شركـة الاستشـارات الـماليـة الدوليـة

INTERNATIONAL FINANCIAL ADVISORS

Consolidated financial statements and independent auditors' report

International Financial Advisors – KSC (Closed)

and Subsidiaries

Kuwait

31 December 2009

Contents

Independent auditors' report

To the shareholders of
International Financial Advisors – KSC (Closed)
Kuwait

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of International Financial Advisors (A Kuwaiti Closed Shareholding Company) ("the parent company") and its subsidiaries (the group), which comprise the consolidated statement of financial position as at 31 December 2009, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

The parent company's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as applied in the State of Kuwait. 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.

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 as applied in the State of Kuwait.

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 the commercial companies law nor of the parent company's articles of association have occurred during the year ended 31 December 2009 that might have had a material effect on the business of the group or on its financial position.

We further report that, during the course of our audit we have not become aware of any material violations of the provisions of Law 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations during the year ended 31 December 2009.

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(Licence No. 94-A)
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of Rödl Middle East
Burgan – International Accountants

Kuwait
1 April 2010

Consolidated statement of income

	Notes	Year ended 31 Dec. 2009 KD	(Restated) Year ended 31 Dec. 2008 KD
Income			
Interest and similar income	5	**5,655,327**	5,015,100
Management fees and commission income	6	**1,508,357**	4,884,489
Dividend income	7	**1,702,229**	3,300,644
Net income from hoteliers and related services	8	**2,366,257**	2,382,588
Net loss on investments	9	**(1,296,336)**	(35,145,703)
(Loss)/gain on investment properties	10	**(4,255,804)**	758,292
Gain on sale of properties under development	11	**6,628,499**	40,491,397
Gain on sale of shares of a subsidiary	25	**1,977,636**	9,110,746
Share of loss from associated companies	24	**(1,653,776)**	(6,172,441)
Gain/(loss) on sale of shares of associated companies	24	**1,043,378**	(2,141,632)
Impairment in value of investment in associated companies	24	**-**	(17,486,891)
Impairment in value of available for sale investments	21	**(2,486,909)**	(43,054,243)
Other (loss)/income	12	**(1,061,628)**	2,212,025
		10,127,230	(35,845,629)
Expenses and other charges			
Interest and similar expenses	13	**9,961,633**	10,634,649
Staff and related costs		**7,015,872**	7,177,500
Other operating expenses		**12,910,965**	16,274,170
Depreciation	28	**1,667,204**	1,181,835
		31,555,674	35,268,154
Loss before KFAS, National Labour Support Tax, Zakat, Directors' remuneration and taxation on overseas subsidiaries		**(21,428,444)**	(71,113,783)
Taxation on overseas subsidiaries		**(527,517)**	1,144,962
Contribution to Kuwait Foundation for Advancement of Sciences (KFAS)	14	**-**	(541,772)
Contribution to Zakat	14	**-**	(601,969)
National Labour Support Tax (NLST)	14	**-**	(1,504,923)
Loss for the year		**(21,955,961)**	(72,617,485)
Attributable to :			
Owners of the parent		**(16,797,135)**	(81,614,430)
Non-controlling interests		**(5,158,826)**	8,996,945
Loss for the year		**(21,955,961)**	(72,617,485)
BASIC & DILUTED LOSS PER SHARE	15	**(25.59) Fils**	(122.32) Fils

The notes set out on pages 9 to 49 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

	Year ended 31 Dec. 2009 KD	(Restated) Year ended 31 Dec. 2008 KD
Loss for the year	**(21,955,961)**	(72,617,485)
Other comprehensive income/(loss)		
Available for sale investments:		
- Change in fair value of available for sale investments	**1,859,470**	(45,978,125)
- Transferred to consolidated statement of income on impairment of available for sale investments	**2,486,909**	43,054,243
- Transferred to consolidated statement of income on sale of available for sale investments	**197,259**	(125,302)
Share of other comprehensive loss of associates	**(443,572)**	(172,339)
Exchange differences on translation of foreign operations	**3,790,070**	(2,363,307)
Other comprehensive income/(loss) for the year included in equity	**7,890,136**	(5,584,830)
Total comprehensive loss for the year	**(14,065,825)**	(78,202,315)
Attributable to:		
Owners of the parent company	**(8,906,999)**	(87,199,260)
Non-controlling interests	**(5,158,826)**	8,996,945
	(14,065,825)	(78,202,315)

Consolidated statement of financial position

	Notes	31 Dec. 2009 KD	(Restated) 31 Dec. 2008 KD	31 Dec. 2007 KD
Assets				
Cash and cash equivalents	16	**43,372,559**	55,269,104	73,716,606
Investments at fair value through statement of income	17	**17,992,046**	14,363,999	143,963,612
Receivables and other debit balances	18	**54,417,835**	67,697,421	46,144,468
Loans receivable	19	**7,741,884**	9,200,184	10,372,102
Due from related parties	20	**33,693,018**	25,879,300	23,790,873
Available for sale investments	21	**81,998,165**	79,421,753	100,290,808
Trading properties	22	**6,160,130**	-	900,756
Investment properties	23	**16,010,250**	20,050,166	18,401,124
Investment in associated companies	24	**49,560,981**	53,736,520	15,575,294
Goodwill	25	**49,022,661**	48,245,125	38,916,729
Properties under development	26	**173,911,187**	112,617,422	68,632,643
Capital work in progress	27	**63,640,639**	46,854,466	31,156,473
Property, plant and equipment	28	**24,988,278**	21,756,173	15,755,496
Total assets		**622,509,633**	555,091,633	587,616,984
Liabilities and equity				
Liabilities				
Payables and other credit balances	29	**84,189,240**	77,743,238	66,492,325
Due to related parties	20	**13,054,540**	11,768,922	2,532,892
Term loan from a related party	30	**1,720,000**	1,720,000	-
Borrowings	31	**181,111,470**	156,570,573	135,585,499
Advances received from customers	32	**168,678,153**	118,990,892	94,050,591
Total liabilities		**448,753,403**	366,793,625	298,661,307
Equity				
Equity attributable to the owners of the parent company				
Share capital	33	**72,000,000**	72,000,000	45,000,000
Share premium	33	**11,973,061**	11,973,061	11,973,061
Treasury shares	33	**(36,045,931)**	(36,391,986)	(37,192,698)
Statutory and voluntary reserves	34	**61,649,505**	61,649,505	61,649,505
Cumulative changes in fair value	21	**4,554,811**	454,745	3,676,268
Treasury shares profit reserve		**-**	1,362,418	6,000,329
Foreign exchange translation reserve		**(1,440,353)**	(5,230,423)	(2,867,116)
Retained earnings		**32,771,234**	51,046,492	159,660,922
Total equity of the owners of parent		**145,462,327**	156,863,812	247,900,271
Non-controlling interests		**28,293,903**	31,434,196	41,055,406
Total equity		**173,756,230**	188,298,008	288,955,677
Total liabilities and equity		**622,509,633**	555,091,633	587,616,984
Fiduciary accounts	35	**108,748,970**	144,711,593	103,043,536

Talal Jassim Al-Bahar
Chairman

Saleh Saleh Al-Selmi
Deputy Chairman and Deputy CEO

Consolidated statement of changes in equity

	Equity attributable to the owners of the parent company										
	Share capital KD	**Share premium KD**	**Treasury shares KD**	**Statutory and voluntary reserves KD**	**Cumulative changes in fair value KD**	**Treasury shares profit reserve KD**	**Foreign currency translation reserve KD**	**Retained earnings KD**	**Sub – total KD**	**Non-controlling interests KD**	**Total KD**
Balance as at 1 January 2009 – as previously reported	72,000,000	11,973,061	(36,391,986)	61,649,505	454,745	1,362,418	(5,230,423)	67,537,903	173,355,223	42,355,369	215,710,592
Restatement effect from adopting interpretation of IFRIC 15 (Note 2)	-	-	-	-	-	-	-	(16,491,411)	(16,491,411)	(10,921,173)	(27,412,584)
Balance as at 1 January 2009 – as restated	72,000,000	11,973,061	(36,391,986)	61,649,505	454,745	1,362,418	(5,230,423)	51,046,492	156,863,812	31,434,196	188,298,008
Loss for the year	-	-	-	-	-	-	-	(16,797,135)	(16,797,135)	(5,158,826)	(21,955,961)
Other comprehensive income	-	-	-	-	4,100,066	-	3,790,070	-	7,890,136	-	7,890,136
Total comprehensive income/(loss) for the year	-	-	-	-	4,100,066	-	3,790,070	(16,797,135)	(8,906,999)	(5,158,826)	(14,065,825)
Purchase of treasury shares	-	-	(35,416,171)	-	-	-	-	-	(35,416,171)	-	(35,416,171)
Sale of treasury shares	-	-	35,762,226	-	-	-	-	-	35,762,226	-	35,762,226
Loss on sale of treasury shares	-	-	-	-	-	(1,362,418)	-	(1,478,123)	(2,840,541)	-	(2,840,541)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	2,018,533	2,018,533
Balance as at 31 December 2009	**72,000,000**	**11,973,061**	**(36,045,931)**	**61,649,505**	**4,554,811**	**-**	**(1,440,353)**	**32,771,234**	**145,462,327**	**28,293,903**	**173,756,230**

The notes set out on pages 9 to 49 form an integer part of the consolidated financial statements.

Consolidated statement of changes in equity (continued)

	Equity attributable to the owners of the parent company										
	Share capital KD	**Share premium KD**	**Treasury shares KD**	**Statutory and voluntary reserves KD**	**Cumulative changes in fair value KD**	**Treasury shares profit reserve KD**	**Foreign currency translation reserve KD**	**Retained earnings KD**	**Sub – total KD**	**Non-controlling interests KD**	**Total KD**
Balance as at 1 January 2008	45,000,000	11,973,061	(37,192,698)	61,649,505	3,676,268	6,000,329	(2,867,116)	159,660,922	247,900,271	41,055,406	288,955,677
(Loss)/profit for the year	-	-	-	-	-	-	-	(81,614,430)	(81,614,430)	8,996,945	(72,617,485)
Other comprehensive loss	-	-	-	-	(3,221,523)	-	(2,363,307)	-	(5,584,830)	-	(5,584,830)
Total comprehensive (loss)/income for the year	-	-	-	-	(3,221,523)	-	(2,363,307)	(81,614,430)	(87,199,260)	8,996,945	(78,202,315)
Issue of bonus shares	27,000,000	-	-	-	-	-	-	(27,000,000)	-	-	-
Purchase of treasury shares	-	-	(58,947,744)	-	-	-	-	-	(58,947,744)	-	(58,947,744)
Sale of treasury shares	-	-	59,748,456	-	-	-	-	-	59,748,456	-	59,748,456
Loss on sale of treasury shares	-	-	-	-	-	(4,637,911)	-	-	(4,637,911)	-	(4,637,911)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(18,618,155)	(18,618,155)
Balance as at 31 December 2008 – restated	72,000,000	11,973,061	(36,391,986)	61,649,505	454,745	1,362,418	(5,230,423)	51,046,492	156,863,812	31,434,196	188,298,008

The notes set out on pages 9 to 49 form an integer part of the consolidated financial statements.

Consolidated statement of cash flows

	Note	Year ended 31 Dec. 2009	(Restated) Year ended 31 Dec. 2008
		KD	KD
OPERATING ACTIVITIES			
Loss for the year attributable to the owners of the parent company		**(16,797,135)**	(81,614,430)
Adjustments:			
Unrealised loss/(gain) on investment properties		**4,255,804**	(758,292)
Loss on sale of available for sale investments		**840,205**	495,599
Impairment in value of available for sale investments		**2,486,909**	43,054,243
Gain on sale of shares of a subsidiary		**(1,977,636)**	(9,110,746)
(Gain)/loss on sale of shares of associated companies		**(1,043,378)**	2,141,632
Impairment in value of investment in associated companies		**-**	17,486,891
Gain on sale of properties under development		**(6,628,499)**	(40,491,397)
Dividend income		**(1,702,229)**	(3,300,644)
Interest and similar income		**(5,655,327)**	(5,015,100)
Interest and similar expenses		**9,961,633**	10,634,649
Depreciation		**1,667,204**	1,181,835
Share of loss from associated companies		**1,653,776**	6,172,441
Loss from foreign currency translation of no-operating assets and liabilities		**3,032,557**	219,442
		(9,906,116)	(58,903,877)
Changes in operating assets and liabilities:			
Investments at fair value through statement of income		**(3,628,046)**	51,295,265
Receivables and other debit balances		**13,279,587**	(21,552,952)
Loans receivable		**1,458,300**	1,171,918
Due from related parties		**(7,813,718)**	(2,088,427)
Goodwill		**(777,536)**	(9,328,396)
Trading properties		**(6,160,130)**	325,376
Payables and other credit balances		**6,446,000**	11,250,913
Due to related parties		**1,285,618**	9,236,030
Advances received from customers		**62,423,578**	97,450,719
Cash from operating activities		**56,607,537**	78,856,569
Dividend income received		**1,702,229**	3,300,644
Interest income received		**5,655,327**	5,015,100
Interest paid		**(9,961,633)**	(10,634,649)
Net cash from operating activities		**54,003,460**	76,537,664
INVESTING ACTIVITIES			
Proceeds from sale of shares in a consolidated subsidiary company		**4,832,945**	18,161,517
Proceeds from sale of shares in associated companies		**27,619,571**	7,392,617
Net movement to investment in associated companies		**(30,422,968)**	(10,317,379)
Net movement to properties under development		**(67,401,581)**	(76,003,799)
Net additions to capital work in progress		**(16,786,173)**	(15,697,993)
Net movement to property, plant and equipment		**(4,899,309)**	(7,182,513)
Proceeds from sale of available for sale investments		**29,618,816**	12,672,848
Additions to investment properties		-	(315,370)
Purchase of available for sale investments		**(25,053,740)**	(32,026,270)
Acquisition of shares in a consolidated subsidiary company		**(3,626,714)**	(16,649,826)
Net cash used in investing activities		**(86,119,153)**	(119,966,168)
FINANCING ACTIVITIES			
Loan obtained from banks		**18,447,477**	45,875,533
Loan obtained from a related party		**-**	1,720,000
Repayment of loans		**(2,053,754)**	(22,783,302)
Changes in non-controlling interests		**(2,368,886)**	8,497,540
Purchase of treasury shares		**(35,416,171)**	(58,947,744)
Proceeds from sale of treasury shares		**32,921,685**	55,110,545
Net movement in foreign currency translation reserve		**8,688,797**	(4,491,570)
Net cash from financing activities		**20,219,148**	24,981,002
Net decrease in cash and cash equivalents		**(11,896,545)**	(18,447,502)
Cash and cash equivalents at beginning of the year	16	**55,269,104**	73,716,606
Cash and cash equivalents at end of the year	16	**43,372,559**	55,269,104

Notes to the consolidated financial statements

31 December 2009

1 Parent company incorporation and activities

International Financial Advisors – KSC (Closed) ("the parent company") is a Kuwaiti closed shareholding company incorporated on 31 January 1974 under the Commercial Companies Law No. 15 of 1960 and amendments thereto. The parent company is regulated by the Central Bank of Kuwait as an investment company. The address of the parent company's registered office is PO Box 4694, Safat 13047, State of Kuwait. The parent company is principally engaged in providing financial advisory services, trading in local and international securities, borrowing, lending, issuing guarantees, managing investment funds and portfolio management and trading in future contracts.

The consolidated financial statements were authorised for issue by the board of directors on 1 April 2010 and are subject to the approval of the general assembly of shareholders.

The group comprises the parent company and its subsidiaries.

Following is a list of subsidiary companies of the parent company.

Parent company's subsidiaries and percentage of ownership	Subsidiary companies	Subsidiaries' ownership % in legal operating entity		Place of incorporation	Operations	Establishment/ Acquisition date
		2009	2008			
Consolidated subsidiaries						
1) IFA Hotels & Resorts Company– KSC (Closed) (58.575%) (2008: 58.369%)	a) IFA Hotels & Resorts - FZ – LLC	**100%**	100%	UAE	Hotels & resorts	2003
	b) IFA Hotels & Resorts – FZE-Jabel Ali Free Zone	**100%**	100%	UAE	Hotels & resorts	2005
	c) IFA Hotels & Resorts (SAL) Holdings	**51%**	51%	Lebanon	Hotels & resorts	2003
	d) IFA Zimbali Hotels & Resorts (Pty) Limited	**100%**	100%	South Africa	Hotels & resorts	2003
	e) IFA Hotels & Resorts Limited	**85%**	85%	South Africa	Hotels & resorts	2003
	f) IFA Hotels & Resorts 2 Limited	**100%**	100%	Cayman Island	Hotels & resorts	2003
	g) IFA Hotels & Resorts 3 Limited	**100%**	100%	Mauritius	Hotels & resorts	2006
	h) IFA Hotels & Resorts (Zanzibar) Limited	**99%**	100%	Tanzania	Hotels & resorts	2003
	i) Fairmont Zimbali Hotel and Resort	**100%**	100%	South Africa	Hotels & resorts	2006
	j) International Property Trading Holding Limited	**100%**	100%	British Virgin Islands	Property development	2007
	k) Yotel Investment Limited	**100%**	100%	Jersey	Hotelier	2006
	l) Lot 66 Zimbali (Pty) Limited	**100%**	100%	South Africa	Hotels & resorts	2008
	m) IFA Properties Limited	**100%**	100%	United Kingdom	Property development	2008
	n) IFA Hotels & Resorts 4 Limited	**50%**	50%	Seychelles	Hotels & resorts	2008
	o) Bangkok Property Investment (Pty) Limited	**100%**	50%	Thailand	Property development	2008
	p) IFA Travel and Tourism – WLL	**100%**	100%	Kuwait	Travel and tourism	2008
2) Seven Seas Resorts Company – KSC (Closed) (54.286%) (2008: 54.286%)	-	**-**	-	Kuwait	Resorts	2003

1 Parent company incorporation and activities (continued)

Parent company's subsidiaries and percentage of ownership	Subsidiary companies	Subsidiaries' ownership % in legal operating entity		Place of incorporation	Operations	Establishment/ Acquisition date
		2009	2008			
3) Gulf Real Estate Company –WLL (46.32%) (2008: 46.32%)	-	**-**	-	Kuwait	Real estate	2004
4) IFA Aviation Company – KSC (Closed) (74.8%) (2008: 74.8%)	-	**-**	-	Kuwait	Aviation	2006
	Deema Aviation Company Limited	**100%**	100%	Cayman Island	Aviation	2007
5) Radeem Real Estate Company – SAL (99.7%) (2008: 99.7%)	-	**-**	-	Lebanon	Real estate	2006
6) Dana Company – SAL (90%) (2008: 90%)	-	**-**	-	Lebanon	Real estate	2006
7) Fastnet Capital Limited (100%) (2008: 100%)	-	**-**	-	UK	Security trading	2007

Following is a list of Joint ventures:

Joint Venturer	Joint Venture	Ownership %		Place of incorporation	JV date
		2009	2008		
The Palm Golden Mile	1) Souq Residence FZCO	**50%**	50%	J. Ali FZ, Dubai (UAE)	2005
	2) Souq palm FZCO	**50%**	50%	J. Ali FZ, Dubai (UAE)	2005
Tongatt Hulett / IFA Resort Developments	IFA Hotels and Resorts (South Africa) (Pty) Limited	**50%**	50%	South Africa	2004
Zimbali Estates (Pty) Limited	1) Zimbali Estates (Pty) Limitied	**50%**	50%	South Africa	2004
	2) Olifa hotels & resorts Namibia (pty) Limited	**50%**	50%	Namibia	2007

2 Adoption of new and revised International Financial Reporting Standards

2.1 The group has adopted the following new standards, interpretations, revisions and amendments to IFRS issued by International Accounting Standards Board, which are relevant to and effective for the group's consolidated 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 consolidated financial statements.

- Amendments to IFRS 7 Financial Instruments: Disclosures
- IFRS 8 Operating Segments
- IFRIC 15 Accounting for Agreements for the Construction of Real Estate
- IAS 1 Presentation of Financial Statements (Revised)
- IAS 23 Borrowing Costs (Revised)
- Amendments to IAS 40 Investment Property
- Annual Improvements 2008

2 Adoption of new and revised International Financial Reporting Standards (continued)

Significant effects on current, prior or future periods arising from the first-time application of these new requirements in respect of presentation, recognition and measurement are described below.

2.1.1 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 (Note 42.4), which reflects the extent to which they are based on observable market data. A separate quantitative maturity analysis (Note 41.4) must be presented for derivative financial liabilities that shows the remaining contractual maturities, where these are essential for an understanding of the timing of cash flows. The group has taken advantage of the transitional provisions in the amendments and has not provided comparative information in respect of the new requirements.

2.1.2 IFRS 8 Operating Segments
The adoption of IFRS 8 has resulted in a redesignation of the group's reportable segments (Note 39), but has had no impact on the reported results or financial position of the group. Reported segment results are now based on internal management reporting information that is regularly reviewed by the chief operating decision maker. In the previous annual and interim consolidated financial statements, segments were identified by reference to the dominant source and nature of the group's risks and returns.

2.1.3 IFRIC (15) - Accounting for Agreements for the Construction of Real Estate

Effective from 1 January 2009, the group implemented the requirements of IFRIC (15): "Accounting for Agreements for the Construction of Real Estate" issued on 3 July 2008. The interpretation is to be applied retrospectively. It clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognised if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. Furthermore, the interpretation provides guidance on how to determine whether an agreement is within the scope of IAS 11 or IAS 18.

In accordance with the new interpretation, the group is required to apply IAS (18): "Revenue" in recognising income from real estate units sold to customers but still under construction, instead of the previous method of recognising income using the percentage of completion method.

Consequently the impact on the group's consolidated financial statements as a result of implementing the above interpretation retrospectively is as follows:

Consolidated statement of income	**KD**
Year ended 31 December 2008	
Decrease in gain on sale of properties under development	27,412,584
Increase in loss for the year:	
Attributable to owners of the parent	16,491,411
Attributable to non-controlling interests	10,921,173
Consolidated statement of financial position	
As of 31 December 2008	
Decrease in retained earnings	16,491,411
Decrease in non-controlling interests	10,921,173
Increase in capital working in progress	1,446,781
Increase in properties under development	20,320,238
Increase in advances received from customers	45,543,082
Decrease in receivables and other debit balances	3,636,522

The above reversals/adjustments relate to projects which were not substantially completed as of 31 December 2008 but revenue was recognised from it during the previous year by using the percentage of completion method.

No effect of the above mentioned implementation resulted on the consolidated financial statements of the year 2007.

2 Adoption of new and revised International Financial Reporting Standards (continued)

2.1.4 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. It also gives rise to additional disclosures. The measurement and recognition of the group's assets, liabilities, income and expenses is unchanged. However, some items that were recognised directly in equity are now recognised in other comprehensive income. IAS 1 affects the presentation of owner changes in equity and introduces a 'Statement of comprehensive income'.

The revised standard also requires presentation of a comparative statement of financial position as at the beginning of the first comparative period, in some circumstances. As a result of change in accounting policy described in Note 2.1.3, management has presented the statement of financial position as at 31 December 2007. Since the financial position on that date was not affected for the change in accounting policy, the financial position for that year was presented on the face of the statement of financial position but not in the respective notes thereto.

2.1.5 IAS 23 Borrowing Costs (Revised)
IAS 23 Borrowing Costs (Revised 2007) requires the capitalisation of borrowing costs to the extent they are directly attributable to the acquisition, production or construction of qualifying assets that need a substantial period of time to get ready for their intended use or sale. The adoption of the revised standard did not have any effect on the measurement and recognition of the group's assets, liabilities, income and expenses.

2.1.6 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 that fair value is reliably determinable), with changes in fair value recognised in profit or loss. The adoption of the amendment did not have any effect on the measurement and recognition of the group's assets, liabilities, income and expenses.

2.1.7 Annual Improvements 2008
In addition to the changes affecting amounts reported in the consolidated financial statements described at 2.1.3 above, the Improvements 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.

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

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 consolidated 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

2 Adoption of new and revised International Financial Reporting Standards (continued)

2.2.1 IFRS 3 Business Combinations (Revised) (effective from 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.

2.2.2 IFRS 9 Financial Instruments (effective from 1 January 2013 earlier application is permitted)
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.

Management has yet to assess the impact that this amendment is likely to have on the consolidated financial statements of the group. However, they do not expect to implement the new standard until all chapters of IAS 39 have been published and the impact of all changes can be comprehensively assessed.

Although earlier application of this standard is permitted, the Technical Committee of the Ministry of Commerce and Industry of Kuwait decided on 30 December 2009, to postpone this early application till further notice, due to the non-completion of the remaining stages of the standard.

2.2.3 IAS 27 Consolidated and Separate Financial Statements (Revised) (effective from 1 July 2009)
The revised standard introduces changes to the accounting requirements for the loss of control of a subsidiary and for changes in the group's interest in subsidiaries. These changes will be applied prospectively in accordance with the transitional provisions and so do not have an immediate effect on the group's consolidated financial statements.

2.2.4 IAS 28 Investments in Associates (Revised) (effective from 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 applied prospectively in accordance with the transitional provisions and so do not have an immediate effect on the group's consolidated financial statements.

2.2.5 IFRIC 17 Distribution of Non-Cash Assets to Owners
The Interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders.

2.2.6 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 for the year then ended 31 December 2009 are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2008 except as discussed in Note 2 above. The significant accounting policies are set out below.

3 Significant accounting policies (continued)

Basis of preparation

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") promulgated by the International Accounting Standards Board ("IASB"), and Interpretations issued by the International Financial Reporting Interpretations Committee of the IASB, as modified for use by the Government of Kuwait for financial services institutions regulated by the Central Bank of Kuwait. These regulations require adoption of all IFRS except for the IAS 39 requirement for collective impairment provision, which has been replaced by the Central Bank of Kuwait requirement for a minimum general provision as described below.

In March 2007, the Central Bank of Kuwait ("CBK") issued a circular amending the basis of making general provisions on facilities from 2% to 1% for cash facilities and 0.5% for non cash facilities. The required rates were to be applied effective from 1 January 2007 on the net increase in facilities, net of certain restricted categories of collateral, during the reporting period.

During the previous year, CBK allowed the Group to reverse the excess general provision of 1% to the consolidated statement of income provided that amount is transferred to general reserve.

These consolidated financial statements are presented in Kuwaiti Dinars ("KD") which is the functional currency of the Parent Company and are prepared under the historical cost convention, except for certain investments held at fair value through statement of income, available for sale investments and investment properties that are stated at fair value.

Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Parent Company and entities controlled by the Parent Company (its subsidiaries). Control is achieved where the Parent Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

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

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. The acquirer's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combination are recognised at their fair values at the acquisition date. Goodwill represents the excess of acquisition cost over the fair value of the group's share of the identifiable net assets of the acquirer at the date of the acquisition. Any excess, at the date of acquisition, of the group's share in the fair value of the identifiable net assets acquired over the acquisition cost is recognised as negative goodwill in the consolidated statement of income.

3 Significant accounting policies (continued)

Investment in associates
An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Interest in Joint Ventures
A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control that is when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control. Where a group entity undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other ventures are recognised in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

Goodwill
Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

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

3 Significant accounting policies (continued)

Revenue recognition

Sales of property developments
Revenue from the sale of property is recognized when risk and reward related to property has been transferred to the customers. Risk and reward are transferred when legal notice is served to the customers to take the possession of the property or on actual handover to the customers.

Cost of revenues
Cost of revenues includes the cost of land and development costs. Development costs include the cost of infrastructure and construction. The cost of revenues in respect of sale of properties is recognised on the basis of per square feet average cost of construction. Per square feet average cost of construction is derived from total saleable area and total construction cost.

Rental and hoteliers income
Rental income of units in office buildings and residential buildings are recognised on an accrual basis.

Revenue from hoteliers and related services is recognised when the services are rendered.

Interest income
Interest income is recognised in the income statement as it accrues, taking into account the effective yield of the asset or an applicable floating rate.

Dividends
Dividends are recognised when the right to receive the dividends is established.

Fees and Commission
Fees and commission income are recognised when earned.

Foreign currencies
The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Kuwaiti Dinar ('KD'), which is the functional currency of the parent company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each financial position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the financial position date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in consolidated statement of income in the period in which they arise except for:

• exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on foreign currency borrowings;
• exchange differences on transactions entered into in order to hedge certain foreign currency risks ; and
• exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign

operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

3 Significant accounting policies (continued)

Foreign currencies (continued)
For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations are expressed in KD using exchange rates prevailing at the financial position date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and recognised in the group's foreign currency translation reserve in equity. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in the consolidated income statement in the period in which they are incurred.

Taxation
Taxation relates to the group's certain foreign subsidiaries. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that its probable that taxable profits will be available against which deductable temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary differences arise from goodwill or initial recognition (other than in business combination) of other assets and liabilities in the transactions that affect the profit, tax or profit recognistion. The carrying amount of deferred tax assets is received at each consolidated statement of financial position date and reduced to the extent that it's no longer probable that sufficient taxable profits will be available for the assets to be recovered.

Income tax expenses represent the sum of the tax currently payable and deferred tax.

The tax currently payable is based on the taxable profit for the year plus secondary tax on companies. Taxable profit defers from profit as reported in the consolidated income statement because it excludes items of income and expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liabilities for current and deferred tax is calculated using tax rates that have been enacted or substantially enacted by the financial position date.

Kuwait Foundation for the Advancement of Sciences
The group is required to contribute to the Kuwait Foundation for the Advancement of Sciences ("KFAS"). The group's contributions to KFAS is recognised as an expense and is calculated @ 1 % of profit before transfer to legal reserve, Directors' remuneration, National Labour Support Tax and Zakat.

National Labour Support Tax
The group is required to contribute to the National Labour Support Tax ("NLST"). The Group's contribution to NLST is recognised as an expense and is calculated in accordance with Ministry of Finance resolution No. 24/2008, law number 19/2000.

Zakat
The Group is required to contribute to the Zakat. The Group's contribution to Zakat is recognised as an expense and is calculated in accordance with Ministry of Finance resolution No. 58/2007 and 46/2006.

Cash and cash equivalents

Cash and cash equivalents as stated in the consolidated statement of cash flows comprise bank balance and cash, short term deposits maturing within three months and due to banks.

3 Significant accounting policies (continued)

Financial assets
Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through Profit and Loss (FVTPL), 'available-for-sale' (AFS) financial assets and 'loans and receivables'.

Financial assets at FVTPL
Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:
• it has been acquired principally for the purpose of selling in the near future; or
• it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
• it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:
• such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
• the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
• it forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments:*

Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in consolidated profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

AFS financial assets
Shares held by the Group that are traded in an active market are classified as being AFS and are stated at fair value.

Gains and losses arising from changes in fair value are recognised directly in equity in the cumulative changes in fair value reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised is included in profit or loss for the period.

Dividends on AFS equity instruments are recognised in profit or loss when the group's right to receive the dividends is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the statement of financial position date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

3 Significant accounting policies (continued)

Loans and receivables
Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets
Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each consolidated statement of financial position date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For shares classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets and finance lease receivables, objective evidence of impairment could include:

• significant financial difficulty of the issuer or counterparty; or
• default or delinquency in interest or principal payments; or
• it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

In respect of AFS equity securities, impairment losses previously recognised through consolidated profit or loss are not reversed through consolidated profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in equity.

Derecognition of financial assets
The group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the group retains substantially all the risks and rewards of ownership of a transferred financial asset, the group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Impairment and uncollectability of financial assets
An assessment is made at each consolidated statement of financial position date to determine whether there is objective evidence that a specific financial asset, or group of similar assets, may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss, based on the net present value of future anticipated cash flows, is recognised in the consolidated statement of income. For assets carried at amortised cost, future anticipated cash flows are discounted at the financial instrument's original effective interest rate. For assets carried at fair value, impairment is the difference between cost and fair value.

In addition, in accordance with the Central Bank of Kuwait instructions, a minimum general provision of 1% on all credit facilities and loans net of certain restricted categories of collateral, and not subject to specific provision, is provided.

The provision for impairment of loans and advances also covers losses where there is objective evidence that probable losses are present in components of the loans and advances portfolio at the consolidated statement of financial position date. These have been estimated based on historical patterns of losses in each component, the credit ratings allocated to the borrowers and reflecting the current economic climate in which the borrowers operate.

3 Significant accounting policies (continued)

Fair value
Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transactions.

For securities 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 consolidated statement of financial position date.

For securities where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same, or is based on the expected discounted cash flows, or determined by using valuations implied by significant financial events e.g. indicative bids, partial exits, or additional investments, or determined by using valuations implied by third party issuers having substantially the same line of business as the investee or other appropriate valuation techniques.

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

Trading properties
Trading properties include purchase and development costs of unsold real estate (land). Development costs include planning, maintenance and service cost. Trading properties are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each property to its present condition including identifiable finance cost. Net realisable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal.

Investment properties
Investment properties, which is property held to earn rentals or for capital appreciation are initially measured at its cost, including transaction cost. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in fair values 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 year 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.

Properties under development
Property under development represents properties under development/construction for trade, which are stated at cost or net realisable values which ever is lower. Cost includes the cost of land, construction, design and architecture, advances paid for purchase of properties and other related expenditures such as professional fees, project management fees and engineering costs attributable to the project, which are accrued as and when activities that are necessary to get the assets ready for the intended use are in progress. Direct costs from the start of the project up to completion of the project are accrued to properties under development. Completion is defined as the earlier of the issuance of the certificate for completion, or when management considers the project to be completed. Upon completion, unsold properties, if any are transferred to trading properties.

3 Significant accounting policies (continued)

Capital work-in-progress
Capital work-in-progress includes land which is stated at cost less impairment in value, if any. The carrying value of land is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the value of land is written down to its recoverable amount.

Capital work-in-progress also includes the cost of construction, design and architecture, advances paid for purchase of properties and other related expenditures such as professional fees, project management fees and engineering costs attributable to the project, which are capitalized as and when activities that are necessary to get the assets ready for the intended use are in progress. Direct costs from the start of the project up to completion of the project are capitalized.

Property, plant and equipment
Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost of assets, other than freehold land, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Freehold land is not depreciated.

Building on leasehold land is depreciated over the term of lease.

Plant and Equipments, Furniture and Fixtures, Motor Vehicles and Yachts are stated at cost less accumulated depreciation and accumulated impairment losses.

The Aircraft is depreciated over a 15 years period after deducting the residual value estimated by professional aircraft valuers to be 85% of original value after that period.

Depreciation is calculated on a straight-line basis over the estimated useful lives as follows:

Freehold buildings	50 years
Building on leasehold land	over the term of lease
Plant and equipment	5 – 7 years
Furniture and fixtures	5 – 10 years
Motor vehicles	4 -5 years
Yacht	10 years
Aircraft	15 years

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in consolidated statement of income.

Provisions
A provision (other than the provision for investments and loans receivables) is recognised in the consolidated statement of financial position when the group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the

effect is material, provisions are determined by discounting the expected future cash flows that reflects current market assessments for such liabilities.

3 Significant accounting policies (continued)

Advances received from customers
Advances received from customers represent money received from customers towards instalments for properties in accordance with the terms of the sale agreements.

Employees' end of service benefits
Provision is made for employees' end of service indemnity in accordance with the applicable Labour Laws based on employees' salaries and accumulated periods of service or on the basis of employment contracts, where such contracts provide extra benefits. The provision which is unfunded is determined as the amount payable to employees as a result of involuntary termination of employment as of the consolidated statement of financial position date.

Treasury shares
The parent company's own shares are accounted for as treasury shares and are stated at cost. When the treasury shares are sold, gains are credited to a separate account in equity under "treasury shares profit reserve" which is non distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the treasury shares reserve account. No cash dividends are distributed on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

Fiduciary assets
Assets held in trust or in a fiduciary capacity are not treated as assets of the group and accordingly are not included in these consolidated financial statements.

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 statement of financial position, but are disclosed when an inflow of economic benefits is probable.

4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the group's accounting polices, which are described in note 3, management is required to make 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.

Key sources of estimation uncertainty

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

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

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

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

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

Classification of real estate property
Management decides on acquisition of a real estate property whether it should be classified as trading, property held for development 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 property under development if it is acquired with the intention of development.

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 held for trading, at fair value through statement of income, or available for sale.

The group classifies investments as trading if they are acquired primarily for the purpose of making a short term profit by the dealers.

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

All other investments are classified as available for sale.

Impairment of available for sale equity 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 judgment.

Impairment of intangible assets

The group determines whether goodwill and intangible assets are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows (Note 25).

5 Interest and similar income

Interest and similar income resulted from financial assets as follows:

	Year ended 31 Dec. 2009 KD	Year ended 31 Dec. 2008 KD
Investments at fair value through statement of income	**54,031**	54,625
Financing of future trades	**252,841**	547,902
Loans receivable	**235,353**	380,271
Cash and cash equivalents	**4,472,304**	3,011,781
Late payment by customers	**552,110**	945,112
Loans to related parties	**88,688**	75,409
	5,655,327	5,015,100
Interest and similar income on financial assets at fair value	**54,031**	54,625
Interest and similar income on financial assets not at fair value	**5,601,296**	4,960,475
	5,655,327	5,015,100

6 Management fees and commission income

	Year ended 31 Dec. 2009 KD	Year ended 31 Dec. 2008 KD
Management fees on assets under management	**337,520**	624,479
Incentive fees on assets under management	**47,361**	171,099
Placement fees –managed fund	**9,710**	3,545
Consulting and advisory fees on assets management	**1,113,766**	4,085,366
	1,508,357	4,884,489

7 Dividend income

Dividend income resulted from financial assets as follows:

	Year ended 31 Dec. 2009 KD	Year ended 31 Dec. 2008 KD
Investments at fair value through statement of income	**427,873**	2,227,011
Available for sale investments	**1,274,356**	1,073,633
	1,702,229	3,300,644

8 Net income from hoteliers and related services

	Year ended 31 Dec. 2009	Year ended 31 Dec. 2008

	KD	KD
Revenue	**3,380,713**	3,366,630
Costs	**(1,014,456)**	(984,042)
	2,366,257	2,382,588

9 Net (loss)/gain on investments

Net (loss)/gain on investments, analyzed by category for the year ended 31 December 2009 and 2008 are as follows:

	2009			2008		
	Investments held for trading	**Available for sale investments**	**Total**	Investments held for trading	Available for sale investments	Total
	KD	**KD**	**KD**	KD	KD	KD
Realized loss	**(2,916,784)**	**(840,205)**	**(3,756,989)**	(1,685,104)	(495,599)	(2,180,703)
Unrealized gain/(loss)	**2,460,653**	**-**	**2,460,653**	(32,965,000)	-	(32,965,000)
	(456,131)	**(840,205)**	**(1,296,336)**	(34,650,104)	(495,599)	(35,145,703)

10 (Loss)/gain on investment properties

	Year ended 31 Dec. 2009 KD	Year ended 31 Dec. 2008 KD
Unrealized (loss)/gain arising from revaluations (Note 23.3)	**(4,255,804)**	758,292

11 Gain on sale of properties under development

Gain on sale of properties under development represents the revenue and related cost of properties under development which have been originally purchased by the group and then developed and sold to customers.

	Year ended 31 Dec. 2009 KD	(Restated) Year ended 31 Dec. 2008 KD
Sales revenue	**12,736,316**	72,510,417
Cost of sales	**(6,107,817)**	(32,019,020)
	6,628,499	40,491,397

12 Other (loss)/income

The other (loss)/income consists of the following:

	Year ended 31 Dec. 2009 KD	Year ended 31 Dec. 2008 KD
Net Income from aviation services	**691,350**	1,172,810
Properties rental income	**243,068**	351,367
Loss from foreign currency revaluation	**(3,032,557)**	(219,442)
Net income from ticket sales and related services	**163,018**	157,942
Reversal of excess provision on margin loans	**202,645**	344,213
Other income	**670,848**	405,135

	(1,061,628)	2,212,025

13 Interest and similar expenses

Interest and similar expense relates to the group's borrowing activities: short, medium and long term. All these financial liabilities of the group are stated at amortised cost.

14 Contribution to Kuwait Foundation for Advancement of Sciences (KFAS), contribution to zakat and National Labour Support Tax (NLST)

Contribution to Kuwait Foundation for Advancement of Sciences (KFAS), contribution to zakat and National Labour Support Tax (NLST) are calculated on group's profit for the year ended 31 December 2009 and 2008 as follows:

Company name	**KFAS**		**Zakat**		**NLST**	
	2009 KD	2008 KD	**2009 KD**	2008 KD	**2009 KD**	2008 KD
Parent company	-	-	-	-	-	-
IFA Hotels and Resorts Company – KSC (Closed) (subsidiary co.)	-	541,772	-	601,969	-	1,504,923
Total	-	541,772	-	601,969	-	1,504,923

15 Basic and diluted loss per share

Loss per share is calculated by dividing the loss for the year attributable to the owners of the parent, by the weighted average number of shares outstanding of the parent company during the year after deducting treasury shares as follows:

	Year ended 31 Dec. 2009	(Restated) Year ended 31 Dec. 2008
Loss for the year attributable to the owners of the parent company (KD)	**(16,797,135)**	(81,614,430)
Weighted average number of shares outstanding (excluding treasury shares) (share)	**656,332,348**	667,209,214
Basic and diluted loss per share (Fils)	**(25.59)**	(122.32)

16 Cash and cash equivalents

	31 Dec. 2009 KD	31 Dec. 2008 KD
Bank balances and cash	**29,251,749**	34,391,249
Fixed deposit	**15,133,790**	21,874,475
Due to bank	**(1,012,980)**	(996,620)
Cash and cash equivalents in the consolidated statement of cash flows	**43,372,559**	55,269,104

17 Investments at fair value through statement of income

	31 Dec. 2009 KD	31 Dec. 2008 KD
Held for trading:		
Local		
Quoted securities and managed funds	**15,609,286**	12,010,594
Unquoted securities	**1,620,575**	1,620,575
	17,229,861	13,631,169

Foreign		
Quoted securities	**762,185**	693,519
Unquoted securities	**-**	39,311
	762,185	732,830
Total	**17,992,046**	14,363,999

18 Receivables and other debit balances

	31 Dec. 2009 KD	(Restated) 31 Dec. 2008 KD
Receivables on forward contacts	**1,465,194**	3,034,312
Trade receivables	**13,698,676**	13,918,047
Advances and prepayments (see below)	**19,248,960**	19,457,144
Kuwait Clearing Company receivables	**5,879**	102,389
Staff receivables	**87,815**	112,905
Prepaid expenses	**387,988**	306,351
Advance to contractors	**7,441,317**	17,661,826
Other receivables	**12,082,006**	13,104,447
	54,417,835	67,697,421

Advances and prepayments include advance for purchase of land amounting to KD12,987,716 (2008: KD10,609,168) (AED166,830,000 and 2008: AED141,214,000) at Palm Jumeirah by one of the group's subsidiary, Balqis Residence FZE. A joint venture company will be formed with Nakheel Properties Company for the development of this land.

19 Loans receivable

19.1 Loans balances and effective interest rates are as follows:

	31 Dec. 2009 KD	Effective interest rate	31 Dec. 2008 KD	Effective interest rate
Consumer	**55,641**	6%	55,647	6%
Real estate	**809,020**	6% - 10%	1,032,606	6% - 10%
Margin loans	**8,994,196**	4% - 6%	10,772,885	4% - 6%
Rescheduled	**1,111**	7% - 11%	1,111	7% - 11%
	9,859,968		11,862,249	
Provisions	**(2,118,084)**		(2,662,065)	
	7,741,884		9,200,184	

19.2 The movement in provisions is as follows:

	31 Dec. 2009 KD	31 Dec. 2008 KD
Beginning balance	**2,662,065**	3,006,278
Provision charge for the year (included in other operating expenses)	**-**	45
Transferred surplus provision to income statement as per CBK instructions	**-**	(329,982)
Reversal of excess provision (no longer needed)	**(543,981)**	(14,276)
Ending balance	**2,118,084**	2,662,065

The policy of the parent company for the calculation of the provisions for loans receivable complies in all material respects with the provision requirements of the Central Bank of Kuwait.

20 Due from/to related parties

	31 Dec. 2009 KD	31 Dec. 2008 KD
Due from related parties		
United Investment Company, Portugal	**2,010,498**	2,013,223
Al-Bab Trading Company – WLL	**1,456,179**	1,484,033
IFA Properties Brokerage	**189,054**	724,243
Raimond Land Public Company Limited –Thailand (Associate)	**5,126,275**	3,762,033
IFA Yacht Chartering LLC	**4,023,599**	2,980,439
Boschendals Ltd (Associate)	**4,824,136**	1,641,962
Legends and IFA developments (Pty) Ltd (Associate)	**10,193,826**	7,360,004
Univest Group – KSC (Closed)	**913,160**	913,160
Marasi Al Ofuq General Trading Co. – WLL	**1,551,746**	1,551,746
Manarat Al Ofuq General Trading Co. – WLL	**1,431,839**	1,431,839
Zilwa Limited	**1,281,258**	1,107,685
Others	**691,448**	908,933
	33,693,018	25,879,300
Due to related parties		
Kuwait Invest Holding Company – KSC (Closed)	**8,029,246**	7,546,579
Istithmar PJSC	**2,623,433**	2,518,670
International Finance Company – KSC (Closed) (Associate)	**237,475**	237,475
Kuwait Real Estate Company – KSC	**631,916**	859,003
Al Rana General Trading Co.	**538,242**	-
IFA Hotels & Resorts 8 (Pty) Ltd	**536,823**	-
Al Deera Holding Company– KSC (Closed)	**220,253**	307,195
International Resorts Company – KSC (Closed)	**135,102**	300,000
Others	**102,050**	-
	13,054,540	11,768,922

21 Available for sale investments

21.1 The available for sale investments comprise of:

	31 Dec. 2009 KD	31 Dec. 2008 KD
Quoted securities	**24,905,061**	26,052,214
Unquoted securities	**57,093,104**	53,369,539
	81,998,165	79,421,753

Unquoted securities include KD38,512,092 (2008: KD40,843,708) that are carried at cost due to unavailability of reliable sources to determine their fair value, out of which KD2,672,430 (2008: KD3,763,009) has been purchased during the year. Those investments comprise of direct participation in newly established companies that have not commenced operations, or companies that have recently commenced operations but their financial statements are not issued yet. Accordingly, the available valuation methods, indicated that the cost of these investments represent their fair values and management is not aware of any circumstances that would indicate any impairment in the value of these investments as of financial position date.

During the year, the group recognised an impairment loss of KD2,486,909 (2008: KD43,054,243) against quoted securities as the market value of these securities at 31 December declined significantly below their cost.

21 Available for sale investments (continued)

21.2 The movement in available for sale investments is as follows:

	31 Dec. 2009 KD	31 Dec. 2008 KD
Beginning balance	79,421,753	100,290,808
Acquisitions during the year	26,536,849	32,026,270
Disposals during the year	(32,353,846)	(13,168,445)
Net movement in fair value	4,511,781	(3,221,523)
Impairment in value during the year	(2,486,909)	(43,054,243)
Transferred to investment in subsidiaries	-	(10,519,699)
Reclassified from trading investments	-	17,068,585
Reclassification from Associates (Note 24.1)	6,368,537	-
Ending balance	81,998,165	79,421,753

21.3 The movement on cumulative change in fair value is as follows:

	31 Dec. 2009 KD	31 Dec. 2008 KD
Beginning balance	454,745	3,676,268
Cumulative change in fair value during the year	1,415,898	(46,150,464)
Transferred to profit and losses on impairment value	2,486,909	43,054,243
Transferred to profit and losses on disposal	197,259	(125,302)
Ending balance	4,554,811	454,745

22 Trading properties

22.1 Trading properties consists of:

	31 Dec. 2009 KD	31 Dec. 2008 KD
Properties in Dubai – UAE	6,160,130	-
	6,160,130	-

22.2 The movement in trading properties is as follows:

	31 Dec. 2009 KD	31 Dec. 2008 KD
Beginning balance	-	900,756
Transferred from properties under development (Note 26.2)	5,771,660	-
Additions during the year	388,470	-
Absorbed to cost of sales	-	(322,385)

Transferred to investment properties	**-**	(575,380)
Foreign currency exchange difference	**-**	(2,991)
Ending balance	**6,160,130**	-

23 Investment properties

23.1 Investment properties are located in the following regions:

	31 Dec. 2009 KD	31 Dec. 2008 KD
Kuwait	**9,133,500**	12,930,000
Lebanon	**2,742,176**	2,665,623
Jordan	**351,050**	351,050
UAE	**3,224,208**	3,594,120
Egypt	**354,966**	354,966
South Africa	**204,350**	154,407
	16,010,250	20,050,166

23.2 Investment properties represent the following:

	31 Dec. 2009 KD	31 Dec. 2008 KD
Private freehold land in IFA Zimbali – South Africa	**204,350**	154,407
Land in Jordan	**351,050**	351,050
Land in UAE	**468,481**	572,387
Land in Egypt	**354,966**	354,966
Properties in Kuwait	**9,133,500**	12,930,000
Apartments in Dubai – UAE	**1,083,191**	1,110,717
Building in Lebanon	**2,742,176**	2,665,623
Crescent, Palm Jumeirah (freehold land in the Crescent area)	**1,672,536**	1,911,016
	16,010,250	20,050,166

23.3 The movement in investment properties is as follows:

	31 Dec. 2009 KD	31 Dec. 2008 KD
At fair value		
Beginning balance	**20,050,166**	18,401,124
Additions during the year	**-**	391,973
Transfer from trading properties	**-**	575,380
Unrealized (loss)/gain from fair value adjustment (Note 10)	**(4,255,804)**	758,292
Net foreign currency exchange differences	**215,888**	(76,603)
Ending balance	**16,010,250**	20,050,166

At the end of the year, two properties in Kuwait were revalued by professional qualified external valuer with an amount of KD 9,133,500 (2008: KD12,930,000) which resulted in unrealised loss amounting to KD3,796,500 (2008: KD520,000). The other foreign investment properties with a carrying value of KD3,448,192 have not been valued by independent foreign valuers, but these have been carried at cost which does not differ significantly from the fair value in accordance with the management's estimates at the year end.

24 Investment in associated companies

24.1 Details of associates are as follows:

Name of the associate	Principal activities	Date of acquisition	Place of incorporation	31 Dec. 2009		31 Dec. 2008	
				%	**KD**	%	KD
Addax Bank (BSC)	Providing banking services	Jul-03	Bahrain	**-**	**-**	20	5,905,337
Boschendal (Pty) Ltd	Real estate	Apr-06	South Africa	**32.08**	**465,053**	32.08	827,026
Raimon Land Public Company Limited – Quoted	Property construction & development	Dec-06	Thailand	**41.08**	**13,902,520**	24.18	8,272,889
Purple Plum properties Ltd	Property development	Apr-06	South Africa	**26.57**	**1**	26.57	1
Zamzam Religious Tourism Company	Hajj & Umrah	Sep-07	Kuwait	**20**	**50,000**	20	50,000
Legend & IFA Developments (Pty) Ltd	Property development	Jun-07	South Africa	**50**	**3,585,457**	50	4,146,040
International Finance Company – KSCC – Quoted	Financing	July-08	Kuwait	**28.64**	**31,557,950**	28.63	32,003,484
International Resorts Company – KSCC – Quoted	Hotels and Resorts	July-08	Kuwait	**-**	**-**	33.49	2,531,743
					49,560,981		53,736,520

(i) During the current year, there had been a capital increase of Addax Bank – Bahrain (BSC) in which the group did not participate which resulted in the decline of the group's ownership percentage from 20% to 16.16%. Consequently, the group reclassified the investment in Addax Bank to available for sale investment (Note 21.2) at its carrying value on the date of reclassification. In addition to this, the group sold its investment in International Resorts Company – KSC (Closed) during the year. The gain from this transaction recognized in the consolidated statement of income amounted to KD1,205,612. Further, as a result of selling transactions in shares of International Finance Company resulted into loss of KD162,234.

(ii) The group did not recognise any impairment loss (2008: KD17,486,891) against local quoted associate as the market value of this associate at 31 December 2009 was above the carrying value.

(iii) During the year, the group invested an amount of KD4,492,053 to increase its interest in Raimon Land Public Company Limited from 24.18% to 41.08%.

(iv) The aggregate fair market value of the quoted investments are:

	31 Dec. 2009 KD	31 Dec. 2008 KD
Carrying amount of quoted securities	**45,460,470**	42,808,116
Fair value of quoted securities	**38,211,795**	36,052,962

24.2 Summarized financial information in respect of group's associates is set out below:

	31 Dec. 2009 KD	31 Dec. 2008 KD
Total Assets	**462,049,845**	379,438,703
Total Liabilities	**(361,034,974)**	(190,063,162)
Total equity	**101,014,871**	189,375,541
Group's share of net assets of associates at carrying value	**37,465,504**	43,377,410

Goodwill on acquisition (see below 24.3)	**12,095,477**	10,359,110
Investment in associates as on 31st December	**49,560,981**	53,736,520
Total revenue	**18,692,646**	15,062,172
Groups' share of loss from associates	**(1,653,776)**	(6,172,441)

24 Investment in associated companies (continued)

24.3 Goodwill in associates which is included in the value of investment:

	31 Dec. 2009 KD	31 Dec. 2008 KD
Beginning balance	**10,359,110**	3,905,981
Additions during the year	**1,633,559**	20,721,938
Loss on impairment	**-**	(12,772,389)
Foreign currency exchange difference	**102,808**	(1,496,420)
Ending balance	**12,095,477**	10,359,110

25 Goodwill

	31 Dec. 2009 KD	31 Dec. 2008 KD
Beginning balance	**48,245,125**	38,916,729
Increase arising on purchase of additional shares in IFA Hotels and Resorts – KSCC	**753,733**	9,201,136
Arising on acquisition of IFA Travel & Tourism	**-**	153,303
Foreign currency exchange differences	**23,803**	(26,043)
Ending balance	**49,022,661**	48,245,125

During the year, the parent company executed buying and selling transactions of the shares in one of its subsidiaries. Such transactions resulted in net goodwill amounting to KD753,733 (2008: KD9,201,136) which was recorded in the consolidated statement of financial position. Total profit recognised from these transactions amounted to KD1,977,636 (2008: KD9,110,746).

Annual test for impairment
During the financial year, the group assessed the recoverable amount of goodwill in subsidiary companies, and determined that there is no indication of impairment as of the financial position date.

A discount rate of 15% per annum was applied in the value in use model.

26 Properties under development

26.1 The properties under development consists of the following:

	31 Dec. 2009 KD	(Restated) 31 Dec. 2008 KD
a) Dubai – UAE (Note 26.2)		
Land cost		
- Balqis Residence	**24,889,186**	22,771,643
- The Trunk, Palm Jumeirah	**4,166,751**	3,775,966
- Golden Mile, Palm Jumeirah	**3,087,027**	3,030,150
- Jumeirah Lake, Dubai	**2,762,878**	2,574,796
- Kingdom of Sheeba Heritage Place	**2,247,930**	3,978,886
Construction costs, contracting and other works	**70,955,418**	38,891,404
Other construction related costs	**13,898,684**	7,162,206

	122,007,874	82,185,051
b) S.A –Africa (Note 26.3)	**37,466,663**	19,221,568
c) Lebanon	**14,436,650**	11,210,803
Total	**173,911,187**	112,617,422

26 Properties under development (continued)

26.2 The movement in properties under development in UAE are as follows:

	31 Dec. 2009 KD	(Restated) 31 Dec. 2008 KD
Land:		
Beginning balance	**36,838,868**	40,482,485
Absorbed to cost of sales	**(422,201)**	(3,643,617)
Ending balance	**36,416,667**	36,838,868
Development expenditure:		
Beginning balance	**45,428,618**	9,843,264
Additions during the year	**47,647,176**	60,377,826
Transfer to trading properties (Note 22.2)	**(5,771,660)**	-
Absorbed to cost of sales	**(4,237,944)**	(24,792,472)
Ending balance	**83,066,190**	45,428,618
Foreign currency exchange difference	**2,525,017**	(82,435)
Total	**122,007,874**	82,185,051

26.3 The movement in properties under development in South Africa are as follows:

	31 Dec. 2009 KD	(Restated) 31 Dec. 2008 KD
Land:		
Beginning balance	**8,839,887**	8,272,416
Additions during the year	**169,434**	1,294,651
Absorbed to cost of sales	**(61,306)**	(727,180)
Ending balance	**8,948,015**	8,839,887
Development expenditure:		
Beginning balance	**14,607,821**	5,852,532
Additions during the year	**12,764,637**	9,037,671
Absorbed to cost of sales	**(750,112)**	(282,382)
Ending balance	**26,622,346**	14,607,821
Foreign currency exchange difference	**1,896,302**	(4,226,140)
Total	**37,466,663**	19,221,568

27 Capital work in progress

27.1 Capital work in progress consists of the following:

	31 Dec. 2009 KD	(Restated) 31 Dec. 2008 KD
Land cost		
- The Trunk , Palm Jumeirah	**6,735,137**	7,761,388
- Crescent, Palm Jumeirah	**1,045,117**	997,996
- Golden Mile, Palm Jumeirah	**1,232,560**	1,176,988

- Kingdom of Sheeba Hotel	**5,716,787**	5,459,036
- Palm Residence Club	**-**	1,263,780
Construction costs, contracting and other works	**38,447,736**	21,688,813
Other construction related costs	**10,463,302**	8,506,465
Total	**63,640,639**	46,854,466

27 Capital work in progress (continued)

27.2 The movement in capital work in progress is as follows:

	31 Dec. 2009 KD	(Restated) 31 Dec. 2008 KD
Land		
Beginning balance	**16,468,029**	16,468,029
Transferred to property, plant and equipment (Note 28)	**(1,323,449)**	-
Ending balance	**15,144,580**	16,468,029
Development expenditure:		
Beginning balance	**31,702,745**	15,987,839
Additions during the year	**15,988,000**	15,714,906
Ending balance	**47,690,745**	31,702,745
Foreign currency exchange difference	**805,314**	(1,316,308)
Total	**63,640,639**	46,854,466

Capital work in progress represents mainly hotels, apartments and trading properties under construction in Dubai, UAE.

28 Property, plant and equipment

	Freehold land KD	Buildings on freehold land KD	Building on leasehold land KD	Plant and equipment KD	Furniture and fixture KD	Motor vehicles KD	Yacht KD	Aircraft KD	Total KD
Cost									
At 1 January 2009	737,533	3,463,919	8,450,763	1,445,975	1,976,676	253,417	1,386,106	7,072,969	24,787,358
Additions	-	995,520	148,183	620,186	451,012	60,564	-	54,222	2,329,687
Transferred from capital work in progress (Note 27.2)	-	1,323,449	-	-	-	-	-	-	1,323,449
Disposal	(521,613)	(62,950)	(151,325)	(45,154)	(68,363)	(22,212)	-	-	(871,617)
Foreign currency exchange adjustment	-	1,223,963	1,074,245	(18,020)	85,755	(706)	-	-	2,365,237
At 31 December 2009	**215,920**	**6,943,901**	**9,521,866**	**2,002,987**	**2,445,080**	**291,063**	**1,386,106**	**7,127,191**	**29,934,114**
Depreciation									
At 1 January 2009	-	207,760	481,362	836,358	855,343	128,553	358,416	163,393	3,031,185
Charge for the year	-	386,763	424,425	255,353	371,312	19,747	138,611	70,993	1,667,204
Relating to disposal	-	-	-	(37,624)	(5,556)	(20,479)	-	-	(63,659)
Foreign currency exchange adjustment	-	158,120	774	70,150	71,535	10,527	-	-	311,106
At 31 December 2009	**-**	**752,643**	**906,561**	**1,124,237**	**1,292,634**	**138,348**	**497,027**	**234,386**	**4,945,836**
Net carrying amount									
At 31 December 2009	**215,920**	**6,191,258**	**8,615,305**	**878,750**	**1,152,446**	**152,715**	**889,079**	**6,892,805**	**24,988,278**

Building on leasehold land comprises a hotel known as the Zanzibar Beach Hotels and Resorts leased to IFA Hotels & Resort 2 Limited. These buildings have been constructed on land leased from the Zanzibar Revolutionary Government. The lease commenced on 2 November 2000 for an initial lease term of 33 years.

28 Property, plant and equipment (continued)

	Freehold land KD	Buildings on freehold land KD	Building on leasehold land KD	Plant and equipment KD	Furniture and fixture KD	Motor vehicles KD	Yacht KD	Aircraft KD	Total KD
Cost									
At 1 January 2008	215,920	2,579,422	3,623,533	1,122,225	1,707,856	247,128	1,143,643	7,008,567	17,648,294
Additions	521,613	738,621	3,126,326	195,832	374,696	51,385	-	64,402	5,072,875
Arising on acquisition of subsidiaries	-	-	2,813,437	23,764	205,765	-	-	-	3,042,966
Disposal	-	-	-	-	(391)	(3,094)	-	-	(3,485)
Foreign currency exchange adjustment	-	145,876	(1,112,533)	104,154	(311,250)	(42,002)	242,463	-	(973,292)
At 31 December 2008	737,533	3,463,919	8,450,763	1,445,975	1,976,676	253,417	1,386,106	7,072,969	24,787,358
Depreciation									
At 1 January 2008	-	181,366	222,015	610,670	657,718	120,691	7,434	92,904	1,892,798
Charge for the year	-	106,528	290,986	246,685	296,668	31,489	138,990	70,489	1,181,835
Arising on acquisition of subsidiaries	-	-	24,455	5,966	46,980	-	-	-	77,401
Relating to disposal	-	-	-	-	(33)	(2,899)	-	-	(2,932)
Foreign currency exchange adjustment	-	(80,134)	(56,094)	(26,963)	(145,990)	(20,728)	211,992	-	(117,917)
At 31 December 2008	-	207,760	481,362	836,358	855,343	128,553	358,416	163,393	3,031,185
Net carrying amount									
At 31 December 2008	737,533	3,256,159	7,969,401	609,617	1,121,333	124,864	1,027,690	6,909,576	21,756,173

29 Payables and other credit balances

	31 Dec. 2009 KD	31 Dec. 2008 KD
Interest payable	**5,055,154**	4,229,731
Accounts payable	**18,814,701**	19,172,663
Dividends payable	**1,372,485**	1,893,909
Liability towards purchase of land (see below)	**11,292,936**	12,342,467
Accrued expenses	**205,649**	570,973
Kuwait Foundation for the Advancement of Science (KFAS),	**2,377,357**	2,324,085
National Labour Support Tax	**7,417,960**	7,239,190
Zakat contribution	**557,315**	485,808
Provision for leave & Indemnity	**1,594,921**	867,098
Provision for contingent liability (Note 37)	**6,876,475**	6,876,475
Deferred income	**2,358,905**	1,050,332
Retention payable	**9,420,930**	7,360,930
Accrued construction cost	**13,512,909**	10,832,819
Other payables	**3,331,543**	2,496,758
	84,189,240	77,743,238

Liability towards purchase of land comprises of an amount due on purchase of plot of land at the Crescent on the Palm Jumeirah, Dubai and a plot located at Jumeirah Lakes, Dubai.

30 Term loan from a related party

Currency	Principal KD	From	To	Interest	31 Dec. 2009 KD	31 Dec. 2008 KD
KD	1,720,000	03/06/2009	02/06/2010	5.5%	**1,720,000**	1,720,000

31 Borrowings

The group has the following bank facilities as at the financial position date.

	Currency	From	To	Interest	Purpose	Assets pledged	31 Dec. 2009	31 Dec. 2008
							KD	KD
1	USD	28-12-2005	28-12-2015	1.5% + Libor	General corporate purposes	Shares of parent company and IFA H& R shares	**34,416,000**	33,114,000
2	EUR	15-06-2007	28-12-2015	1.5%+Euribor	General corporate purposes	Shares of IFA H& R and an AFS investment	**8,217,394**	7,715,010
3	USD	27-06-2008	29-06-2010	2% + Libor	Repayment of indebtedness	Local portfolio with 140% coverage	**25,095,000**	24,145,625
4	KD	05-01-2010	31-12-2013	2.5% + CBK discount rate	Local Equity financing	Local portfolio with 200% coverage	**20,000,000**	20,000,000
5	USD	26-07-2007	26-07-2015	2% + Libor	Purchase of aircraft	Aircraft	**4,768,050**	5,111,974
6	USD	21-06-2006	21-6-2011	3% + Libor	General corporate purposes	Investment properties in two subsidiaries	**1,742,310**	1,676,396
7	KD	08-11-2006	8-11-2017	3% + CBK discount rate	Purchase of investment properties	Investment properties in Kuwait	**6,187,262**	6,000,000
8	EUR	01-07-2009	30-06-2010	0.89%	Foreign equity financing	AFS equities	**15,274,081**	14,551,280
9	USD	01-07-2009	30-06-2010	0.74%	Foreign equity financing	AFS equities	**1,076,360**	1,479,368
10	AED	01-05-2007	30-04-2015	3 months aggregate of EIBOR+margin	Projects financing	Properties located in Palm Jumeirah,U.A.E and collections deposited in the escrow account opened in a foreign bank	**41,062,272**	32,079,569
11	Rand	23/05/2007	21/05/2017	1.75% below prime	General corporate purposes	Investment in Boschendal (Pty) Ltd. (Associate Company),mortgage bond of R120Million over Erf 189, Port Zimbali & the mortgage of certain properties under development.	**19,778,605**	7,181,616
12	USD	01/12/2008	31/05/2018	1.5% +Libor	General corporate purposes	A charge over existing and future shares of IFA Hotels and Resorts – 2 Limited	**2,929,392**	3,005,200
13	GBP	01/08/2008	31/07/2018	1.5% over bank's base rate.	General corporate purposes	Assets of Yotel Airports Limited	**564,744**	510,535
							181,111,470	156,570,573

The maturity profile of the above borrowings is included in Note 41.4.

32 Advances received from customers

These balances represent amounts collected from customers in advance on the sale of residential flats currently under construction by the group, the beginning balance for this item was adjusted at the current year as what disclosed in note 2.1.3.

33 Share capital

Share capital

The authorised share capital as at 31 December 2009 comprised of 720,000,000 shares of KD 0.100 each, all issued and fully paid (2008: 720,000,000 shares of KD0.100 each).

Share premium

Additional share capital of KD3,000,000 at premium of 400 fils per share equivalent to KD12,000,000 was issued during the year 2004 by issue of 20% stock rights to existing shareholders after approval in the Annual General Meeting held on 14 June 2004. Only 29,932,650 shares were subscribed for in this new issue, recognising share premium of KD11,973,061. Share premium is not available for distribution.

Treasury shares

	31 Dec. 2009			31 Dec. 2008		
	Number of shares	**%**	**Market Value KD**	Number of shares	%	Market Value KD
Balance at beginning of the year	**59,892,551**	**8.32**	**7,546,461**	34,387,968	7.64	30,605,292
Net Movement	**5,844,697**			25,504,583		
Balance at end of the year	**65,737,248**	**9.13**	**5,850,615**	59,892,551	8.32	7,546,461

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

34 Statutory and Voluntary reserves

In accordance with the Commercial Companies Law and the parent company's Articles of Association, 10% of the profit for the year attributable to the owners of the parent company before contribution to KFAS, National Labour Support tax, Zakat and directors fees is transferred to statutory reserve. The parent company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid up share capital.

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

The parent company's articles of association requires that 10% of the profit for the year attributable to the owners of the parent company before contribution to KFAS, National Labour Support tax, Zakat and directors fees should be transferred to a voluntary reserve.

No transfers are required in a year when losses are made.

35 Fiduciary accounts

These accounts include term deposit and investment portfolios with the total amount of KD108,748,970 (2008: KD144,711,593) which are held by the group on behalf of its customers as margin guarantees against customer liabilities for trading related activities.

36 Proposed dividends

Subsequent to the financial position date, the directors have proposed not to distribute any dividends for the year ended 31 December 2009. This proposal is subject to the approval of the parent company's shareholders at the annual general meeting.

On 21 May 2009, the shareholders' general meeting assembly, approved the consolidated financial statements for the year ended 31 December 2008 and not to distribute any dividends for the year then ended.

37 Contingent liabilities

In 1993, the liquidator of a bank in Bahrain filed a legal case in Ajman (United Arab Emirates) against the parent company and Gulf Group for Industrial Projects, claiming an amount of US$ 27,714,944 representing the balance of debt due from a third party. Two court decisions were issued by the Court of First Instance in favour of the parent company during 1995 and 1996, in addition to an appeal court decision issued in 1998 in favour of the parent company by that court, rejecting the aforementioned appeal, and supporting the decision issued by the Court of First Instance in favour of the parent company.

On 25 January 2006 a court order was issued requesting the payment of KD1,788,944 (AED22,431,145) from Gulf Group for Industrial Projects (the other party) and International Financial Advisors (parent company), jointly, being the principal amount of the debt to 29 April 1985 plus an amount of KD3,272,312 (AED41,032,903) interest on that amount from 29 April 1985 to the date of the court case on 12 August 1993. The parent company has provided for its share of principal and interest as ruled by the court for a total amount of KD5,061,256 during the year 2005.

During the year 2007, the parent company also provided an amount of KD1,815,219 (AED 29,041,265) as interest for the period from 13 August 1993 to 31 December 2007 (Note 29).

38 Capital Commitments

Capital expenditure commitments

At 31 December 2009, the group was committed to invest in the additional anticipated funding required to build several real estate projects in Dubai – UAE , Beirut –Lebanon, South Africa and U.S.A. The estimated funding commitments on these projects are as follows:

	31 Dec. 2009 KD	31 Dec. 2008 KD
Estimated and contracted commitments for property, plant & equipments and capital work in progress	**39,500,000**	170,700,000
Estimated and contracted capital expenditure for construction of properties under development and trading properties	**90,800,000**	29,000,000
	130,300,000	199,700,000

The group expects to finance the future expenditure commitments from the following sources:

a) sale of investment properties;
b) advances from customers;
c) raising additional share capital;
d) advances provided by the shareholder, related entities, joint ventures; and
e) borrowings, if required.

Expected financing rates from the above sources are dependent on the source of financing and management estimates of the best financing available at the time they become due.

39 Segmental information

The group has adopted IFRS 8 Operating Segments with effect from 1 January 2009. According to this standard, reported segment profits are based on management's internal financial 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 then it is reconciled to the group's profit or loss. In contrast, the predecessor standard (IAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical). The adoption of IFRS 8 has resulted in a change in the identification of the group's reportable segments. The measurement policies the group uses for segment reporting under IFRS 8 are the same as those used in its financial statements.

39 Segmental information (continued)

The group primarily operates in one area of business activity, investment. Accordingly in prior years, segment information reported externally was analysed on the geographical basis. However, information reported to the group's decision makers for the purposes of resource allocation and assessment of performance is more specifically focussed on the types of investment activities. The group's reportable segments under IFRS 8 are therefore as follows:

Assets management
- Investments in Gulf Cooperation Council Countries, Middle East & North Africa
- International managed investment funds
- Discretionary and non-discretionary financial portfolios management
- Management services

Treasury and investments
- Private equity
- Investment in international quoted securities
- Lending to corporates and individuals
- Managing the company's liquidity requirements

Real estate
- Sale and purchase of real estate
- Real estate brokerage and advisory

The losses and profits generated by the group from business segments are summarised as follows:

	Asset Management		**Treasury and investments**		**Real Estate**		**Other**		**Total**	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	KD '000	KD '000	**KD '000**	KD '000	**KD '000**	KD '000	**KD '000**	KD '000	**KD '000**	KD '000
Statement of income										
Segment income/(loss)	**1,508**	4,884	**2,481**	(53,609)	**7,443**	11,019	**(1,305)**	1,861	**10,127**	(35,845)
Unallocated expenses									**(26,924)**	(45,769)
(Loss)/profit for the year	**1,508**	4,884	**2,481**	(53,609)	**7,443**	11,019	**(1,305)**	1,861	**(16,797)**	(81,614)
Balance sheet										
Total segment assets	**32,730**	30,956	**242,029**	251,119	**259,722**	179,522	-	-	**534,481**	461,597
Total segment liabilities	**-**	-	**(182,832)**	(158,290)	**(168,678)**	(118,991)	-	-	**(351,510)**	(277,281)
Net segmental assets	**32,730**	30,956	**59,197**	92,829	**91,044**	60,531	-	-	**182,971**	184,316
Unallocated assets									**88,029**	93,494
Unallocated liabilities									**(97,244)**	(89,512)
Net Assets									**173,756**	188,298

40 Related parties transactions

These represent transactions with related parties that is shareholders, directors and senior management of the parent company, and companies of which they are principal owners. Pricing policies and terms of these transactions are approved by the parent company's management.

Transactions with related parties included in the consolidated financial statements are as follows:

	31 Dec. 2009 KD	31 Dec. 2008 KD
Balances included in the consolidated statement of financial position:		
Proceeds from sale of shares in subsidiary companies	-	1,100,000
Disposal of available for sale investments at carrying cost	1,326,390	-
Amounts due from related parties (Note 20)	33,693,018	25,879,300
Amounts due to related parties (Note 20)	(13,054,540)	(11,768,922)
Loans to associates – see below	15,017,962	9,001,966
Term loan from a related party	(1,720,000)	(1,720,000)
Transactions included in the consolidated statement of income:		
Profit from sale of subsidiary	-	15,795
Commission expense	-	17,200
Interest expenses	115,381	82,624
Interest income	88,688	75,409
Key management compensation of the group:		
Short-term employee benefits	638,653	924,071

Loans to associates are loans extended by the subsidiary (IFA Hotels & Resorts – KSCC) to its associate companies in South Africa.

Related party balances outstanding at year end due to funds transfer are included under due from related parties and due to related parties.

41 Risk management objectives and policies

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

The group's risk management is carried out by the central risk management function and focuses on actively securing the group's short to medium term cash flows by minimizing the potential adverse effects on the group's financial performance through internal risk reports which analyse exposures by degree and magnitude of risks. Long term financial investments are managed to generate lasting returns.

The board of directors of the parent company is ultimately responsible for setting out risk strategies and objectives and policies for their management. The group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

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

41.1 Market risk

a) Foreign currency risk management

The group mainly operates in the GCC, South Africa and other Middle Eastern countries and is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to US Dollar, UAE Dirhams, Euro and South African Rand. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

41 Risk management objectives and policies (continued)

41.1 Market risk (continued)

a) Foreign currency risk management (continued)

To mitigate the group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored and forward exchanged contracts are entered into in accordance with the group's risk management policies. Generally, the group's risk management procedures distinguish short-term foreign currency cash flows (due within twelve months) from longer-term cash flows. Where the amounts to be paid and received in specific currency are expected to largely offset one another, no further hedging activity is undertaken. Forward foreign contracts are mainly entered into for significant long-term foreign currency exposures that are not expected to be offset by other currency transactions.

The group had the following significant exposures denominated in foreign currencies, translated into Kuwaiti Dinar at the closing rate:

	2009 KD'000	2008 KD'000
UAE Dirhams	**(31,239)**	3,832
Euro	**(13,317)**	(14,534)
South African Rand	**(25,669)**	(8,845)
Sterling Pound	**(1,655)**	(1,157)
US Dollar	**(68,069)**	(67,615)

If the Kuwaiti Dinar had strengthened/weakened against the foreign currencies assuming the sensitivity given in the table below, then this would have the following impact on the profit/(loss) for the year and equity:

	2009			2008		
	Inc/(Dec) %	**Profit/(loss) for the year KD'000**	**Equity KD'000**	Inc/(Dec) %	Profit/(loss) for the year KD'000	Equity KD'000
UAE Dirhams	**+ 3.82**	**(1,193)**	**-**	+ 1.63	62	-
	- 3.82	**1,193**	**-**	- 1.63	(62)	-
Euro	**+ 6.19**	**(824)**	**-**	+ 2.06	(299)	-
	- 6.19	**824**	**-**	- 2.06	299	-
SouthAfrican Rand	**+28.44**	**(7,300)**	**-**	+ 29.95	(2,649)	-
	-28.44	**7,300**	**-**	-29.95	2,649	-
Sterling Pound	**+13.83**	**(229)**	**-**	+ 28.21	(326)	-
	-13.83	**229**	**-**	-28.21	326	-
US Dollar	**+3.93**	**(2,675)**	**-**	+ 1.60	(1,081)	-
	-3.93	**2,675**	**-**	-1.60	1,081	-

The above percentages have been determined based on the average exchange rates in the previous twelve months.

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 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 Board has established levels of interest rate risk by setting limits on the interest rate gaps for stipulated periods.

Positions are monitored on a daily basis and hedging strategies used to ensure positions are maintained within established limits.

The effective interest rate (effective yield) of a monetary financial instrument is the rate that, when used in a present value calculation, results in the carrying amount of the instrument. The rate is a historical rate for a fixed rate instrument carried at amortised cost and a current rate for a floating rate instrument or an instrument carried at fair value.

41 Risk management objectives and policies (continued)

41.1 Market risk (continued)

b) Interest rate risk (continued)

Interest rate sensitivity analysis

The following table illustrates the sensitivity of the loss/profit for the year to a reasonably possible change in interest rates of + 1% and – 1% (2008: + 1% and –1%) with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market condition. The calculations are based on the group's financial instruments held at each statement of financial position date. All other variables are held constant.

	2009		2008	
	+ 1 % KD'000	**-1 % KD'000**	+ 1 % KD'000	-1 % KD'000
(Loss)/profit for the year	**(1,044)**	**1,044**	(689)	689

c) Price risk

The group is exposed to equity price risk with respect to its equity investments. Equity investments are classified either as investments carried at fair value through statement of income (including trading securities) and available for sale investments.

To manage its price risk arising from investments in equity securities, the group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the group.

The equity price risk sensitivity is determined on the following assumptions:

	2009	2008
Kuwait market	**-8%**	-38%
London market	**19%**	-31%
USA market	**15%**	-33%
China market	**45%**	-48%
Portugal market	**32%**	-51%
Dubai market	**2%**	-73%
KSA market	**22%**	-55%

The above percentages have been determined based on basis of average market movements during the year. The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. The analysis reflects the impact of negative changes to equity prices in accordance with the above –mentioned equity price sensitivity assumptions.

	Loss for the year		**Equity**	
	2009 KD'000	2008 KD'000	**2009 KD'000**	2008 KD'000
Investments held for trading	**(937)**	(4,808)	**-**	-
Available for sale investments	**-**	-	**3,272**	(8,959)
Total	**(937)**	(4,808)	**3,272**	(8,959)

41.2 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. It also obtains security when appropriate.

41 Risk management objectives and policies (continued)

41.2 Credit risk (continued)

The loans receivable consist mainly of margins, ongoing credit valuation is performed on financial conditions of these receivables where appropriate coverage of collaterals is monitored.

The credit risk on liquid funds is limited because the counterparties are the banks with high credit-rating assigned by international credit rating agencies.

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

	31 Dec. 2009 KD '000	(Restated) 31 Dec. 2008 KD '000
Cash and cash equivalents	**43,373**	55,269
Receivables and other debit balances	**54,418**	67,697
Loans receivable	**7,742**	9,200
Due from related parties	**33,693**	25,879
	139,226	158,045

Information on other significant concentrations of credit risk is set out in note 41.3.

41.3 Concentration of assets

The group operates in different geographical areas. A geographical analysis based on location of assets is as follows:

	GCC KD'000	Asia KD'000	Africa KD'000	Europe KD'000	USA KD'000	Total KD'000
31 December 2009						
Assets						
Cash and cash equivalents	**24,636**	**57**	**2,387**	**16,145**	**148**	**43,373**
Investments at fair value through statement of income	**17,305**	**147**	**-**	**-**	**540**	**17,992**
Receivables and other debit balances	**49,433**	**801**	**2,547**	**9**	**1,628**	**54,418**
Loans receivable	**7,742**	**-**	**-**	**-**	**-**	**7,742**
Due from related parties	**10,231**	**5,149**	**16,299**	**2,014**	**-**	**33,693**
Available for sale investments	**37,364**	**18,867**	**174**	**4,387**	**21,206**	**81,998**
Trading properties	**6,160**	**-**	**-**	**-**	**-**	**6,160**
Investment properties	**12,358**	**3,093**	**559**	**-**	**-**	**16,010**
Investment in associated companies	**31,607**	**13,903**	**4,051**	**-**	**-**	**49,561**
Goodwill	**47,026**	**1,664**	**-**	**333**	**-**	**49,023**
Properties under development	**122,007**	**14,437**	**37,467**	**-**	**-**	**173,911**
Capital work in progress	**63,641**	**-**	**-**	**-**	**-**	**63,641**
Property, plant and equipment	**11,967**	**281**	**4,277**	**5,178**	**3,285**	**24,988**
Total assets	**441,477**	**58,399**	**67,761**	**28,066**	**26,807**	**622,510**
31 December 2008 – Restated						
Assets						
Cash and cash equivalents	47,716	1,000	2,594	775	3,184	55,269
Investments at fair value through statement of income	13,631	294	-	-	439	14,364
Receivables and other debit balances	63,026	1,252	1,711	176	1,532	67,697
Loans receivable	9,200	-	-	-	-	9,200
Due from related parties	7,788	3,781	10,110	3,654	546	25,879
Available for sale investments	42,896	17,678	148	7,506	11,194	79,422
Investment properties	16,524	3,017	509	-	-	20,050
Investment in associated companies	40,491	8,273	4,973	-	-	53,737
Goodwill	46,248	1,664	-	333	-	48,245
Properties under development	82,184	11,211	19,222	-	-	112,617
Capital work in progress	46,855	-	-	-	-	46,855
Property, plant and equipment	8,735	281	4,277	5,179	3,285	21,757
Total assets	425,294	48,451	43,544	17,623	20,180	555,092

41 Risk management objectives and policies (continued)

41.4 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial assets and liabilities.

	Up to 1month KD '000	1-3 months KD'000	3-12 months KD '000	Over 1year KD '000	Total KD '000
At 31 December 2009					
Assets					
Cash and cash equivalents	**28,239**	**-**	**15,134**	**-**	**43,373**
Investments at fair value through statement of income	**-**	**17,042**	**950**	**-**	**17,992**
Receivables and other debit balances	**-**	**-**	**54,336**	**82**	**54,418**
Loans receivable	**-**	**-**	**-**	**7,742**	**7,742**
Due from related parties	**-**	**-**	**33,693**	**-**	**33,693**
Available for sale investments	**-**	**-**	**-**	**81,998**	**81,998**
Trading properties	**-**	**-**	**6,160**	**-**	**6,160**
Investment properties	**-**	**-**	**-**	**16,010**	**16,010**
Investment in associated companies	**-**	**-**	**-**	**49,561**	**49,561**
Goodwill	**-**	**-**	**-**	**49,023**	**49,023**
Properties under development	**-**	**-**	**-**	**173,911**	**173,911**
Capital Work in progress	**-**	**-**	**-**	**63,641**	**63,641**
Property, plant and equipment	**-**	**-**	**-**	**24,988**	**24,988**
Total assets	**28,239**	**17,042**	**110,273**	**466,956**	**622,510**
Liabilities					
Payables and other credit balances	**-**	**-**	**48,553**	**35,636**	**84,189**
Due to related parties	**-**	**-**	**13,055**	**-**	**13,055**
Term Loan from a related party	**-**	**-**	**1,720**	**-**	**1,720**
Borrowings	**136**	**-**	**32,327**	**148,648**	**181,111**
Advances received from customers	**-**	**-**	**29,313**	**139,365**	**168,678**
Total liabilities	**136**	**-**	**124,968**	**323,649**	**448,753**
At 31 December 2008 – Restated					
Assets					
Cash and cash equivalents	33,395	-	21,874	-	55,269
Investments at fair value through statement of income	-	13,414	950	-	14,364
Receivables and other debit balances	-	-	67,615	82	67,697
Loans receivable	-	-	-	9,200	9,200
Due from related parties	-	-	25,879	-	25,879
Available for sale investments	-	-	-	79,422	79,422
Investment properties	-	-	-	20,050	20,050
Investment in associated companies	-	-	-	53,737	53,737
Goodwill	-	-	-	48,245	48,245
Properties under development	-	-	-	112,617	112,617
Capital Work in progress	-	-	-	46,855	46,855
Property, plant and equipment	-	-	-	21,757	21,757
Total assets	33,395	13,414	116,318	391,965	555,092
Liabilities					
Payables and other credit balances	-	-	45,774	31,969	77,743
Due to related parties	-	-	11,769	-	11,769
Term Loan from a related party	-	-	1,720	-	1,720
Borrowings	131	-	45,960	110,480	156,571
Advances received from customers	-	-	-	118,991	118,991
Total liabilities	131	-	105,223	261,440	366,794

42 Capital management objectives

The group's capital management objectives are to ensure the group's ability to continue as a going concern and to provide adequate return to its shareholders through the optimization of the capital structure.

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, return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital structure of the group consists of the following:

42.1 Gearing ratio

The Group's risk management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

	2009 KD	(Restated) 2008 KD
Debt (a)	**181,111,470**	156,570,573
Cash and cash equivalents	**(43,372,559)**	(55,269,104)
Net debt	**137,738,911**	101,301,469
Equity (b)	**173,756,230**	188,298,008
Net debt to equity ratio	**79%**	54%

(a) Debt is defined as long and short term borrowings .
(b) Equity includes all capital and reserves of the group.

42.2 Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the consolidated financial statements.

42.3 Categories of financial instruments

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

	2009 KD'000 Fair value	**2009 KD'000 Carrying value**	2008 KD'000 Fair value	(Restated) 2008 KD'000 Carrying value
Financial assets				
Cash and cash equivalents	**-**	**43,373**	-	55,269
Investments at fair value through statement of income	**16,371**	**1,621**	12,704	1,660
Loans receivable	**-**	**7,742**	-	9,200
Due from related parties	**-**	**33,693**	-	25,879
Available for sale investments	**43,486**	**38,512**	38,578	40,844
Other assets at amortised cost	**-**	**54,418**	-	67,697
	59,857	**179,359**	51,282	200,549
Financial liabilities at amortised cost				
Other liabilities	**-**	**84,189**	-	77,743
Due to related parties	**-**	**13,055**	-	11,769
Term loan from a related party	**-**	**1,720**	-	1,720
Borrowings	**-**	**181,111**	-	156,571
Advances received from customers	**-**	**168,678**	-	118,991
	-	**448,753**	-	366,794

Management believes that the carrying values of the financial instruments approximate their fair values.

42 Capital management objectives (continued)

42.4 Financial instruments measured at fair value

Fair value measurement recognized in the consolidated statement of financial position
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 financial assets and liabilities measured at fair value in the consolidated 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.

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

31 December 2009

	Note	Level 1 KD '000	Level 2 KD '000	Level 3 KD '000	Total KD '000
Assets					
Investments at fair value through statement of income					
Investments held for trading:					
Local					
Quoted securities and managed funds	a + b	14,880	729	-	**15,609**
Foreign					
Quoted securities	a	762	-	-	**762**
Financial assets available for sale:					
Quoted securities	a	24,905	-	-	**24,905**
Managed funds	b	-	964	-	**964**
Unquoted securities	c	-	-	17,617	**17,617**
		40,547	1,693	17,617	**59,857**
Liabilities	d	-	-	-	**-**
Net fair value		40,547	1,693	17,617	**59,857**

There have been no significant transfers between levels 1 and 2 during the reporting year.

Measurement at fair value
The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

42 Capital management objectives (continued)

42.4 Financial instruments measured at fair value (continued)

a) Quoted securities
All the listed equity securities are publicly traded in stock exchanges. Fair values have been determined by reference to their quoted bid prices at the reporting date.

b) Managed funds
The underlying investments of local managed funds primarily comprise of local quoted securities whose fair values has been determined by reference to their quoted bid prices at the reporting date.

c) Unquoted securities
The consolidated financial statements include holdings in unlisted securities which are measured at fair value. Fair value is estimated using various models like discounted cash flow model, which includes some assumptions that are not supportable by observable market prices or rates.

d) Financial liabilities
The group does not have any financial liabilities at fair value.

Level 3 fair value measurements
The group's financial assets and liabilities classified in Level 3 uses valuation techniques based on significant inputs that are not based on observable market data. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	Investments at fair value through statement of income	Available for sale investments	Total
	Unquoted securities KD '000	Unquoted securities KD '000	KD '000
Opening balance	-	12,767	**12,767**
Gains or losses recognised in:			
- Other comprehensive loss	-	(2,152)	**(2,152)**
Purchases	-	7,002	**7,002**
Closing balance	-	17,617	**17,617**

Changing inputs to the Level 3 valuations to reasonably possible alternative assumptions would not change significantly amounts recognised in consolidated statement of income, total assets or total liabilities or total equity.