UNITED PROJECTS COMPANY FOR AVIATION SERVICES K.S.C. (CLOSED) AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2009

ERNST & YOUNG

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF UNITED PROJECTS COMPANY FOR AVIATION SERVICES K.S.C. (CLOSED)

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

We have not audited the financial statements of the subsidiary, Royal Aviation Company K.S.C. (Closed) [formerly Jet Aviation Company K.S.C. (Closed)], which was audited by other independent auditors whose report thereon has been furnished to us and our conclusion, in so far as it relates to the amounts included for the subsidiary, is based solely on the report of the other auditors. The financial statements of the subsidiary reflect total assets of KD 12,177,842 as of 31 December 2009 (31 December 2008 KD 12,640,522), net losses and revenue for the year then ended of this subsidiary amounts to KD 567,206 (31 December 2008 KD 1,810,560 loss) and KD 2,816,319 (31 December 2008 KD 1,009,351) respectively.

ERNST & YOUNG

BAKER TILLY
KUWAIT
Dr. Saud Al-humaidi & Partners
Public Accountants

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF UNITED PROJECTS COMPANY FOR AVIATION SERVICES K.S.C. (CLOSED) (continued)

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

Report on Other Legal and Regulatory Matters

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Commercial Companies Law of 1960, as amended, and by the Parent Company's articles of association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Commercial Companies Law of 1960, as amended, nor of the articles of association have occurred during the year ended 31 December 2009 that might have had a material effect on the business of the Parent Company or on its financial position.

WALEED A. AL OSAIMI	DR. SAUD AL-HUMAIDI
LICENCE NO. 68 A	LICENCE NO. 51 A
OF ERNST & YOUNG	DR. SAUD AL-HUMAIDI & PARTNERS
	MEMBER OF BAKER TILLY INTERNATIONAL

3 February 2010

Kuwait

CONSOLIDATED STATEMENT OF INCOME

Year ended 31 December 2009

	Notes	*2009* *KD*	*2008* *KD*
Revenues		**11,217,667**	7,422,474
Operating costs		**(6,035,934)**	(3,381,334)
GROSS PROFIT		**5,181,733**	4,041,140
Realised (loss) gain on sale financial assets available-for-sale		**(6,467)**	1,019,753
Gain on partial sale of a subsidiary		**-**	24,221
Interest income		**180,160**	140,155
Share of results of associates	9	**65,580**	(19,389)
Dividend income		**8,990**	42,957
Other income	4	**441,089**	215,376
Impairment loss on investment in associates		**-**	(461,949)
Impairment loss on financial assets available-for-sale	10	**(45,513)**	(1,795,642)
Impairment of goodwill		**-**	(149,381)
Impairment loss on receivables		**-**	(151,382)
Distribution costs		**(106,968)**	(305,332)
General and administrative expenses		**(1,230,922)**	(1,097,029)
Depreciation		**(170,748)**	(133,427)
Finance costs		**(309,191)**	(291,185)
PROFIT FOR THE YEAR BEFORE BOARD OF DIRECTORS' REMUNERATION, CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT		**4,007,743**	1,078,886
Board of directors' remuneration		**(50,000)**	(50,000)
Contribution to KFAS		**(38,137)**	(16,820)
NLST		**(106,241)**	(45,930)
Zakat		**(43,018)**	(18,271)
PROFIT FOR THE YEAR		**3,770,347**	947,865
Attributable to:			
Equity holders of the parent company		**4,021,335**	1,749,133
Non-controlling interests		**(250,988)**	(801,268)
		3,770,347	947,865
BASIC AND DILUTED EARNINGS PER SHARE	5	**50 fils**	22 fils

The attached notes 1 to 26 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

At 31 December 2009

	Notes	2009 KD	2008 KD
Profit for the year		**3,770,347**	947,865
Other comprehensive income			
Net change in fair value of financial assets available-for-sale	10	**103,681**	(1,586,615)
Net transferred to consolidated income statement on sale of financial assets available-for-sale	10	**6,467**	(1,019,753)
Transferred to consolidated income statement on impairment of financial assets available-for-sale	10	**45,513**	1,795,642
Other comprehensive income (loss) for the year		**155,661**	(810,726)
Total comprehensive income for the year		**3,926,008**	137,139
Attributable to:			
Shareholders of the parent company		**4,176,996**	938,407
Non-controlling interests		**(250,988)**	(801,268)
		3,926,008	137,139

The attached notes 1 to 26 form part of these consolidated financial statements.

United Projects Company For Aviation Services K.S.C. (Closed) and Subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	Notes	2009 KD	2008 KD
ASSETS			
Non-current assets			
Projects under construction	6	405,157	7,889,084
Property and equipment	7	860,756	732,464
Intangible assets	8	31,470,714	25,740,467
Investments in associates	9	902,406	586,826
Financial assets available-for-sale	10	423,868	2,531,237
		34,062,901	37,480,078
Current assets			
Inventories		116,058	82,312
Receivables and other debit balances	11	1,063,187	463,447
Due from related parties	19	861,685	515,488
Cash and cash equivalents	12	9,102,662	4,516,575
		11,143,592	5,577,822
TOTAL ASSETS		45,206,493	43,057,900
EQUITY AND LIABILITIES			
Equity			
Share capital	13	8,250,000	8,250,000
Share premium		10,500,000	10,500,000
Statutory reserve	14	2,070,546	1,644,673
Voluntary reserve	15	2,070,546	1,644,673
Treasury shares	16	(1,044,986)	(963,406)
Treasury shares reserve		3,156	3,156
Cumulative changes in fair values		155,079	(582)
Retained earnings		9,414,231	7,444,192
Equity attributable to equity holders of the parent company		31,418,572	28,522,706
Non-controlling interests		2,862,832	3,113,820
Total equity		34,281,404	31,636,526
Non-current liabilities			
Term loans	17	2,100,000	2,500,000
Employees' end of service benefits		193,968	144,883
		2,293,968	2,644,883
Current liabilities			
Term loans	17	2,600,000	2,080,000
Due to related parties	19	315,515	239,711
Accounts payable and other credit balances	18	5,715,606	6,456,780
		8,631,121	8,776,491
Total liabilities		10,925,089	11,421,374
TOTAL EQUITY AND LIABILITIES		45,206,493	43,057,900

Majed Essa Al Ajeel
Chairman

Abdul Aziz Mutlaq Al-Osaimi
Vice Chairman

The attached notes 1 to 26 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2009

	Notes	*2009* *KD*	*2008* *KD*
OPERATING ACTIVITIES			
Profit for the year attributable to equity holders of the parent company		**4,021,335**	1,749,133
Adjustments for:			
Depreciation and amortisation		**3,351,257**	1,704,244
Loss (gain) on sale on property and equipment		**7,611**	(400)
Share of results of associates	9	**(65,580)**	19,389
Gain on sale of investment in an associate		**-**	(399)
Gain on partial sale of a subsidiary		**-**	(24,221)
Provision for employees' end of service benefits		**50,966**	54,870
Realised loss (gain) on sale of financial assets available-for-sale		**6,467**	(1,019,753)
Impairment loss on investment in associates		**-**	461,949
Impairment loss on financial assets available-for-sale	10	**45,513**	1,795,642
Impairment of goodwill		**-**	149,381
Interest income		**(180,160)**	(140,155)
Dividend income		**(8,990)**	(42,957)
Finance costs		**309,191**	291,185
Impairment loss on receivables		**-**	151,382
		7,537,610	5,149,290
Changes in operating assets and liabilities:			
Inventories		**(33,746)**	25,785
Receivables and other debit balances		**(578,361)**	(29,569)
Due from related parties		**(346,197)**	(847,363)
Due to related parties		**75,804**	179,581
Accounts payable and other credit balances		**1,118,442**	790,441
Cash from operations		**7,773,552**	5,268,165
Employees' end of service benefits paid		**(1,881)**	(23,575)
Net cash from operating activities		**7,771,671**	5,244,590
INVESTING ACTIVITIES			
Purchase of financial assets available-for-sale		**(91,478)**	(8,084,617)
Proceeds from sale of financial assets available-for-sale		**2,052,528**	12,081,977
Project under construction		**(3,070,749)**	(4,662,716)
Purchase of property and equipment	7	**(348,401)**	(459,707)
Proceeds on sale of property and equipment		**41,749**	400
Interest income received		**158,781**	140,155
Dividend income received		**8,990**	42,957
Net cash inflow from partial sale of a subsidiary		**-**	11,688
Proceeds from sale of investment in an associate		**-**	220,000
Additions to intangible assets	8	**(217,844)**	(68,411)
Net used in investing activities		**(1,466,424)**	(778,274)
FINANCING ACTIVITIES			
Purchase of treasury shares		**(81,580)**	(244,200)
Repayment of term loans		**(400,000)**	(1,700,000)
Term loans obtained		**520,000**	1,280,000
Dividend paid		**(1,221,895)**	(2,760,273)
Finance costs paid		**(284,697)**	(291,185)
Net movement in non-controlling interests		**(250,988)**	1,336,226
Net cash used in financing activities		**(1,719,160)**	(2,379,432)
INCREASE IN CASH AND CASH EQUIVALENTS		**4,586,087**	2,086,884
Cash and cash equivalents at the beginning of the year		**4,516,575**	2,429,691
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	12	**9,102,662**	4,516,575

The attached notes 1 to 26 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
Year ended 31 December 2009

	Attributable to equity holders of the parent company										
	Share capital KD	*Share premium KD*	*Statutory reserve KD*	*Voluntary reserve KD*	*Treasury shares KD*	*Treasury shares reserve KD*	*Cumulative changes in fair values KD*	*Retained earnings KD*	*Sub total KD*	*Non-controlling interests KD*	*Total KD*
As at 1 January 2009	8,250,000	10,500,000	1,644,673	1,644,673	(963,406)	3,156	(582)	7,444,192	28,522,706	3,113,820	31,636,526
Profit (loss) for the year	-	-	-	-	-	-	-	4,021,335	4,021,335	(250,988)	3,770,347
Other comprehensive income	-	-	-	-	-	-	155,661	-	155,661	-	155,661
Total comprehensive income (loss) for the year	-	-	-	-	-	-	155,661	4,021,335	4,176,996	(250,988)	3,926,008
Purchase of treasury shares	-	-	-	-	(81,580)	-	-	-	(81,580)	-	(81,580)
Dividend declared (Note 13)	-	-	-	-	-	-	-	(1,237,500)	(1,237,500)	-	(1,237,500)
Dividend adjustment on treasury shares (Note 13)	-	-	-	-	-	-	-	37,950	37,950	-	37,950
Transfer to reserves	-	-	425,873	425,873	-	-	-	(851,746)	-	-	-
At 31 December 2009	**8,250,000**	**10,500,000**	**2,070,546**	**2,070,546**	**(1,044,986)**	**3,156**	**155,079**	**9,414,231**	**31,418,572**	**2,862,832**	**34,281,404**

The attached notes 1 to 26 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2009

	Attributable to equity holders of the parent company										
	Share capital KD	*Share premium* KD	*Statutory reserve* KD	*Voluntary reserve* KD	*Treasury shares* KD	*Treasury shares reserve* KD	*Cumulative changes in fair values* KD	*Retained earnings* KD	*Sub total* KD	*Non-controlling interests* KD	*Total* KD
As at 1 January 2008	8,250,000	10,500,000	1,456,658	1,456,658	(719,206)	3,156	810,144	8,893,139	30,650,549	1,777,592	32,428,141
Profit (loss) for the year	-	-	-	-	-	-	-	1,749,133	1,749,133	(801,268)	947,865
Other comprehensive income	-	-	-	-	-	-	(810,726)	-	(810,726)	-	(810,726)
Total comprehensive (loss) income for the year	-	-	-	-	-	-	(810,726)	1,749,133	938,407	(801,268)	137,139
Adjustment on increase in share capital of a subsidiary	-	-	-	-	-	-	-	-	-	1,769,996	1,769,996
Arising on acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	367,500	367,500
Purchase of treasury shares	-	-	-	-	(244,200)	-	-	-	(244,200)	-	(244,200)
Dividend declared (Note 13)	-	-	-	-	-	-	-	(2,887,500)	(2,887,500)	-	(2,887,500)
Dividend adjustment on treasury shares	-	-	-	-	-	-	-	65,450	65,450	-	65,450
Transfer to reserves	-	-	188,015	188,015	-	-	-	(376,030)	-	-	-
At 31 December 2008	8,250,000	10,500,000	1,644,673	1,644,673	(963,406)	3,156	(582)	7,444,192	28,522,706	3,113,820	31,636,526

The attached notes 1 to 26 form part of these consolidated financial statements.

1 CORPORATE INFORMATION

The consolidated financial statements of United Projects Company for Aviation Services K.S.C. (Closed) (the "parent company") and its subsidiaries (the "group") for the year ended 31 December 2009were authorised for issue by the board of directors on 3 February 2010.

The parent company was established as a closed Kuwaiti Shareholding Company on 4 December 2000 and its registered address is Fahed Al Salem Street, Al Abrar Tower, P.O. Box 27068 Safat 13131, State of Kuwait. The main objectives of the parent company are:

- Providing airplane ground and cleaning services and supply of water and other airplane supplies.
- Leasing out airplanes.
- Tourism, travel and cargo shipment services.
- Managing projects.
- Investing surplus funds in investment portfolios managed by specialised institutions.

The parent company invests to control other entities or takes non-controlling interest in other entities, directly or jointly with other entities.

The group comprises the parent company as described above and its subsidiary companies - Royal Aviation K.S.C. (Closed) [formerly Jet Aviation Company K.S.C. (Closed)] and United National For Aviation Services Company W.L.L.

The parent company's shares were listed on the Kuwait stock exchange on 5 June 2006.

The parent company is a subsidiary of Kuwait National Airways K.S.C. (ultimate parent company).

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared under the historical cost basis, except for financial assets available-for-sale that have been measured at fair value. The consolidated financial statements are presented in Kuwaiti Dinars being the functional currency of the parent company.

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

Basis of consolidation
The consolidated financial statements comprise the financial statements of the parent company and the following subsidiaries:

Name of the company	*Country of incorporation*	*Principal activity*	*Ownership %* 2009	*Ownership %* 2008
Royal Aviation Company K.S.C. (Closed) [formerly Jet Aviation Company K.S.C. (Closed)]	Kuwait	Management and services	**55.75**	55.75
United National For Aviation Services Company W.L.L.	Kuwait	Management and services	**51**	51

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Non-controlling interests represent the portion of profit or loss and net assets that is not held by the group and are presented separately in the consolidated income statement and within equity in the consolidated statement of financial position, separately from parent shareholders' equity. Acquisitions of non-controlling interests are accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired is recognised in goodwill.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

The Group has adopted the following new and amended IFRS as of 1 January 2009:

IFRS 7 Financial Instruments: Disclosures
The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in Note 26.

IFRS 8 Operating Segments
IFRS 8 replaced IAS 14 Segment Reporting upon its effective date. The group concluded that the operating segments determined in accordance with IFRS 8 are the same as the business segments previously identified under IAS 14. IFRS 8 disclosures are shown in Note 23.

IAS 1(Revised) Presentation of Financial Statements
The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or two linked statements. The group has elected to present two statements.

IAS 23 'Borrowing costs' (Revised)
This standard requires an entity to capitalise borrowing costs attributable to the acquisition, construction or production of a qualifying asset as a part of the cost of that asset and removes the option of expensing these borrowing costs in the consolidated statement of income. The application of the revised standard has not had any impact on the interim condensed consolidated financial information because it has always been the group's accounting policy to capitalise borrowing costs incurred on qualifying assets. Borrowing costs of KD nil (2008: KD 135,098) have been capitalised on qualifying assets included in construction in progress Note 6.

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

IFRS 3R Business Combinations and IAS 27R Consolidated and Separate Financial Statements
The revised standards were issued in January 2008 and becomes effective for financial years beginning on or after 1 July 2009. IFRS 3R introduces a number of changes in the accounting for business combinations occurring after this date that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27R requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 *Statement of Cash Flows* and IAS 28 *Investment in Associates*. The changes in IFRS 3R and IAS 27R will affect future acquisitions or loss of control and transactions with non-controlling interests.

IFRS 9 Financial Instruments
The standard was issued in November 2009 and becomes effective for annual periods beginning on or after 1 January 2013. IFRS 9 improves the ability of the users of the financial statement to assess the amount, timing and uncertainty of future cash flows of the entity by replacing the many financial instrument classification categories and associated impairment methods.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

IAS 24 Related Party Disclosures (Amended)
The revised standard was issued in November 2009 and becomes effective for annual periods beginning on or after 1 January 2011. The revised standard simplifies the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities.

The IASB issued amendments to certain standards primary with a view to removing inconsistencies and providing clarification to those standards. The group has not early adopted those amendments to IFRS and anticipated that these changes will have no material effect on the consolidated financial statements.

2.3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below:

Business combinations and goodwill
Business combinations are accounted for using the purchase method. The cost of an acquisition is measured as the aggregate of the fair value of the assets given, equity instrument issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date of acquisition, irrespective of the extent of any non-controlling interest.

Goodwill is initially measured at cost being the excess of the cost of the business combination over the group's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated statement of income.

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

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

Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. Revenue is valued at the fair value of the consideration received. The following recognition criteria must also be met before revenue is recognised:

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

Car park fees
Car park fees are recognised when cash is received.

Interest income
Interest income is recorded using the effective interest rate method.

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

Finance costs
Finance costs that are directly attributable to a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of that asset. Capitalisation of finance costs ceases when substantially all the activities necessary to prepare the asset for its intended use are complete. Other finance costs are calculated and recognised on a time proportionate basis taking into account the outstanding balance payable and applicable interest rate.

2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

National Labour Support Tax (NLST)
The Parent Company calculates the NLST in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit for the year. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST have been deducted from the profit for the year.

Kuwait Foundation for the Advancement of Sciences (KFAS)
The Parent Company calculates the contribution to KFAS at 1% in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that the income from associates and subsidiaries, Board of Directors' remuneration, transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

Zakat
Contribution to Zakat is calculated at 1% of the profit of the Parent Company in accordance with the Ministry of Finance resolution No. 58/2007.

Projects under construction
Projects under construction are carried at cost, which includes construction cost, assets, other direct expenses and capitalised finance costs directly related to the project.

The carrying value of these projects is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and where the carrying value exceeds the estimated recoverable amount, the assets are written down to their recoverable amount.

Property and equipment
Property, plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and financing costs for long term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced in intervals, the group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the consolidated statement of income as incurred.

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

Office building	10 years
Furniture and fixtures	3 to 5 years
Computers	3 to 5 years
Vehicles	3 to 5 years
Tools and equipment	3 to 5 years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite.

2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)
Intangible assets with finite lives are amortised over their useful economic life and assessed for impairment whenever there is an indication that an intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of income.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement income when the asset is derecognised.

Investments in associates
The group's investment in its associate is accounted for using the equity method of accounting. An associate is an entity in which the group has significant influence.

Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post acquisition changes in the group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated statement of income reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the group and the associate are eliminated to the extent of the interest in the associate.

The share of profit of associates is shown on the face of the consolidated statement of income. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associates.

The financial statements of the associate are prepared for the same reporting period as the Parent Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the group.

After application of the equity method, the group determines whether it is necessary to recognise an additional impairment loss on the group's investment in its associates. The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated statement of income.

Upon loss of significant influence over the associate, the group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal are recognised in the consolidated statement of income.

2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement

(i) Financial assets

Initial recognition and measurement

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

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

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

The group's financial assets include cash and cash equivalents, accounts receivables, and financial assets available-for-sale. At 31 December 2009, the group has neither held-to-maturity investments nor financial assets at fair value through statement of income.

Subsequent measurement

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

Loans and receivables

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

Financial assets available-for-sale

Available-for-sale financial investments include equity securities. Equity investments classified as available-for sale are those, which are neither classified as held for trading nor designated at fair value through statement of income.

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

Derecognition

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

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

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

2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

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

Financial assets carried at amortised cost
For financial assets carried at amortised cost, the group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

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

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

(iii) Impairment of non-financial assets
The group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

(iii) Impairment of non-financial assets (continued)
Impairment losses of continuing operations are recognised in the consolidated statement of income in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the group estimates the assets or cash generating units recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the assets does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

Goodwill
Goodwill is tested for impairment annually (as at 31 December) and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than their carrying amount an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

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

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

The group's financial liabilities include term loans, accounts payable and bank overdrafts. At 31 December 2009, the group did not have any financial liabilities at fair value through statement of income.

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

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

Loans and borrowings
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method (EIR) method. Gains and losses are recognised in the consolidated income statement when the liabilities are derecognised as well as through EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in the consolidated income statement.

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

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

2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

(v) Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(vi) Fair value of financial instruments
The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices (bid price), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 26.

Inventories
Inventories are stated at cost less any impairment in value.

Cash and cash equivalents
Cash and cash equivalents in the consolidated statement of financial position comprise cash on hand and at banks, cash held by portfolio manager and time deposits with an original maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consists of cash and cash equivalents as defined above, net of outstanding bank overdraft.

Provisions
Provisions are recognised when the group has a present obligation (legal or constructive) as result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Treasury shares
Own equity instruments which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the consolidated statement of income on the purchase, sale, issue or cancellation of the group's own equity instruments. Any difference between the carrying amount and the consideration is recognised in treasury share reserve to the extent of the credit balance in that account. Any excess losses are charged to retained earnings then to the reserves. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

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

Term loans
Term loans are carried on the consolidated statement of financial position at their principal amounts. Instalments due within one year are shown as current liabilities. Interest is charged as an expense as it accrues, with unpaid amounts included in 'accounts payable and other credit balances'.

2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Employees' end of service benefits

The group provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its national employees, the group makes contributions to social security calculated as a percentage of the employees' salaries. The group's obligations are limited to these contributions, which are expensed when due.

Accounts payable and other credit balances

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

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences are taken to the consolidated statement of income.

Trade and settlement date accounting

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

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Judgments

The preparation of the group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the date of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

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

Impairment of non financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Fair value of financial instruments

Where the fair value of financial assets recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Impairment of inventories
Inventories are valued at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence.

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

Useful lives of property, plant and equipment
The group's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

4 OTHER INCOME

	2009 *KD*	*2008* *KD*
Miscellaneous income	**166,565**	115,407
Other service income	**274,524**	99,969
	441,089	215,376

Miscellaneous income mainly contains income earned from cancellation of rental contracts by tenants within the period of rental agreement.

Other service income mainly contains income earned from advertisement space rented and services rendered to tenants.

5 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the profit for the year attributable to equity holders of the parent company by the weighted average number of ordinary shares, less treasury shares, outstanding during the year, as follows:

	2009 *KD*	*2008* *KD*
Profit for the year attributable to equity holders of the parent company	**4,021,335**	1,749,133
	Shares	*Shares*
Weighted average number of ordinary shares, less treasury shares, outstanding during the year	**79,902,685**	80,346,192
Basic and diluted earnings per share	**50 fils**	22 fils

The parent company had no dilutive potential shares.

6 PROJECTS UNDER CONSTRUCTION

Projects under construction represent cost of work in respect of various projects undertaken by the group during the year.

	2009 *KD*	*2008* *KD*
Balance at 1 January	**7,889,084**	15,680,182
Additions	**1,208,984**	5,100,469
Transfer to property and equipment	**-**	(308,104)
Transfer to intangible assets (Note 8)	**(8,692,911)**	(12,583,463)
Balance at 31 December	**405,157**	7,889,084

Projects under construction include capitalised borrowing cost of KD nil (2008: KD 135,098). During the year ended 31 December 2009, amounts of KD nil and KD 8,692,911 (2008: KD 308,104 and KD 12,583,463) were transferred to property and equipment and intangible assets respectively, as a result of the completion of construction on such projects.

7 PROPERTY AND EQUIPMENT

	Office building *KD*	*Furniture and fixtures* *KD*	*Computers* *KD*	*Vehicles* *KD*	*Tools and equipment* *KD*	*Total* *KD*
Cost:						
At 1 January 2009	226,710	381,544	77,229	33,996	326,198	1,045,677
Additions	185,021	13,112	6,520	3,300	140,448	348,401
Disposals	(96,972)	-	-		-	(96,972)
At 31 December 2009	**314,759**	**394,656**	**83,749**	**37,296**	**466,646**	**1,297,106**
Depreciation:						
At 1 January 2009	52,657	171,013	17,113	24,489	47,941	313,213
Depreciation charge for the year	20,709	55,962	17,481	6,683	69,914	170,749
Relating to disposals	(47,612)	-	-	-	-	(47,612)
At 31 December 2009	**25,754**	**226,975**	**34,594**	**31,172**	**117,855**	**436,350**
Net carrying amount:						
At 31 December 2009	**289,005**	**167,681**	**49,155**	**6,124**	**348,791**	**860,756**

7 PROPERTY AND EQUIPMENT (continued)

	Office building KD	*Furniture and fixtures KD*	*Computers KD*	*Vehicles KD*	*Tools and equipment KD*	*Total KD*
Cost:						
At 1 January 2008	102,180	191,751	47,483	31,915	-	373,329
Additions	-	235,770	75,247	6,066	142,624	459,707
Transfer from project under construction (Note 6)	124,530	-	-	-	183,574	308,104
Disposals	-	-	-	(3,985)	-	(3,985)
Arising on disposal of a subsidiary	-	(45,977)	(45,501)	-	-	(91,478)
At 31 December 2008	226,710	381,544	77,229	33,996	326,198	1,045,677
Depreciation:						
At 1 January 2008	36,686	171,489	42,859	21,213	-	272,247
Depreciation charge for the year	15,971	45,141	17,113	7,261	47,941	133,427
Relating to disposals	-	-	-	(3,985)	-	(3,985)
Arising on disposal of a subsidiary	-	(45,617)	(42,859)	-	-	(88,476)
At 31 December 2008	52,657	171,013	17,113	24,489	47,941	313,213
Net carrying amount:						
At 31 December 2008	174,053	210,531	60,116	9,507	278,257	732,464

8 INTANGIBLE ASSETS

Intangible assets represent cost incurred on the construction of the Discovery Mall, car park and commercial complex of Kuwait International airport, on built own and transfer (BOT) basis.

	2009 KD	*2008 KD*
Cost:		
At 1 January	**32,016,570**	19,364,696
Additions	**217,844**	68,411
Transfer from projects under construction (Note 6)	**8,692,911**	12,583,463
At 31 December	**40,927,325**	32,016,570
Amortisation:		
At 1 January	**6,276,103**	4,705,286
Amortisation charge for the year	**3,180,508**	1,570,817
At 31 December	**9,456,611**	6,276,103
Net carrying amount:		
At 31 December	**31,470,714**	25,740,467

The amortisation charge for the year is included in operating costs.

9 INVESTMENT IN ASSOCIATES

The group has the following investment in associates:

Name of the company	*Country of incorporation*	*Principal activity*	*Ownership %*	
			2009	*2008*
Kuwait United Facilities Management Company W.L.L.	Kuwait	Real estate and project management	**20**	-
Sporting Real Estate Company K.S.C (Closed)	Kuwait	Real estate	**25**	25
Kuwait United Construction Management Company W.L.L. ("KUCM")	Kuwait	Construction	**50**	50

In 2008, the parent company participated in increase in share capital of Kuwait United Facilities Management Company W.L.L. (KUFM) for a total consideration of KD 250,000 which represented 20% equity interest in KUFM. However due to the lack of significant influence over the investee company, the investment was treated in previous year as financial asset available-for-sale and no fair value gain was booked for this investment. During the current year, the parent company achieved significant influence over the investee company through the representation in the board of directors of KUFM. As a result, KUFM became an associate and the investment has been reclassified from financial asset available-for-sale to investment in an associate.

The following table illustrates summarised information of the group's investments in associates:

	2009 *KD*	*2008* *KD*
Share of associates' balance sheets:		
Total assets	**2,649,098**	2,226,546
Total liabilities	**(1,034,743)**	(927,771)
Net assets	**1,614,355**	1,298,775
Less: Impairment loss on investment in associates	**(711,949)**	(711,949)
	902,406	586,826
Share of associates' revenues and results:		
Revenues	**542,663**	198,243
Results	**65,580**	(19,389)

10 FINANCIAL ASSETS AVAILABLE-FOR-SALE

	2009 *KD*	*2008* *KD*
Managed portfolios of unquoted equity securities	**238,880**	1,930,029
Other unquoted equity securities	-	295,829
Managed portfolios of quoted equity securities (Note 26)	**184,988**	272,104
Other quoted equity securities	-	33,275
	423,868	2,531,237

Unquoted equity securities in the managed portfolio amounting to KD 238,880 (2008: KD 295,829) are carried at cost which has been determined by the portfolio manager to be the fair value.

Based on the significant decline in the fair value of certain financial assets available-for-sale and in light of the global financial crisis, management has taken an impairment loss of KD 45,513 (2008: KD 1,795,642) on these investments.

Financial assets available-for-sale amounting to KD 423,868 have been pledged as security against term loans (Note 17).

10 FINANCIAL ASSETS AVAILABLE-FOR-SALE (continued)

Movement in cumulative changes in fair values arising from available for sale investments are as follows:

	2009 *KD*	*2008* *KD*
Net unrealised gain (loss)	**103,681**	(1,586,615)
Net realised loss (gain) reclassified to the consolidated statement of income on disposal	**6,467**	(1,019,753)
Impairment loss on financial assets available-for-sale transferred to consolidated statement of income during the year	**45,513**	1,795,642
	155,661	(810,726)

11 RECEIVABLES AND OTHER DEBIT BALANCES

	2009 *KD*	*2008* *KD*
Gross receivables and other debit balances:		
Trade receivables	**1,070,428**	506,186
Prepayments	**129,140**	29,233
Other debit balances	**15,001**	79,410
Less:		
Impairment provision	**(151,382)**	(151,382)
	1,063,187	463,447

As at 31 December 2009, trade receivables at nominal value of KD nil (2008: KD 151,382) were impaired.

Movement in the allowance of receivables were as follows:

	2009 *KD*	*2008* *KD*
At 1 January	**151,382**	21,276
Charge for the year	-	151,382
Arising on disposal of a subsidiary	-	(21,276)
At 31 December	**151,382**	151,382

12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the consolidated statement of cash flows consist of the following consolidated balance sheet amounts:

	2009 *KD*	*2008* *KD*
Bank balances and cash	**9,564,149**	4,682,087
Bank overdraft	**(461,487)**	(165,512)
	9,102,662	4,516,575

Included in bank balances and cash are bank deposits of KD 9,300,000 (2008: KD 4,450,000) with a commercial bank in Kuwait. These are denominated in Kuwaiti Dinars, are short term in nature and and carry an effective interest rate which ranges between 2.5% to 4% (2008: 4% to 6.25%) per annum.

Bank overdraft carries an interest rate of 1.75% to 2.5% (2008: 1.75% to 2.25%) per annum over the Central Bank of Kuwait discount rate.

13 SHARE CAPITAL AND DIVIDEND

	2009 *KD*	*2008* *KD*
Authorised, issued and fully paid (82,500,000 shares of 100 fils each)	**8,250,000**	8,250,000

On 12 April 2009, the Annual General Meeting of the parent company's shareholders approved cash dividend of 15 fils per share (excluding treasury shares) totaling KD 1,199,550 (2008: cash dividend of 35 fils per share totaling to KD 2,822,050) for the year ended 31 December 2008.

14 STATUTORY RESERVE

As required by the Law of Commercial Companies and the Articles of Association of the parent company, 10% of the profit for the year before Board of Directors' remuneration, zakat, contribution to Kuwait Foundation for the Advancement of Sciences and National Labour Support Tax has been transferred to statutory reserve. The parent company may resolve to discontinue such annual transfer when the total reserve equals 50% of 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 periods when accumulated profits are not sufficient for the payment of a dividend of that amount.

15 VOLUNTARY RESERVE

According to the parent company's Articles of Association, 10% of the profit for the year before Board of Directors' remuneration, zakat, contribution to Kuwait Foundation for the Advancement of Sciences and National Labour Support Tax has been transferred to the voluntary reserve. The voluntary reserve can only be distributed when approved by the shareholders' general assembly.

16 TREASURY SHARES

	2009	*2008*
Number of treasury shares (share)	**2,810,000**	2,480,000
Percentage of issued shares (%)	**3%**	3%
Market value (KD)	**696,880**	880,400

17 TERM LOANS

31 December 2009:

Currency	***KD***	***Effective interest rate***	***Maturity***
Non-current liabilities			
Term loan	**2,100,000**	Central Bank of Kuwait discount rate plus 3% per annum, quarterly payments	September 2013
Current liabilities			
Term loan	**1,800,000**	Central Bank of Kuwait discount rate plus 2.5% per annum	February 2010
Current portion of term loan	**800,000**	Central Bank of Kuwait discount rate plus 3% per annum, quarterly payments	December 2010

31 December 2008:

Currency	*KD*	*Effective interest rate*	*Maturity*
Non-current liabilities			
Term Loan	2,500,000	Central Bank of Kuwait discount rate plus 3% per annum	December 2014
Current liabilities			
Term loan	1,280,000	Central Bank of Kuwait discount rate plus 2.5% per annum	December 2009
Current portion of term loan	**800,000**	Central Bank of Kuwait discount rate plus 3% per annum, quarterly payments	December 2009

Term loans balance of KD 4,700,000 is secured by the parent company's shares in Royal Aviation K.S.C. (Closed) and financial assets available-for-sale amounting to KD 423,868 (Note 10).

18 ACCOUNTS PAYABLE AND OTHER CREDIT BALANCES

	2009 *KD*	*2008* *KD*
Due to contractors and suppliers	**790,271**	2,324,216
Retentions	**912,632**	1,240,452
Accrued expenses	**668,667**	405,690
Tenant deposits	**2,530,902**	2,210,239
Provision for staff leave	**67,086**	48,851
Other credit balances	**677,216**	136,155
Dividends payable	**68,832**	91,177
	5,715,606	6,456,780

19 RELATED PARTY TRANSACTIONS

Related parties represent associates, major shareholders, directors and key management personnel of the group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the group's management.

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

	Associates *KD*	*Major shareholders* *KD*	*Other related parties* *KD*	*2009* *KD*	*2008* *KD*
Revenues	-	202,151	42,940	**245,091**	245,210
Gain on partial sale of a subsidiary	-	-	-	**-**	24,221
Interest income	-	-	180,160	**180,160**	140,155
Share of results of associates	65,580	-	-	**65,580**	(19,389)
Impairment loss on investment in associates	-	-	-	-	(461,949)
General and administrative expenses	-	-	(31,587)	**(31,587)**	(19,035)
Finance costs	-	-	(309,191)	**(309,191)**	(291,185)

Balances with related parties included in the consolidated balance sheet are as follows:

	Associates *KD*	*Major shareholders* *KD*	*Other related parties* *KD*	***31 December 2009*** ***KD***	*31 December 2008* *KD*
Investment in associates	902,406	-	-	**902,406**	586,826
Due from related parties	-	359,300	502,385	**861,685**	515,488
Cash and cash equivalents	-	-	9,564,149	**9,564,149**	4,513,294
Term loans	-	-	5,161,487	**5,161,487**	4,580,000
Due to related parties	58,788	85,338	171,389	**315,515**	239,711

Financial assets available-for-sale (Note 10) amounting to KD 423,868 (2008: KD 2,202,133) are managed by a related party.

Amounts due from/to related parties are free of interest and are receivable/payable on demand.

19 RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel

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

	2009 KD	*2008 KD*
Short-term benefits	**250,697**	101,226
Employees' end of service benefits	**13,846**	22,492
	264,543	123,718

20 COMMITMENTS

The group had capital commitments against projects under construction amounting to KD 2,000,000 (2008: KD 2,000,000).

The Discovery Mall, car park and commercial complex of Kuwait International Airport (Note 8) are constructed on a leased land for which an annual lease payment of KD 537,000 (2008: KD 465,000) has been made. The lease payments for the future periods are as follows:

	2009 KD	*2008 KD*
Not later than 5 years	**2,613,000**	2,325,000
Later than 5 years	**3,803,753**	4,304,753
	6,416,753	6,629,753

21 CONTINGENCIES

At 31 December 2009 the group had contingent liabilities in respect of bank guarantees arising in the ordinary course of business from which it is anticipated that no material liabilities will arise, amounting to KD 434,235 (2008: KD 482,322).

In addition, there were some legal cases filed by different parties against the parent company, which are still outstanding at the reporting date. In the opinion of management (based on advise from legal counsel), the likelihood of an unfavourable decision on these legal cases and the parent company having to bear any material financial loss in this respect is not probable.

22 PROPOSED DIVIDEND AND BONUS SHARES

The board of directors of the parent company proposed a cash dividend of KD 0.035 (2008: cash dividend of KD 0.015) per share. This proposal is subject to the approval of the shareholders of the parent company in the Annual General Meeting. These dividends have not been accounted for in these consolidated financial statements.

23 SEGMENTAL INFORMATION

For management purposes, the group is organised in two operating segments "investments" and "Rental and other services operations" as follows:

	Investments		*Rental and other services operations*		*Total*	
	2009	*2008*	***2009***	*2008*	***2009***	*2008*
	KD	*KD*	***KD***	*KD*	***KD***	*KD*
Segment revenues	**254,730**	1,227,086	**11,658,756**	7,637,850	**11,913,486**	8,864,936
Segment profit (loss)	**202,750**	(1,199,275)	**3,804,993**	2,278,161	**4,007,743**	1,078,886
Unallocated expenses					**(237,396)**	(131,021)
Profit for the year					**3,770,347**	947,865
Depreciation and amortisation	-	-	**(3,351,256)**	(1,704,244)	**(3,351,256)**	(1,704,244)

	Investments		*Rental and other services operations*		*Total*	
	2009	*2008*	***2009***	*2008*	***2009***	*2008*
	KD	*KD*	***KD***	*KD*	***KD***	*KD*
Assets	**10,626,274**	7,568,063	**34,580,219**	35,489,837	**45,206,493**	43,057,900
Liabilities	-	-	**10,925,089**	11,421,374	**10,925,089**	11,421,374
Commitments	-	-	**8,416,753**	8,629,753	**8,416,753**	8,629,753

All segments operations are in Kuwait.

24 RISK MANAGEMENT

Risk is inherent in the group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the group's continuing profitability and each individual within the group is accountable for the risk exposures relating to his or her responsibilities. The group is exposed to credit risk, liquidity risk and market risk. Market risk is subdivided into interest rate risk, currency risk and equity price risk. It is also subject to operating risks.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The group is exposed to credit risk on its bank balances and receivables.

The maximum credit exposure is equal to the carrying amount of outstanding receivables and cash and cash equivalents.

Receivables and other debit balances

The group limits its credit risk with respect to customers/tenants by setting credit limits for individual customers/tenants, monitoring outstanding receivables and limiting transactions with specific counterparties.

Other than amount due from tenants which was substantially received subsequent to the year end, there is no significant concentration of credit risk within the group.

Cash and cash equivalents

The group limits its credit risk with regard to bank deposits by only dealing with reputable banks.

Liquidity risk

Liquidity risk is the risk that the group will be unable to meet its liabilities when they fall due. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. To guard against this risk, management has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash, cash equivalents, and readily marketable securities.

The group limits its liquidity risk by ensuring facilities from banks and related parties are available.

The table below summarises the maturity profile of the group's financial liabilities at 31 December based on contractual undiscounted payment obligations:

31 December 2009	*Within 3 Months* KD	*3 - 12 months* KD	*1 to 5 Years* KD	***Total*** ***KD***
LIABILITIES				
Term loans	-	**2,333,016**	**3,626,934**	**5,959,950**
Due to related parties	**27,621**	**287,894**	-	**315,515**
Accounts payable and other credit balances	**668,667**	**1,603,405**	**3,443,534**	**5,715,606**
	696,288	**1,891,299**	**3,443,534**	**6,031,121**
Commitments	-	**537,000**	**7,879,753**	**8,416,753**

31 December 2008	*Within 3 Months* KD	*3 - 12 months* KD	*1 to 5 Years* KD	*Total* KD
LIABILITIES				
Term loans	-	2,379,990	3,699,960	6,079,950
Due to related parties	37,500	202,211	-	239,711
Accounts payable and other credit balances	2,718,056	3,738,724	-	6,456,780
	2,755,556	6,320,925	3,699,960	12,776,441
Commitments	-	3,503,188	5,126,565	8,629,753

24 RISK MANAGEMENT (continued)

Liquidity risk (continued)

31 December 2008	*Within 3 Months KD*	*3 - 12 months KD*	*1 to 5 Years KD*	*Total KD*
LIABILITIES				
Term loans	-	2,379,990	3,699,960	6,079,950
Due to related parties	37,500	202,211	-	239,711
Accounts payable and other credit balances	2,718,056	3,738,724	-	6,456,780
	2,755,556	6,320,925	3,699,960	12,776,441
Commitments	-	3,503,188	5,126,565	8,629,753

Market risk
Market risk is the risk that the value of an asset will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all investments traded in the market.

Market risk is managed on the basis of pre-determined asset allocations across various asset categories, diversification of assets in terms of geographical distribution and industry concentration, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value.

Interest rate risk
Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The group is exposed to interest rate risk on its interest bearing assets and liabilities mainly bank deposits, bank overdraft and term loans. The effective interest rates are disclosed in Notes 12 and 17.

The following table demonstrates the sensitivity of the consolidated statement of income to reasonably possible changes in interest rates, with all other variables held constant.

The sensitivity of the consolidated statement of income is the effect of the assumed changes in interest rates on the group's profit before board of directors' remuneration, Zakat, KFAS and NLST for one year, based on the floating rate financial assets and financial liabilities held at 31 December 2009.

	Increase (decrease) in basis points	*Effect on profit before board of directors' remuneration, zakat, KFAS & NLST KD*
2009 KD	**+25**	**(129,037)**
2008 KD	+25	(118,463)

A decrease in interest rate would have the opposite effect on the profit for the year.

Currency risk
The group is not exposed to significant currency risk as the significant portion of the group's assets and liabilities are denominated in Kuwaiti Dinars.

24 RISK MANAGEMENT (continued)

Market risk (continued)

Equity price risk

Equity price risk arises from changes in the fair values of equity investments. The group manages this through diversification of investments in terms of industry concentration. All of the group's quoted investments are listed on the Kuwait Stock Exchange.

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

	Change in equity price %	*2009 Effect on equity KD*	*2008 Effect on equity KD*
Kuwait market	+ 5%	**21,193**	126,790

The decrease in equity price percentage will have the opposite effect on equity.

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the group is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes.

Prepayment risk

Prepayment risk is the risk that the group will incur a financial loss because its customers and counterparties repay or request repayment earlier or later than expected. The group is not significantly exposed to prepayment risk.

25 CAPITAL MANAGEMENT

The primary objective of the group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholders' value. The group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes during the years ended 31 December 2009 and 31 December 2008.

The group monitors capital using a leverage ratio, which is net debt divided by total capital. The group's policy is to keep the gearing ratio less than 30%. The group includes within net debt, term loans, due to related parties and accounts payable and other credit balances, less cash and cash equivalents. Total capital represents equity for the group less cumulative changes in fair values.

	2009 KD	*2008 KD*
Term loans	**4,700,000**	4,580,000
Due to related parties	**315,515**	239,711
Accounts payables and other credit balances	**5,715,606**	6,456,780
Less: cash and cash equivalents	**(9,102,662)**	(4,516,575)
Net debt	**1,628,459**	6,759,916
Total capital	**31,263,493**	28,523,288
Gearing ratio (%)	**5.21%**	23.70%

26 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of bank balances and cash, receivables, due from related parties and financial assets available-for-sale. Financial liabilities consist of term loans, due to related parties and payables.

The fair values of financial instruments, with the exception of certain financial assets available-for-sale carried at cost (see Note 10), are not materially different from their carrying values.

Fair value hierarchy
The group uses the following hierarchy for determining and disclosing the fair value of financial assets by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Assets measured at fair value

31 December 2009	*Level 1* *KD*	*Level 2* *KD*	*Level 3* *KD*	***Total*** ***KD***
Financial assets available-for-sale (Note 10)	184,988	-	-	**184,988**

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