cash flows

	Note	Year ended 31 Dec. 2009 KD	Year ended .Dec 31 2008 KD
OPERATING ACTIVITIES			
(Loss)/Profit before KFAS, Zakat, NLST and Directors' remuneration		(20,540,624)	16,260,576
Adjustments for:			
Depreciation		202,167	191,287
Realised loss on sale of investment at fair value through statement of income		-	464,639
Profit from sale of available for sale investments		(319,099)	-
Distribution income from available for sale investments		(4,320,147)	(975,810)
Profit from sale of investment properties		(51,934)	(9,181,563)
Change in fair value of investment properties		18,885,647	(9,952,528)
Foreign exchange loss on non operating liabilities		1,748,860	259,169
Share of result of associates		(2,870,914)	(54,112)
Impairment loss on available for sale investments		5,943,373	2,321,789
Interest income		(866,567)	(837,564)
Finance costs		4,719,623	5,997,133
		2,530,385	4,493,016
Changes in operating assets and liabilities:			
Accounts receivable and other assets		1,309,380	645,439
Accounts payable and other liabilities		(2,592,175)	(10,642,687)
Cash from/(used in) operations		1,247,590	(5,504,232)
KFAS paid		-	(154,563)
NLST paid		-	(429,342)
Directors' remuneration paid		(100,000)	(100,000)
Net cash from/(used in) operating activities		1,147,590	(6,188,137)
INVESTING ACTIVITIES			
Net additions to property and equipment		(25,169)	(44,534)
Purchase of investment at fair value through statement of income		-	(350,888)
Additions to available for sale investments		(868,136)	(6,121,128)
Proceeds from disposal of investment at fair value through statement of income		-	2,252,350
Proceeds from redemption/sale of available for sale investments		4,127,971	-
Additions to investment properties		(5,796,335)	(14,380,684)
Proceeds from sale of investment properties		832,934	14,269,693
Investment in associates		(666,093)	(21,790,604)
Return of capital by associates		1,851,885	19,407,331
Distribution income received from available for sale investments		4,320,147	975,810
Interest income received		801,393	837,564
Net cash from/(used in) investing activities		4,578,597	(4,945,090)
FINANCING ACTIVITIES			
Dividend paid		(8,552,720)	(4,251,665)
Purchase of treasury shares		(695,461)	(1,588,591)
Sale of treasury shares		141,691	9,952,471
Murabaha obtained		-	6,000,000
Murabaha settlement		-	(6,000,000)
Bank loans obtained		1,500,000	28,345,228
Bank loans repaid		(1,000,000)	(7,000,000)
Change in minority interest		911,739	100,000
Finance costs paid		(5,086,013)	(5,783,220)
Net cash (used in)/from financing activities		(12,780,764)	19,774,223
Net (decrease)/increase in cash and cash equivalents		(7,054,577)	8,640,996
Cash and cash equivalents at beginning of the year		22,882,098	14,241,102
Cash and cash equivalents at end of the year	9	15,827,521	22,882,098

The notes set out on pages 30 to 61 from an integral part of these consolidated financial statements

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31 December 2009

Consolidated statement of changes in equity

	Equity attributable to the shareholders of the parent company							Minority interests	Total			
	Share Capital KD	Treasury shares KD	Share premium KD	Statutory reserve KD	Voluntary Reserve KD	Gain on sale of treasury shares reserve KD	Foreign currency translation reserve KD			Cumulative changes in fair value KD	Retained earnings KD	Sub-total KD
Balance at 1 January 2009	34,564,860	-	2,869,130	7,209,059	3,604,530	4,505,130	(191,382)	3,843,695	28,900,308	85,305,330	5,109,437	90,414,767
Cash dividend (Note 21)	-	-	-	-	-	-	-	-	(8,641,215)	(8,641,215)	-	(8,641,215)
Purchase of treasury shares	-	(695,461)	-	-	-	-	-	-	-	(695,461)	-	(695,461)
Sale of treasury shares	-	135,567	-	-	-	6,124	-	-	-	141,691	-	141,691
Capital introduced by the minority interest	-	-	-	-	-	-	-	-	-	-	911,739	911,739
Transactions with shareholders	-	(559,894)	-	-	-	6,124	-	-	(8,641,215)	(9,194,985)	911,739	(8,283,246)
Loss for the year	-	-	-	-	-	-	-	-	(20,196,665)	(20,196,665)	(343,959)	(20,540,624)
Other comprehensive income/(loss)	-	-	-	-	-	-	1,196,468	(2,504,459)	-	(1,307,991)	-	(1,307,991)
Total comprehensive income/(loss) for the year	-	-	-	-	-	-	1,196,468	(2,504,459)	(20,196,665)	(21,504,656)	(343,959)	(21,848,615)
Balance at 31 December 2009	34,564,860	(559,894)	2,869,130	7,209,059	3,604,530	4,511,254	1,005,086	1,339,236	62,428	54,605,689	5,677,217	60,282,906

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The notes set out on pages 30 to 61 from an integral part of these consolidated financial statements

and Subsidiaries
Kuwait
31 December 2009

Consolidated statement of changes in equity (continued)

	Equity attributable to the shareholders of the parent company							Minority interests	Total			
	Share Capital KD	Treasury shares KD	Share premium KD	Statutory reserve KD	Voluntary Reserve KD	Gain on sale of treasury shares reserve KD	Foreign currency translation reserve KD			Cumulative changes in fair value KD	Retained earnings KD	Sub-total KD
Balance at 1 January 2008	30,056,400	(4,734,000)	2,869,130	5,591,024	2,795,512	875,250	(642,594)	2,341,878	24,767,865	63,920,465	4,929,206	68,849,671
Issue of bonus shares (Note 21)	4,508,460	-	-	-	-	-	-	-	(4,508,460)	-	-	-
Cash dividend (Note 21)	-	-	-	-	-	-	-	-	(4,257,915)	(4,257,915)	-	(4,257,915)
Purchase of treasury shares	-	(1,588,591)	-	-	-	-	-	-	-	(1,588,591)	-	(1,588,591)
Sale of treasury shares	-	6,322,591	-	-	-	3,629,880	-	-	-	9,952,471	-	9,952,471
Minority interest arising on acquisition of subsidiary	-	-	-	-	-	-	-	-	-	-	100,000	100,000
Transfer to reserves	-	-	-	1,618,035	809,018	-	-	-	(2,427,053)	-	-	-
Transactions with shareholders	4,508,460	4,734,000	-	1,618,035	809,018	3,629,880	-	-	(11,193,428)	4,105,965	100,000	4,205,965
Profit for the year	-	-	-	-	-	-	-	-	15,325,871	15,325,871	80,231	15,406,102
Other comprehensive income	-	-	-	-	-	-	451,212	1,501,817	-	1,953,029	-	1,953,029
Total comprehensive income for the year	-	-	-	-	-	-	451,212	1,501,817	15,325,871	17,278,900	80,231	17,359,131
Balance at 31 December 2008	34,564,860	-	2,869,130	7,209,059	3,604,530	4,505,130	(191,382)	3,843,695	28,900,308	85,305,330	5,109,437	90,414,767

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The notes set out on pages 30 to 61 from an integral part of these consolidated financial statements

and Subsidiaries
Kuwait

Notes to the consolidated financial statements - 31 December 2009

1- Incorporation and activities

Injazzat Real Estate Development Company – KSC (Closed) (the parent company) was established in August 1998 and listed on the Kuwait Stock Exchange on 17 June 2002. The parent company and its subsidiaries (collectively “the group”) are primarily engaged in real estate development and investment activities. Details of subsidiaries are set out in note 5.

The address of the parent company’s registered office is PO Box 970, Safat 13010, State of Kuwait.

The board of directors of the parent company approved these consolidated financial statements for issuance on 25 March 2010. The general assembly of the parent company’s shareholders has the power to amend these consolidated financial statements after issuance.

2- New and revised International Financial Reporting Standards (“IFRS”) and Interpretations (“IFRIC”)

a). Standards and Interpretations affecting amounts reported and/or disclosures made in the current period and/or prior periods

The group has adopted the following new standards, revisions and amendments to IFRS issued by International Accounting Standards Board, which are relevant to and effective for the group’s financial statements for the annual period beginning 1 January 2009. Certain other new standards and interpretations have been issued but are not relevant to the group’s operations and therefore not expected to have a material impact on the group’s financial statements.

- Amendments to IFRS 7 Financial instruments: Disclosures
- IFRS 8 Operating Segments
- IAS 1 Presentation of Financial Statements (Revised)
- IAS 23 Borrowing Costs (Revised)
- Amendments to IAS 40 Investment Property
- Annual Improvements 2008

The impact of the adoption of the above standards is described below:

Amendment to IFRS 7: Financial Instruments: Disclosures

- The amendments require additional disclosures for financial instruments that are measured at fair value in the statement of financial position. These fair value measurements are categorised into a three-level fair value hierarchy (see note 29.2), which reflects the extent to which they are based on observable market data. The group has taken advantage of the transitional provisions in the amendments and has not provided comparative information in respect of the new requirements.

and Subsidiaries
Kuwait

2- New and revised International Financial Reporting Standards (“IFRS”) and Interpretations (“IFRIC”) (continued)

- 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. The application of the revised standard has had no impact on designation of the group’s reporting segments as it is been consistent with the internal reporting provided to the chief operating decision maker.

- IAS 1 Presentation of Financial Statements (Revised)

The adoption of IAS 1 (Revised 2007) makes certain changes to the format and titles of the primary financial statements and to the presentation of some items within these statements. The revised standard also separates owners and non-owner changes in equity. The statement of changes in equity includes only details of transaction with owners, with non-owner changes in equity- presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expenses, either in one single statement or in two linked statements. The group has elected to present two statements. (i.e a statement of income and a statement of comprehensive income).

- IAS 23 Borrowing Costs (Revised)

IAS 23 Borrowing Costs been amended resulting in elimination of the previously available option to expense all borrowing costs when incurred. Under the revised standard, all borrowing costs that are directly attributable to qualifying assets are to be capitalised. The application of the revised standard has not had an impact on the consolidated financial statements because it has always been the group’s accounting policy to capitalise borrowing costs incurred on qualifying assets.

- IAS 40 Investment Property

As part of Improvements to IFRSs (2008), IAS 40 has been amended to include within its scope investment property in the course of construction. Therefore, following the adoption of the amendments and in line with the group’s general accounting policy, investment property under construction is measured at fair value (where fair value is reliably determinable), with changes in fair value recognised in statement of income. Previously, the group’s accounting policy for such assets was at cost less accumulated impairment losses.

The change has been applied prospectively from 1 January 2009 in accordance with the relevant transitional provisions, resulting in investment properties under construction with a previous carrying amount of KD33,193,528 being revalued to KD27,644,248 at 31 December 2009 resulting in a loss of KD5,549,280 being recognised in the consolidated statement of income during the year (included within “change in fair value of investment properties”).

- Annual Improvements 2008

In addition to above, the improvements issued in 2008 have led to a number of changes in the detail of the group’s accounting policies – some of which are changes in terminology only, and some of which are substantive but have had no material effect on amounts reported. The majority of these amendments are effective from 1 January 2009.

b). Standards and Interpretations in issue not yet adopted

At the date of authorisation of these consolidated financial statements, certain new standards, interpretations and amendments to existing standards have been issued but are not yet effective, and have not been adopted.

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2- New and revised International Financial Reporting Standards (“IFRS”) and Interpretations (“IFRIC”) (continued)

Management anticipates that all of the pronouncements will be adopted in the group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not relevant to the group's operations and therefore not expected to have a material impact on the group's financial statements.

- IFRS 3 Business Combinations (Revised)
- IFRS 9 Financial Instruments
- IAS 27 Consolidated and Separate Financial Statements (Revised)
- IAS 28 Investments in Associates (Revised)
- IFRIC 17 Distribution of Non Cash Assets to Owners
- Annual Improvements 2009

IFRS 3 Business Combinations (Revised) (effective for annual periods beginning on or after 1 July 2009)

The standard is applicable for business combinations occurring in reporting periods beginning on or after 1 July 2009 and will be applied prospectively. The new standard introduces changes to the accounting requirements for business combinations, but still requires use of the purchase method, and will have a significant effect on business combinations occurring in future reporting periods.

IFRS 9 Financial Instruments (effective from 1 January 2013)

The IASB aims to replace IAS 39 *Financial Instruments: Recognition and Measurement* in its entirety by the end of 2010, with the replacement standard to be effective for annual periods beginning 1 January 2013. IFRS 9 is the first part of Phase 1 of this project. The main phases are:

- Phase 1: Classification and Measurement
- Phase 2: Impairment methodology
- Phase 3: Hedge accounting

In addition, a separate project is dealing with derecognition.

Although early application of this standard is permitted, the Technical Committee of the Ministry of Commerce and Industry of Kuwait decided during December 2009, to postpone this allowed early application until further notice.

IAS 27 Consolidated and Separate Financial Statements (Revised) (effective for annual periods beginning on or after 1 July 2009)

The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The changes in IAS 27 will affect future acquisitions or loss of control and transactions with minority interests.

IAS 28 Investments in Associates (Revised) (effective for annual periods beginning on or after 1 July 2009)

The revised standard introduces changes to the accounting requirements for the loss of significant influence of an associate and for changes in the group's interest in associates. These changes will be applicable for future acquisitions and disposals.

IFRIC 17 Distribution of Non-Cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009)

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2- New and revised International Financial Reporting Standards (“IFRS”) and Interpretations (“IFRIC”) (continued)

The Interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders.

Annual Improvements 2009

The IASB has issued *Improvements for International Financial Reporting Standards 2009* which have led to a number of changes in the detail of the group's accounting policies – some of which are changes in terminology only, and some of which are substantive but have had no material effect on amounts reported. Most of these amendments become effective in annual periods beginning on or after 1 July 2009 or 1 January 2010.

3- Significant accounting policies

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2008 except as noted in note 2 above. The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below:

Basis of preparation

The consolidated financial statements of the group have been prepared in accordance with International Financial Reporting Standards.

The consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of investments at fair value through statement of income, available for sale investments and investment properties. 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 incorporate the financial statements of the parent company for the year ended 31 December 2009, and the financial statements of its subsidiaries prepared to that date, or to a date not earlier than three months of the parent company's year end using consistent accounting policies.

Subsidiaries are those enterprises controlled by the group and are fully consolidated from the date on which control is transferred to the group. Control is achieved where the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

The financial statements of the subsidiaries are consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Any significant intra-group balances and transactions, and any unrealised gains or losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Adjustments are made for non-uniform accounting policies where practicable.

Minority interest represents the portion of profit or loss and net asset not held by the group and are presented separately in the consolidated statement of income, the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from the equity attributable to the shareholders of the parent company. The group applies a policy of treating transactions with minority interests as transactions with parties external to the group. Disposals to minority interest results in gains and losses for the group and are recorded in the consolidated statement of income. Purchase from minority interests results in goodwill, being the difference between any consideration paid and the relevant shares acquired of the carrying value of net assets of the subsidiary.

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3- Significant accounting policies (continued)

Business combinations

Acquisition of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, plus any costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed are recognised at their fair values at the acquisition date. Goodwill recognised represents the excess of acquisition cost over the fair value of the group's share of the identifiable net assets of the acquiree at the date of the acquisition.

Goodwill arising on the acquisition of a subsidiary is recognised as a separate asset in the consolidated statement of financial position. Goodwill arising on the acquisition of an associate is included within the carrying amount of the investment. Any excess, at the date of acquisition, of the group's share in the fair value of the net identifiable assets acquired over the cost of the acquisition is recognised in the consolidated statement of income.

Goodwill is stated at cost less impairment losses. For the purpose of impairment testing, goodwill is allocated to cash-generating units and tested annually.

Recognition of income

Income is recognised to the extent that it is probable that the economic benefits will flow to the group and the income can be reliably measured. The following specific recognition criteria must also be met before income is recognised:

Profit from sale of properties

Profit from the sale of properties is recognised when significant risks and rewards of ownership have passed to the buyer and the amount of income can be measured reliably.

Interest income

Interest income is recognised using the effective interest method.

Rental income

Rental income is recognised on accrual basis.

Fee income

Placement and advisory fees are recognised when related services are rendered. Management fees relating to portfolios, fund management and custody services are recognised when earned. Other fees are recognised when earned.

Dividend income

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

Finance costs

Finance costs are recognised on a time proportion basis taking into account the outstanding balance payable and applicable interest rate.

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.

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3- Significant accounting policies (continued)

Investment properties

Investment properties (including investment properties under construction) are initially recorded at cost, being the purchase price and any directly attributable expenditure for a purchased investment property and cost at the date when construction or development is complete for a self-constructed investment property. Subsequent to initial recognition, investment properties are re-measured at fair value on an individual basis based on valuations by independent registered real estate valuers. Changes in fair value are taken to the consolidated statement of income.

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

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

Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and impairment losses. The carrying amounts are reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed recoverable amounts assets are written down to their recoverable amount.

Depreciation

Depreciation is provided on all property and equipment at rates calculated to write off the cost of each asset on a straight line basis over its estimated useful life as follows:

- Buildings	20 years
- Furniture, fixtures and other equipment	3-5 years

The useful economic lives of property and equipment are reviewed at the end of the each year and revised where necessary.

Financial instruments

Classification

The group classifies financial assets upon initial recognition into the following categories:

- i. Investments at fair value through statement of income
- ii. Loans and receivables
- iii. Available for sale

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3- Significant accounting policies (continued)

Classification (continued)

Financial liabilities are classified as “non-trading financial liabilities”. The group’s non-trading financial liabilities are classified under “due to banks”, “accounts payable and other liabilities”, “Ijara sukuk payable” and “bank loans”.

Investments at fair value through statement of income are either “held for trading” or “designated” as such on initial recognition.

The group classifies investments as trading if they are acquired principally for the purpose of selling in the near term or are a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking.

Investments are designated as at fair value through profit or loss at inception if they have readily available reliable fair values and the changes in fair values are reported as part of the statement of income in the management accounts, according to a documented investment strategy.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The group’s loans and receivables are classified under “accounts receivable and other assets” and “cash and cash equivalents” in the consolidated statement of financial position.

Financial assets which are not classified as above are classified as available for sale.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of these financial instruments at initial recognition.

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3- Significant accounting policies (continued)

Measurement

Investments at fair value through statement of income

Investments at fair value through statement of income are initially recognised at cost, being the fair value of the consideration given. Associated transaction costs are expensed as incurred.

Subsequent to initial recognition, investments at fair value through profit or loss are re-measured at fair value and changes in fair value are recognised in the consolidated statement of income.

Loans and receivables

Loans and receivables are stated at amortised cost, using the effective interest method, less provision for impairment.

Available for sale investments

Available for sale investments are initially recognised at cost, being the fair value of the consideration given, plus transaction costs that are directly attributable to the acquisition.

Subsequent to initial recognition, available for sale investments are re-measured at fair value unless fair value cannot be reliably measured, in which case they are measured at cost less impairment.

Changes in fair value of available for sale investments are recognised as other comprehensive income in “cumulative changes in fair value” account until the investment is either derecognised or determined to be impaired. On derecognition or impairment, the cumulative gain or loss previously recognised in other comprehensive income is recognised in the consolidated statement of income.

Financial liabilities

Non-trading financial liabilities are stated at amortised cost using the effective interest method.

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3- Significant accounting policies (continued)

Classification (continued)

Fair values

For investments 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 reporting date.

For investments where there is no quoted market price, a reasonable estimate of fair value is determined by using valuation techniques. The group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used include the use of comparable recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants.

The determination of fair value is done for each investment individually.

Trade and settlement date accounting

All "regular way" purchases and sales of financial assets are recognised on the trade date, i.e. the date that the group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place concerned.

Recognition and derecognition of financial assets and liabilities

A financial asset or a financial liability is recognised when the group becomes a party to the contractual provisions of the instrument.

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

- the rights to receive cash flows from the asset have expired; or
- the group has transferred its rights 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.

A financial liability is de-recognised 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 de-recognition 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.

Investment in jointly controlled assets

Investment in jointly controlled assets are accounted for under the method of proportionate consolidation whereby the group recognises its interest in assets, liabilities, income and expenses relating to the assets on a line-by-line basis.

Investment in associates

An associate is a company over which the group has significant influence usually evidenced by holding of 20% to 50% of the voting power of the investee company. Investments in associates are accounted for using the equity method of accounting.

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3- Significant accounting policies (continued)

Investment in associates (continued)

Under the equity method, investment in an 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. The group recognises in the consolidated statement of income its share of the total recognised results of the associate from the date the influence or ownership effectively commenced until the date that it effectively ceases. Distributions received from an 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 associates' other comprehensive income that have not been recognised in the associate's statement of income. The group's share of those changes is recognised directly in other comprehensive income. The financial statements of the associates are prepared either to the reporting date of the parent company or to a date not earlier than three months of the parent company's reporting date, using consistent accounting policies.

Unrealised gains on transactions with associates are eliminated to the extent of the group's share in the associate. Unrealised 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.

Impairment of financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset or a group of financial assets may be impaired. If such evidence exists, any impairment loss is recognised in the consolidated statement of income. Impairment is determined as follows:

- (a) For assets carried at fair value, impairment is the difference between cost and fair value;
- (b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and
- (c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the financial asset no longer exist or have decreased and the decrease can be related objectively to an event occurring after the impairment was recognised. Except for reversal of impairment losses related to equity instruments classified as available for sale, all other impairment reversals are recognised in the consolidated statement of income to the extent the carrying value of the asset does not exceed its amortised cost at the reversal date. Impairment reversals in respect of equity instruments classified as available for sale are recognised in other comprehensive income in the cumulative changes in fair value reserve.

Impairment of non-financial assets

The group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or 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.

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3- Significant accounting policies (continued)

Impairment of non-financial assets (continued)

Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount by recognising impairment loss in the consolidated statement of income. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit). In determining fair value less costs to sell an appropriate valuation model is used. These calculations are corroborated by available fair value indicators.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the group makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the assets 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.

Treasury shares

The parent company's holding in its own shares is accounted for as treasury shares. Such shares are stated at cost as a deduction within shareholders' equity and no cash dividends are distributed on these shares.

Gains resulting from the sale of treasury shares are taken directly to equity under "gain on sale of treasury shares reserve". Should the reserve fall short of any losses from the sale of treasury shares, the difference is charged to retained earnings then reserves. Subsequent to this, should profits arise from sale of treasury shares an amount is transferred to reserves then retained earnings equal to the loss previously charged to these accounts.

Provisions

Provisions are recognised when the group has a present obligation (legal or constructive) resulting from a past event and the costs to settle the obligation are both probable and able to be reliably measured.

Provision for end of service indemnity

Provision for end of service indemnity is calculated on the employees' accumulated periods of service at the reporting date in accordance with the Kuwait labour law for the private sector.

Ijara sukuk payable

The trust certificates (Ijara Sukuk) are carried on the statement of financial position at their principal amount, net of directly related costs of issuing the certificates to the extent that such costs have not been amortised. These costs are amortised through the consolidated statement of income over the life of the certificates using the effective cost rate method.

The profit payable to the certificate holders is charged as an expense as it accrues, with unpaid amounts included in other liabilities.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and bank balances and short-term deposits net of balances due to banks.

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3- Significant accounting policies (continued)

Foreign currencies

Functional and presentation currency

The consolidated financial statements are presented in Kuwaiti Dinar, which is the parent company's functional and presentation currency. Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

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 reporting date. All differences are taken to "foreign exchange gain/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. Translation difference on non-monetary asset classified as "investment properties" are reported as part of the fair value gain or loss in the consolidated statement of income and "available for sale" are reported as part of the cumulative change in fair value reserve, within other comprehensive income.

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.

Group companies

As at the reporting date, the assets and liabilities of foreign subsidiaries are translated into the parent company's presentation currency (the Kuwaiti Dinar) at the rate of exchange ruling at the reporting date, and their statements of income are translated at the average exchange rates for the year. Exchange differences arising on translation are taken directly to foreign exchange translation reserve within other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in other comprehensive income relating to the particular foreign operation is recognised in the consolidated statement of income.

Fiduciary assets

Assets held in trust or fiduciary capacity are not treated as assets of the group and, accordingly, are not included in the consolidated statement of financial position.

Segmental information

The group's operating segments are determined based on the reports reviewed by the chief executive functions that are used for strategic decisions. These segments are strategic business units that offer different products and services. They are managed separately since the nature of the products and services, class of customers and marketing strategies of these segments are different.

Contingencies

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

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

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4- Critical accounting judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, which are described in note 3, management makes judgements, estimates and assumption about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements

In the process of applying the group's accounting policies, management has made the following 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 real estate property whether it should be classified as trading or investment property.

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.

Classification of investments

Management decides on acquisition of an investment whether it should be classified as at fair value through statement of income or available for sale. In making that judgement the Group considers the primary purpose for which it is acquired and how it intends to manage and report its performance. Such judgement determines whether it is subsequently measured at cost, amortised cost or at fair value and if the changes in fair value of instruments are reported in the consolidated statement of income or in other comprehensive income.

Impairment of available for sale investments

The group treats available for sale equity investments 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. During the year ended 31 December 2009 impairment losses of KD5,943,373 (2008: KD2,321,789) were recognised for available for sale investments.

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4- Critical accounting judgements and key sources of estimation uncertainty (continued)

Estimation uncertainty

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

Valuation of unquoted equity investments

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

- recent arm's length market transactions;
- current fair value of another instrument that is substantially the same;
- an 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.

5- Subsidiary companies

The group's consolidated subsidiaries are as follows:

	Country of incorporation	Percentage ownership 2009	Percentage ownership 2008
Injazzat Entertainment Enterprises – KSC (Closed)	Kuwait	100%	100%
Injazzat Real Estate – France	France	100%	100%
Dhow Real Estate Company - BSC (Closed)	Bahrain	100%	100%
Al-Dhow International Real Estate Company – KSC (Closed)	Kuwait	100%	100%
Al Mal and Aqar Joint Project Company – WLL	Kuwait	67%	67%
Al Mal Real Estate Company – KSC (Closed)	Kuwait	100%	100%
Al Quoz International General Trading and Contracting Company – WLL	Kuwait	60%	60%
Injazzat Lusail Company – WLL	Kuwait	100%	100%
Amwaj Real Estate Development Company – KSC (Closed)	Kuwait	100%	100%
Al Bateel Real Estate Company – LLC	UAE	100%	100%

The financial year end of all the above subsidiaries is 31 December except for Al Mal Real Estate – France which has a year end of 30 September.

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	2009	2008
	KD	KD
Interest income from cash and cash equivalents	635,899	477,627
Interest income from accounts receivable	230,668	359,937
Other income	80,174	205,089
	946,741	1,042,653

7- Net loss or gain on financial assets and financial liabilities

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

	2009	2008
	KD	KD
Loans and receivables		
- Cash and cash equivalents and accounts receivable	866,567	837,564
Investment designated at fair value through statement of income	-	(464,639)
Available for sale investments		
- recognised directly in other comprehensive income	(2,504,459)	1,501,817
- recycled from other comprehensive income to consolidated statement of income		-
• On impairment	(519,368)	-
• On disposal	319,099	
- recognised directly in consolidated statement of income	(1,103,858)	(1,345,979)
	(2,942,019)	528,763
Financial liabilities at amortised cost (refer note 7a)		
- Due to banks, Ijara sukuk payable, murabaha payable and bank loans	(6,468,483)	(6,256,302)
	(9,410,502)	(5,727,539)
Net loss recognised in the consolidated statement of income	(6,906,043)	(7,229,356)
Net (loss)/gain recognised directly in other comprehensive income	(2,504,459)	1,501,817
	(9,410,502)	(5,727,539)

7 a) Net losses on financial liabilities at amortised cost are arrived at after adjusting exchange losses of KD1,748,860 (2008: exchange loss of KD259,169).

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Kuwait**8- Basic and diluted (loss)/earnings per share**

(Loss)/earnings per share are calculated by dividing the loss/profit for the year attributable to the shareholders of the parent company by the weighted average number of shares outstanding during the year as follows:

	2009	2008
(Loss)/profit for the year attributable to shareholders of the parent company (KD)	(20,196,665)	15,325,871
Weighted average number of shares outstanding during the year (excluding treasury shares)	345,115,121	338,927,106
Basic and diluted (loss)/earnings per share	(58.5) Fils	Fils 45.2

9- Cash and cash equivalents

	2009	2008
	KD	KD
Cash and bank balances	3,728,995	2,095,610
Short term deposits	12,587,292	20,786,488
Cash and cash equivalents per consolidated statements of financial position	16,316,287	22,882,098
Less: due to banks	(488,766)	-
Cash and cash equivalents for the purpose of consolidated cash flow statement	15,827,521	22,882,098

Cash and bank balances include call accounts which yield interest.

10- Accounts receivable and other assets

	2009	2008
	KD	KD
Financial assets		
Due from associate company	733,326	2,258,546
Due from other related parties	58,616	475,378
Due on sale of investment property	4,077,043	4,242,856
Other financial assets	743,837	1,454,671
	5,612,822	8,431,451
Non-financial assets		
Payments towards property purchases	13,550	81,367
Advances to contractors	583,051	850,888
Prepayment and other assets	132,938	224,121
	729,539	1,156,376
	6,342,361	9,587,827

Financial assets include receivables of KD3,714,073 (2008: KD5,832,351) which yield an effective interest rate of 6% (2008: 8%) per annum.

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11- Available for sale investments

	2009 KD	2008 KD
Real estate funds	892,545	1,166,229
Special purposes real estate entities	4,632,706	8,692,252
Unquoted shares	9,552,280	16,654,707
Debt financing	1,676,914	1,629,825
	16,754,445	28,143,013

Available for sale investments primarily represent investments in real estate development projects and portfolios through specialised real estate investment managers. Due to the nature of these investments, the unpredictability of their cash flows and the absence of an active market for these investments, fair value is not reliably measurable. As a result, such investments are carried at cost less impairment, if any and the carrying amount of such investments amounted to KD5,390,580 (2008: KD4,661,369)

Available for sale investments include, investments with a carrying value of KD3,013,360 (2008: KD5,111,971) which represent investments in real estate entities in which the Group has an equity interest exceeding 20% and 50%. These entities represent temporary special purpose entities established to facilitate the group's investments in certain foreign real estate projects. The Group does not exercise control or significant influence over these entities as they are managed by independent specialist property development managers. As a result investments in these entities have been classified as available for sale investments.

During the year, the parent company recognised an impairment loss of KD5,943,373 (2008: KD2,321,789) against certain investments with exposure to the US and European real estate market based on recent information provided by investment managers.

12- Investment properties

	2009 KD	2008 KD
Carrying value at 1 January	125,232,295	102,411,392
Additions during the year	5,796,335	18,294,503
Disposals during the year	(781,000)	(5,514,534)
Reversal on termination of a purchase contract	(1,578,934)	-
Change in fair value	(18,885,647)	9,952,528
Foreign currency translation adjustment arising on consolidation	711,356	88,406
Carrying value at 31 December	110,494,405	125,232,295

Investment property with a carrying value of KD4,676,156 (2008: KD4,405,479) is held in the name of nominees.

Investment properties include jointly controlled investment properties with a carrying value of KD21,792,414 (2008: KD24,013,221).

Investment properties also include properties under construction with a carrying value of KD27,644,248 (2008: KD28,760,606).

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12- Investment properties (continued)

Investment properties have been revalued by independent real estate valuers based on open market values.

The group's investment properties are located as follows:

	2009 KD	2008 KD
Kuwait	56,243,092	68,457,127
Other GCC countries	54,251,313	56,775,168
	110,494,405	125,232,295

13- Investment in associates

Details of the group's associates are set out below:

	Country of incorporation	Percentage ownership 2009	Percentage ownership 2008
Ikaros Real Estate Company – KSC (Closed)	Kuwait	45%	45%
Al Bersha Real Estate Company – KSC (Closed)	Kuwait	35%	35%
Al Bersha Real Estate Company – WLL	Bahrain	35%	35%
Injaz Mabane Real Estate Company – WLL	Kuwait	40%	40%
Al Boom Real Estate Company – WLL	KSA	15%	15%
Al Sanbook Real Estate LLC (Formerly : Injazzat Business Management Company – LLC)	UAE	15%	15%

The principal activity of the associates is real estate development.

The investments in Al Boom Real Estate Company WLL and Al Sanbook Real Estate LLC are classified as investments in associates because the group exercises significant influence over these companies through agreements entered with other strategic investors.

Aggregate share of associates' assets and liabilities:

	2009 KD	2008 KD
Assets	31,997,555	28,898,590
Liabilities	13,046,290	13,606,921

Aggregate share of associates' revenue and profit:

	Year ended 31 Dec. 2009 KD	Year ended 31 Dec. 2008 KD
Revenue	3,483,187	224,396
Profit	2,870,914	54,112

The fair value of the associates cannot be reliably measured since they are unquoted.

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14- Property and equipment

	Buildings KD	Furniture and Fixtures KD	Office equipment and computers KD	Total KD
Year ended 31 December 2009				
Balance at 1 January, net of accumulated depreciation	1,589,504	234,539	64,954	1,888,997
Additions during the year	-	10,899	15,880	26,779
Disposal during the year	-	-	(1,610)	(1,610)
Depreciation charge for the year	(86,668)	(75,959)	(39,540)	(202,167)
Balance at 31 December, net of accumulated depreciation	1,502,836	169,479	39,684	1,711,999
At 31 December 2009				
At cost	1,733,358	365,429	141,523	2,240,310
Accumulated depreciation	(230,522)	(195,950)	(101,839)	(528,311)
Net carrying amount at 31 December 2009	1,502,836	169,479	39,684	1,711,999
Year ended 31 December 2008				
Balance at 1 January, net of accumulated depreciation	1,676,172	302,215	57,363	2,035,750
Additions during the year	-	3,370	41,164	44,534
Depreciation charge for the year	(86,668)	(71,046)	(33,573)	(191,287)
Balance at 31 December, net of accumulated depreciation	1,589,504	234,539	64,954	1,888,997
At 31 December 2008				
At cost	1,733,358	354,530	125,643	2,213,531
Accumulated depreciation	(143,854)	(119,991)	(60,689)	(324,534)
Net carrying amount at 31 December 2008	1,589,504	234,539	64,954	1,888,997

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15- Accounts payable and other liabilities

	2009 KD	2008 KD
Financial liabilities		
Accounts payable	1,974,665	3,104,427
Due on purchase of investment properties (refer note 15 a)	4,328,043	7,002,270
Accrued expenses	687,246	2,090,366
Due to other related parties	603,270	251,625
Rent received in advance	434,400	419,689
Other liabilities	1,105,118	1,199,193
	9,132,742	14,067,570

15 a) Included within "due on purchase of investment properties" is an amount of KD 1,804,708 (2008: KD1,452,797) which is due after more than one year.

16- Ijara Sukuk payable

On 25 July 2007 the parent company issued 5-year trust certificates (Ijara Sukuk) amounting to US Dollars 60,000,000 at par through a special purpose vehicle. The certificate holders are entitled to a quarterly profit distribution at 3-months LIBOR plus 1.25% per annum. The carrying value of these certificates as at the reporting date was equivalent to KD17,232,000 (2008: KD16,581,000). As at the reporting date, the parent company has not complied with certain covenants stipulated in the initial sukuk agreement. The parent company's management is currently renegotiating the terms and conditions of the sukuk agreement with the lead manager representing the sukuk holders (primarily local banks).

17- Bank loans

	Effective interest Rate	Security	2009 KD	2008 KD
Local banks – Kuwaiti Dinar	CBK discount rate + 2.5% - 3%	Unsecured	54,500,000	54,000,000
Local banks – U.S. Dollars	3% - 5%	Unsecured	29,060,422	27,962,562
			83,560,422	81,962,562

The loans are due for repayment as follows:

	2009 KD	2008 KD
Within one year	27,820,132	52,722,005
One to five years	55,740,290	29,240,557
	83,560,422	81,962,562

The parent company has not complied with certain covenants on one bank loan. The parent company is currently negotiating consolidation of its loans (totalling KD 15,500,000) from the same lender with amended covenants.

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18- Share capital and share premium

At 31 December 2009, the authorised, issued and paid up capital of the parent company comprised 345,648,600 shares of 100 fils each (2008: 345,648,600 shares of 100 fils each).

Share premium is not available for distribution.

19- Treasury shares

	2009	2008
Number of shares	3,260,000	-
Percentage of issued shares	0.94	-
Market value (KD)	573,760	-
Cost (KD)	559,894	-

Reserves of the parent company equivalent to the cost of the treasury shares have been earmarked as non-distributable.

20- Statutory and voluntary reserves

As required by the Commercial Companies Law and the parent company's articles of association, 10% of the profit for the year attributable to the shareholders of the parent company before KFAS, Zakat, NLST and Directors' remuneration is required to be transferred to the statutory reserve until the balance reaches 50% of the parent company's issued and paid-up capital. Any transfer to the statutory reserve thereafter is subject to approval of the general assembly.

Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of paid-up share capital to be made in years when retained earnings are not sufficient for the distribution of a dividend of that amount.

In accordance with the parent company's articles of association, 5% of the profit attributable to shareholders of the parent company before contribution to KFAS, Zakat, NLST and directors' remuneration is to be transferred to voluntary reserve. The parent company may resolve to discontinue such transfers by a resolution of the parent company's board of directors. There are no restrictions on distribution of voluntary reserve provided the distribution is approved by the shareholders general assembly.

No transfer is required to reserves in a year when losses are made or when there are accumulated losses.

21- Dividend distribution

The Board of Directors of the parent company did not propose any dividend for the year ended 31 December 2009.

Following approval of the annual general assembly of the shareholders on 18 February 2009 the Parent Company distributed cash dividend of 25 Fils per share amounting to KD8,641,215 for the year ended 31 December 2008 (2007: 15 Fils per share amounting to KD4,257,915 and 15% bonus shares amounting to KD4,508,460).

22- Employees' share purchase scheme

At the annual general assembly held on 23 February 2004, the shareholders approved an employees' share purchase scheme. Under this scheme, which has duration of 9 years, the parent company may issue shares for cash to eligible employees by increasing its share capital. The total capital increase during the 9 year period to meet the requirements of the scheme may not exceed 9% of the share capital as at 31 December 2006.

During the current and previous year, no shares were granted or issued.

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23- Segmental analysis

The group has adopted IFRS 8 Operating Segments with effect from 1 January 2009. Under IFRS 8, reported segment profits are based on internal management reporting information that is regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance, and is reconciled to group profit or loss. In contrast, the predecessor Standard (IAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical). However, following the adoption of IFRS 8, the identification of the company's reportable segments has not changed. The measurement policies the group uses for segment reporting under IFRS 8 are the same as those used in its consolidated financial statements.

The group activities are concentrated in real estate investments and geographically the company activities are concentrated in two main segments: Domestic and International (Kingdom of Bahrain, United Arab Emirates, Saudi Arabia, Qatar, Europe and USA). The following is the segments information, which conforms with the internal reporting presented to management:

	Domestic KD	International KD	Total KD
2009			
Income	(11,164,628)	(2,540,846)	(13,705,474)
(Loss)/profit before KFAS, Zakat, NLST and Directors' remuneration	(17,821,473)	(2,719,151)	(20,540,624)
Total assets	80,206,622	90,490,214	170,696,836
Total liabilities	(104,524,513)	(5,889,417)	(110,413,930)
Net (liabilities)/asset	(24,317,891)	84,600,797	60,282,906
Finance costs	4,684,765	34,858	4,719,623
Impairment in value of available for sale investments	-	5,943,373	5,943,373
Capital expenditure	4,437,514	1,385,600	5,823,114
Depreciation	202,054	113	202,167
	Domestic KD	International KD	Total KD
2008			
Income	3,474,913	21,728,863	25,203,776
(Loss)/profit before KFAS, Zakat, NLST and Directors' remuneration	(5,298,492)	21,559,068	16,260,576
Total assets	92,740,943	110,284,956	203,025,899
Total liabilities	(107,382,562)	(5,228,570)	(112,611,132)
Net (liabilities)/assets	(14,641,619)	105,056,386	90,414,767
Finance costs	5,976,911	20,222	5,997,133
Impairment in value of available for sale investments	-	2,321,789	2,321,789
Capital expenditure	2,273,667	16,065,370	18,339,037
Depreciation	191,287	-	191,287

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24- Capital commitments and contingent liabilities

At the reporting date the group had capital commitments of KD1,631,051 in respect of investment properties (2008: KD4,577,575).

At the reporting date, the group does not have any contingent liabilities in respect of outstanding bank guarantees (2008: KD900,000). The group's share of associated companies' bank guarantees amounted to KD963,450 (2008: KD963,450).

25- Related party transactions

Related parties represent associates, directors and key management personnel of the group, and other related parties such as major shareholders and companies in which directors and key management personnel of the group are principal owners or over which they are able to exercise significant influence or joint control. Pricing policies and terms of these transactions are approved by the group's management.

Details of significant related party transactions and balances are as follows:

	2009 KD	2008 KD
Balances in the consolidated statement of financial position:		
Due from associate company (refer note 10)	733,326	2,258,546
Due from other related parties (refer Note 10)	58,616	475,378
Due to other related parties (refer note 15)	603,270	251,625
Transactions included in the consolidated statement of income		
Profit from sale of investment properties	-	3,920,458
Management and placement fees	178,605	3,418,444
Compensation of key management personnel of the Group:		
Short-term benefits	347,399	1,028,180
Employees' end of service benefits	21,742	22,750
	369,141	1,050,930

26- Fiduciary assets

Fiduciary assets comprise investments managed on behalf of clients amounting to KD176,272 (2008: KD166,225).

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27- Financial assets and liabilities

27.1 Categories of financial assets and liabilities

The carrying amounts of the group's financial assets and liabilities as stated in the consolidated statement of financial position may also be categorized as follows:

	2009 KD	2008 KD
Loans and receivables:		
• Cash and cash equivalents	16,316,287	22,882,098
• Accounts receivable and other assets (refer note 10)	5,612,822	8,431,451
Available for sale investments	16,754,445	28,143,013
	38,683,554	59,456,562
Financial liabilities:		
• Due to banks	488,766	-
• Accounts payable and other liabilities	9,132,742	14,067,570
• Ijara Sukuk payable	17,232,000	16,581,000
• Bank loans	83,560,422	81,962,562
	110,413,930	112,611,132

Fair value represents amounts at which an asset could be exchanged or a liability settled on an arm's length basis. In the opinion of the parent company's management, except for certain available for sale investments which are carried at cost less impairment for reasons specified in Note 11, the carrying amounts of financial assets and liabilities as at 31 December 2009 and 2008 approximate their fair values.

27.2 Fair value hierarchy for financial instruments measured at fair value

The group adopted the amendments to IFRS 7 *Improving Disclosures about Financial Instruments* effective from 1 January 2009. These amendments require the group to present certain information about financial instruments measured at fair value in the consolidated statement of financial position. In the first year of application comparative information need not be presented for the disclosures required by the amendment. Accordingly, the disclosure for the fair value hierarchy is only presented for the 31 December 2009 year end.

The following table presents the financial assets which are measured at fair value in the statement of financial position in accordance with the fair value hierarchy.

This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

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

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

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27- Financial assets and liabilities (continued)

27.2 Fair value hierarchy for financial instruments measured at fair value (continued)

The financial assets measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

	Level 1	Level 2	Level 3	Total Balance
	KD	KD	KD	KD
Assets at fair value				
Available for sale investments				
- Real estate funds	-	-	892,545	892,545
- Special purposes real estate entities	-	-	919,040	919,040
- Unquoted shares	-	-	9,552,280	9,552,280
Total assets	-	-	11,363,865	11,363,865

28- Risk management objectives and policies

The group's principal financial liabilities comprise due to banks, accounts payable and other liabilities, ijarah Sukuk payable and banks loans. The main purpose of these financial liabilities is to raise funds for group operations. The group has various financial assets such as accounts receivable and other assets, cash and cash equivalents, investment securities which arise directly from operations.

The group's activities expose it to variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The parent company's board of directors sets out policies for reducing each of the risks discussed below.

The group does not use derivative financial instruments.

The most significant financial risks to which the group is exposed to are described below.

28.1 Market risks

a) Foreign currency risk

The group mainly operates in the Gulf Cooperation Council (GCC) and the United States of America (USA) and as a result is exposed to changes in exchange rates of the US Dollar, UAE Dirhams and Qatari Riyals. The group's consolidated statement of financial position can be significantly affected by the movement in these currencies. To mitigate the group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored.

Foreign currency risk is managed on the basis of limits determined by the parent company's board of directors 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.

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

	2009	2008
	KD	KD
US Dollar	(45,122,541)	(44,219,424)
UAE Dirham	12,774,991	19,432,823
Qatari Riyal	970,545	(3,577,684)

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28- Risk management objectives and policies (continued)

28.1 Market risks

a) Foreign currency risk (continued)

Based on the average market volatility in exchange rates, in the previous twelve months, the parent company's management estimates that a reasonable possible change in the above exchange rate would be 1% (2008: 1%).

If the Kuwaiti Dinar had weakened against the foreign currencies, assuming the above sensitivity of 1% (2008: 1%), then this would have the following impact on the loss/profit for the year. There is no impact on the group's other comprehensive income.

	(Loss)/Profit for the year	
	2009	2008
	KD	KD
US Dollar	(451,225)	(442,194)
UAE Dirham	127,749	194,328
Qatari Riyal	9,705	(35,777)
	(313,771)	(283,643)

If the Kuwaiti Dinar had strengthened against the foreign currencies assuming the above sensitivity 1% (2008: 1%), then there would be an equal and opposite impact on the loss/profit for the year.

Exposures to foreign exchange rates vary during the year depending on the volume and nature of the transactions. Nonetheless, the analysis above is considered to be representative of the group's exposure to the foreign currency risk.

b) Interest rate risk

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 on its cash & cash equivalents (refer note 9), due to banks (refer note 9), Ijara Sukuk payable (refer note 16) and bank loans (refer note 17), which are primarily at floating interest rates.

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

The following table illustrates the sensitivity of the loss/profit for the year to a reasonably possible change in interest rates with effect from the beginning of the year. Based on observation of current market conditions the parent company's management estimates that a reasonable possible change in the interest rates would be +75 and -25 (2008: +75 and -25) basis points for LIBOR and +25 and -125 (2008: +25 and -125) basis points for Kuwaiti Dinar and +25 and -200 basis points for UAE Dirhams interest rates for the year 2009. The calculation is based on the group's financial instruments held at each reporting date. All other variables are held constant. There is no impact on group's other comprehensive income.

	Increase in interest rates		Decrease in interest rates	
	2009	2008	2009	2008
	KD	KD	KD	KD
(Loss)/profit for the year	(434,589)	(428,757)	192,055	493,889

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28- Risk management objectives and policies (continued)

c) Equity price risk

The group is not significantly exposed to equity price risk as its equity investments are unquoted.

28.2 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 credit policy and exposure to credit risk is monitored on an ongoing basis. The group seeks to avoid undue concentrations of risks with individuals or groups of customers in specific locations or business through diversification of its activities.

The group's exposure to credit risk is limited to the carrying amounts of financial assets recognised at the reporting date, as summarized below:

	2009 KD	2008 KD
Cash and cash equivalents	16,316,287	22,882,098
Accounts receivable and other assets (refer note 10)	5,612,822	8,431,451
Available for sale investments – monetary financial assets	2,832,860	2,945,394
	24,761,969	34,258,943

None of the above financial assets are past due nor impaired except for certain available for sale investments as described in note 11. The group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The group's policy is to deal only with creditworthy counterparties. The group's management considers that all the above financial assets that are neither past due nor impaired for each of the reporting dates under review are of good credit quality.

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

The credit risk for cash and cash equivalent is considered negligible, since the counterparties are banks and financial institution with high credit quality.

Information on other significant concentrations of credit risk is set out in note 28.3

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28- Risk management objectives and policies (continued)

28.3 Concentration of assets

The distribution of financial assets by geographic region was as follows:

	GCC KD	Europe KD	USA KD	Total KD
At 31 December 2009				
Cash and cash equivalents	16,215,932	100,355	-	16,316,287
Accounts receivable and other assets (refer note 10)	5,540,331	39,101	33,390	5,612,822
Available for sale investments	6,500,423	5,535,815	4,718,207	16,754,445
	28,256,686	5,675,271	4,751,597	38,683,554
At 31 December 2008				
Cash and cash equivalents	22,844,604	37,494	-	22,882,098
Accounts receivable and other assets (refer note 10)	7,943,965	139,516	347,970	8,431,451
Available for sale investments	13,402,074	6,364,417	8,376,522	28,143,013
	44,190,643	6,541,427	8,724,492	59,456,562

28.4 Liquidity risk

Liquidity risk is the risk that the group will be unable to meet its liabilities when they fall due. To limit this risk, the parent company's management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a regular basis.

The table below summarises the maturity profile of the group's assets and liabilities. Except for investments carried at fair value through profit or loss and available for sale investments, the maturities of assets and liabilities have been determined on the basis of the remaining period from the reporting date to the contractual maturity date. The maturity profile for investments carried at fair value through profit or loss and available for sale investments is determined based on management's planned exit dates.

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Kuwait**28- Risk management objectives and policies (continued)****28.4 Liquidity risk (continued)**

The maturity profile of assets and liabilities at 31 December 2009:

	Up to 1 month KD	1-3 Months KD	3-12 months KD	1-5 Years KD	Total KD
Assets					
Cash & cash equivalents	8,954,650	7,361,637	-	-	16,316,287
Accounts receivable and other assets	-	-	6,342,361	-	6,342,361
Available for sale investments	-	-	-	16,754,445	16,754,445
Investment properties	-	-	-	110,494,405	110,494,405
Investment in associates	-	-	-	19,077,339	19,077,339
Property and equipment	-	-	-	1,711,999	1,711,999
	8,954,650	7,361,637	6,342,361	148,038,188	170,696,836
Liabilities					
Due to banks	488,766	-	-	-	488,766
Accounts payable and other liabilities	89,964	540,869	6,697,199	1,804,710	9,132,742
Ijara Sukuk payable	-	-	-	17,232,000	17,232,000
Bank loans	-	14,361,874	13,458,258	55,740,290	83,560,422
	578,730	14,902,743	20,155,457	74,777,000	110,413,930

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The maturity profile of financial assets and financial liabilities at 31 December 2008:

	Up to 1 month KD	1-3 Months KD	3-12 months KD	1-5 Years KD	Total KD
Assets					
Cash & cash equivalents	22,882,098	-	-	-	22,882,098
Accounts receivable and other assets	-	-	9,587,827	-	9,587,827
Available for sale investments	-	3,441,891	-	24,701,122	28,143,013
Investment properties	-	-	-	125,232,295	125,232,295
Investment in associates	-	-	-	15,291,669	15,291,669
Property and equipment	-	-	-	1,888,997	1,888,997
	22,882,098	3,441,891	9,587,827	167,114,083	203,025,899
Liabilities					
Accounts payable and other liabilities	626,573	929,685	11,058,515	1,452,797	14,067,570
Ijara Sukuk payable	-	-	-	16,581,000	16,581,000
Bank loans	-	2,000,000	50,722,005	29,240,557	81,962,562
	626,573	2,929,685	61,780,520	47,274,354	112,611,132

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28- Risk management objectives and policies (continued)

28.4 Liquidity risk (continued)

The contractual maturities of financial liabilities based on undiscounted cash flows are as follows;

	Up to 1 month KD	1-3 Months KD	3-12 months KD	1-5 Years KD	Total KD
31 December 2009					
Liabilities					
Due to banks	488,766	-	-	-	488,766
Accounts payable and other liabilities	89,964	540,869	6,697,199	1,804,710	9,132,742
Ijara Sukuk payable	67,474	-	195,868	17,656,021	17,919,363
Bank loans	265,807	15,146,785	15,710,791	57,592,279	88,715,662
	912,011	15,687,654	22,603,858	77,053,010	116,256,533

	Up to 1 month KD	1-3 Months KD	3-12 months KD	1-5 Years KD	Total KD
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31 December 2008

Liabilities					
Accounts payable and other liabilities	626,573	929,685	11,058,515	1,452,797	14,067,570
Ijara Sukuk payable	203,023	-	602,448	18,690,672	19,496,143
Bank loans	505,167	2,565,724	67,673,256	30,043,945	100,788,092
	1,334,763	3,495,409	79,334,219	50,187,414	134,351,805

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29- Capital management objectives

The group's capital management objectives are to ensure that the group maintains a strong credit rating and healthy ratios in order to support its business and maximise shareholder value.

The group manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, buy back treasury shares, issue new shares or sell assets to reduce debt.

The capital structure of the group consists of the following:

	2009 KD	2008 KD
Ijara Sukuk (refer note 16)	17,232,000	16,581,000
Bank loans (refer note 17)	83,560,422	81,962,562
Due to banks (refer note 9)	488,766	-
Less: Cash and cash equivalents (refer note 9)	(16,316,287)	(22,882,098)
Net debt	84,964,901	75,661,464
Equity attributable to the shareholders of the parent company	54,605,689	85,305,330
Total capital	139,570,590	160,966,794

Consistent with others in the industry the group monitors capital on the basis of the gearing ratio. The group's policy is to keep the gearing ratio within 100%.

This ratio is calculated as net debt divided by total capital as follows:

	2009 KD	2008 KD
Net debt	84,964,901	75,661,464
Capital	139,570,590	160,966,794
Net debt to total capital ratio	61%	47%