

**AL MAZAYA HOLDING CO. K.S.C.P  
HOLDING AND ITS SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENT  
31 December 2009



MAZAYA

AIM TO LEAD

AL MAZAYA HOLDING COMPANY K.S.C. (HOLDING)  
AND ITS SUBSIDIARIES  
STATE OF KUWAIT

CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

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## INDEPENDENT AUDITORS' REPORT

The Shareholders  
Al Mazaya Holding Company K.S.C. (Holding) and its subsidiaries  
State of Kuwait

### Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Al Mazaya Holding Company K.S.C. (Holding) (the Parent Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as of December 31, 2009, and the 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.

We did not audit the financial statements of the associates, Mazaya Qatar Real Estate Development - Qatari Shareholding Company and Real Estate Development - Jordanian Shareholding Company, the investments balance and the share of results constitute KD 10,414,824 and KD 48,811 of the respective consolidated totals. The financial statements of the above mentioned associates for the year ended December 31, 2009 were audited by other auditors, whose reports were provided to us and our opinion in so far as it relates to the amounts included in the consolidated financial statements related to these associates is based solely on the reports of the other auditors.

### Management's responsibility for the consolidated financial statements

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

### Auditor's 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 auditor considers 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 and the reports of the other auditors is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion and based on the reports of the other auditors, the consolidated financial statements present fairly, in all material respects, the financial position of Al Mazaya Holding Company K.S.C. (Holding) as of December 31, 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 requirements

Also in our opinion, the consolidated financial statements include the disclosures required by the Commercial Companies Law and the Parent Company's Articles of Association, and we obtained the information we required to perform our audit. In addition, proper books of account have been kept, physical stocktaking was carried out in accordance with recognized practice, and the accounting information given in the Director's Report is in agreement with the Parent Company's books. According to the information available to us, there were no contraventions during the year ended December 31, 2009 of either the Commercial Companies Law or of the Parent Company's Articles of Association which might have materially affected the Group's financial position or results of its operations.

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State of Kuwait  
March 22, 2010

**AL MAZAYA HOLDING COMPANY K.S.C. (HOLDING) AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2009**

(All amounts are in Kuwaiti Dinars)

<u>ASSETS</u>	Note	2009	2008
Cash and cash equivalents	3	28,180,304	48,756,857
Accounts receivable and other debit balances	4	31,531,428	25,847,024
Murabaha receivable		3,223,456	-
Properties held for trading	5	126,122,141	197,864,613
Investments available for sale	6	24,713,492	24,248,220
Investment in associates	7	10,414,824	2,405,889
Investment in an unconsolidated subsidiary		-	268,400
Investment in joint ventures	8	11,790,446	11,733,949
Investment properties	9	100,232,287	18,286,395
Fixed assets	10	22,796,458	10,512,280
Leasehold land	11	1,620,248	1,693,025
Goodwill		3,091,732	3,259,607
Total assets		<u>363,716,816</u>	<u>344,876,259</u>
<u>LIABILITIES AND EQUITY</u>			
Liabilities:			
Bank overdraft	13	5,073,936	5,093,743
Accounts payable and other credit balances	12	107,223,322	99,045,662
Term loans	13	44,970,000	44,970,000
Wakala and Murabaha payables	14	8,500,000	6,070,000
Deferred consideration on acquisition of properties	15	31,464,443	34,007,819
Provision for end of service indemnity		283,952	210,357
Total liabilities		<u>197,515,653</u>	<u>189,397,581</u>
Equity:			
Share capital	16	49,947,675	45,406,980
Share premium	17	75,714,971	75,714,971
Statutory reserve	18	9,646,725	9,131,420
Voluntary reserve	18	9,646,725	9,131,420
Treasury shares reserve	20	701,077	1,561,889
Cumulative changes in fair value	20	56,055	68,567
Assets revaluation surplus	20	519,366	623,239
Foreign currency translation adjustments	20	1,478,702	(807,542)
Effect of changes in subsidiary's treasury shares		(457,645)	(457,645)
Effect of changes in subsidiary's equity		(156,410)	57,768
Retained earnings		4,220,515	4,638,767
		<u>151,317,756</u>	<u>145,069,834</u>
Treasury shares	19	(27,189,284)	(28,049,447)
Equity attributable to equity holders of the Parent Company		<u>124,128,472</u>	<u>117,020,387</u>
Non-controlling interests		42,072,691	38,458,291
Total equity		<u>166,201,163</u>	<u>155,478,678</u>
Total liabilities and equity		<u>363,716,816</u>	<u>344,876,259</u>

The accompanying notes (1) to (40) form an integral part of the consolidated financial statements

Rashid Y. Al-Nafisi  
Chairman



Khalid S. Esbaitah  
Vice Chairman and Managing Director

**AL MAZAYA HOLDING COMPANY K.S.C. (HOLDING) AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

(All amounts are in Kuwaiti Dinars)

	Notes	2009	2008
Gross profit	21	12,182,475	55,626,100
Changes in fair value of investment properties	9	(16,028,799)	(24,986,342)
Management fees, commission and consultancy income	22	1,056,870	4,621,013
Net investment income	23	428,031	1,579,132
Impairment losses	24	-	(25,674,726)
Provisions	25	(800,889)	(17,846,304)
Provisions no longer required	26	8,255,715	-
(Loss) gain on partial disposal of a subsidiary		(568,002)	4,448,623
Gain on waiver of capital subscription	4	7,308,045	23,526,071
Dilution loss		-	(2,893,829)
Group's share of results from associates	7	48,811	120,157
Group's share of results from joint ventures	8	(226,592)	(342,763)
Marketing expenses		(206,303)	(710,146)
Administrative expenses		(3,250,588)	(6,328,965)
Expenses related to equity settled share based payments		(122,543)	(1,897,015)
Depreciation and amortization	27	(385,567)	(333,761)
Expenses on completed projects		(43,917)	(525,614)
Foreign currency exchange (loss) gain		(774,095)	669,432
Other income		747,065	159,518
Interest income		763,363	1,282,444
Finance charges		(2,386,362)	(3,050,999)
Profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences, National Labor Support Tax and contribution to Zakat		5,996,718	7,442,026
Contribution to Kuwait Foundation for the Advancement of Sciences	28	-	(38,929)
National Labor Support Tax	29	-	(336,487)
Contribution to Zakat	30	-	(115,051)
Net profit for the year		<u>5,996,718</u>	<u>6,951,559</u>
Attributable to:			
Equity holders of the Parent Company		5,153,053	13,046,148
Non-controlling interests		843,665	(6,094,589)
Net profit for the year		<u>5,996,718</u>	<u>6,951,559</u>
Earnings per share attributable to the equity holders of the Parent Company	31	<u>Fils</u> <u>11.46</u>	<u>Fils</u> <u>28.99</u>

The accompanying notes (1) to (40) form an integral part of the consolidated financial statements

**AL MAZAYA HOLDING COMPANY K.S.C. (HOLDING) AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

(All amounts are in Kuwaiti Dinars)

	Notes	2009	2008
Net profit for the year		5,996,718	6,951,559
Other comprehensive income:			
Foreign currency translation adjustments		2,286,244	1,625,971
Investments available for sale	6	56,055	68,567
Assets revaluation surplus		<u>(103,873)</u>	<u>(415,492)</u>
Other comprehensive income for the year:		2,238,426	1,279,046
Total comprehensive income for the year		<u>8,235,144</u>	<u>8,230,605</u>
Attributable to:			
Equity holders of the Parent Company		7,322,912	14,325,194
Non-controlling interests		912,232	(6,094,589)
Total comprehensive income for the year		<u>8,235,144</u>	<u>8,230,605</u>

The accompanying notes (1) to (40) form an integral part of the consolidated financial statements

**AL MAZAYA HOLDING COMPANY K.S.C. (HOLDING) AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**  
(All amounts are in Kuwaiti Dinars)

	Atributable to equity holders of the Parent Company									
	Share Capital	Share premium	Other equity balances (Note 20)	Effect of changes in subsidiary's treasury shares	Effect of changes in subsidiary's equity	Retained earnings	Treasury shares	Subtotal	Non-controlling interest	Total equity
Balance at December 31, 2007	31,589,150	33,234,971	15,520,276	-	68,900	16,229,758	(2,889,821)	93,753,234	5,571,684	99,324,918
Increase in capital	7,500,000	-	-	-	-	-	-	7,500,000	-	7,500,000
Share premium	-	42,480,000	-	-	-	-	-	42,480,000	-	42,480,000
Transfer to reserves	-	-	2,707,324	-	-	(2,707,324)	-	-	-	-
Cash dividends (2007 – 50 fils per share)	-	-	-	-	-	(15,611,985)	-	-	-	-
Bonus shares (2007 – 20%)	-	-	-	-	-	(6,317,830)	-	(15,611,985)	-	(15,611,985)
Purchase of treasury shares	6,317,830	-	-	-	-	-	-	-	-	-
Sale of treasury shares	-	-	202,347	-	-	-	(26,060,172)	(26,060,172)	-	(26,060,172)
Effect of changes in subsidiary's equity	-	-	-	-	(11,132)	-	900,546	1,102,893	-	1,102,893
Effect of changes in subsidiary's treasury shares	-	-	-	(457,645)	-	-	-	(457,645)	-	(457,645)
Acquiring new non-controlling interests	-	-	-	-	-	-	-	-	-	-
Net movement in non-controlling interests	-	-	-	-	-	-	-	-	10,917,217	10,917,217
Total comprehensive income (loss) for the year	-	-	1,279,046	-	-	13,046,148	-	14,325,194	28,063,979	28,063,979
Balance at December 31, 2008	45,406,980	75,714,971	19,708,993	(457,645)	57,768	4,538,767	(28,049,447)	117,020,387	(6,094,589)	8,230,605
Bonus shares (2008 – 10%) (Note 36)	4,540,695	-	-	-	-	(4,540,695)	-	-	-	-
Transfer to reserves	-	-	1,030,610	-	-	(1,030,610)	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	(848,642)	(848,642)	-	(848,642)
Sale of treasury shares	-	-	(860,812)	-	-	-	1,708,805	847,993	-	847,993
Effect of changes in subsidiary's treasury shares	-	-	-	-	(214,178)	-	-	(214,178)	(88,744)	(302,922)
Net movement in non-controlling interests	-	-	-	-	-	-	-	-	2,790,912	2,790,912
Total comprehensive income for the year	-	-	2,169,859	-	-	5,153,053	-	7,322,912	912,232	8,235,144
<b>Balance at December 31, 2009</b>	<b>49,947,675</b>	<b>75,714,971</b>	<b>22,048,650</b>	<b>(457,645)</b>	<b>(156,410)</b>	<b>4,220,515</b>	<b>(27,189,284)</b>	<b>124,128,472</b>	<b>42,072,691</b>	<b>166,201,163</b>

The accompanying notes (1) to (40) form an integral part of the consolidated financial statements

**AL MAZAYA HOLDING COMPANY K.S.C. (HOLDING) AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**  
(All amounts are in Kuwaiti Dinars)

	2009	2008
<b>Cash flows from operating activities:</b>		
Profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences, National Labor Support Tax and contribution to Zakat	5,996,718	7,442,026
Adjustments for:		
Changes in fair value of investments properties	16,028,799	24,986,342
Net investment income	(428,031)	(1,579,132)
Impairment losses	-	25,674,726
Provisions	800,889	17,846,304
Provisions no longer required	(8,255,715)	-
Loss (gain) on partial disposal of a subsidiary	568,002	(4,448,623)
Gain on sale of waiver of subscription	(7,308,045)	(23,526,071)
Dilution loss	-	2,893,829
Group's share of results from associates	(48,811)	(120,157)
Group's share of results from joint ventures	226,592	342,763
Depreciation and amortization	385,567	333,761
Expenses related to equity settled share based payments	122,543	1,897,015
Foreign currency exchange loss (gain)	774,095	(669,432)
Interest income	(763,363)	(1,282,444)
Finance charges	2,386,362	3,050,999
	<u>10,485,602</u>	<u>52,841,906</u>
Changes in operating assets and liabilities:		
Accounts receivable and other debit balances	4,915,507	11,958,582
Properties held for trading	(26,165,536)	(98,390,191)
Investment properties	(9,380,400)	(3,642,455)
Accounts payable and other credit balances	17,544,046	64,361,717
Deferred consideration on acquisition of properties	(2,543,376)	(4,500,685)
	<u>(5,144,157)</u>	<u>22,628,874</u>
Kuwait Foundation for the Advancement of Sciences paid	-	(249,078)
National Labor Support Tax paid	-	(691,883)
Zakat paid	-	(17,556)
End of service indemnity paid	(37,450)	(18,397)
Board of Directors' remuneration paid	-	(75,000)
Net cash (used in) generated from operating activities	<u>(5,181,607)</u>	<u>21,576,960</u>
<b>Cash flows from investing activities:</b>		
Paid for purchase of investments at fair value through income statement	-	(13,152,984)
Proceeds from sale of investments at fair value through income statement	1,258	30,256,201
Paid for purchase of investments available for sale	(47,011,510)	(81,763,044)
Proceeds from sale of investments available for sale	39,663,320	70,990,929
Dividends income received	960,751	347,082
Interest income received	668,605	640,397
Proceeds from partial disposal of a subsidiary	3,239,441	7,043,271
Proceeds from sale of waiver of subscription	-	23,526,071
Paid against increase in equity holding of subsidiaries	(546,220)	(65,575,485)
Net movement in investment in associates	(616,075)	28,078
Net movement in investment in an unconsolidated subsidiary	268,400	(268,400)
Net movement in investment in joint ventures	(215,133)	(7,437,415)
Fixed assets	(14,836,930)	(161,589)
Net cash used in investing activities	<u>(18,424,093)</u>	<u>(35,526,888)</u>

**AL MAZAYA HOLDING COMPANY K.S.C. (HOLDING) AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS (CONTD.)**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**  
(All amounts are in Kuwaiti Dinars)

	<u>2009</u>	<u>2008</u>
<b>Cash flows from financing activities:</b>		
Proceed from increase in capital	-	7,500,000
Share premium received	-	42,480,000
Net movement in bank overdraft	(19,807)	-
Net movement in term loans	-	93,743
Paid for purchase of treasury shares	(848,642)	(26,060,172)
Cash dividends paid	-	(15,527,521)
Finance charges paid	(2,262,565)	(3,063,639)
Net movement in Wakala and Murabaha payables	2,430,000	(3,901,872)
Proceeds from sale of treasury shares	847,993	1,102,893
Net movement in non-controlling interests	2,970,912	28,063,979
Net movement in equity of a subsidiary	(88,744)	(468,777)
Net cash generated from financing activities	<u>3,029,147</u>	<u>30,218,634</u>
Net (decrease) increase in cash and cash equivalents	(20,576,553)	16,268,706
Cash related to a newly consolidated subsidiary	-	5,093,744
Cash related to partial disposal of a subsidiary	-	(106,136)
Cash and cash equivalents at the beginning of the year	<u>48,756,857</u>	<u>27,500,543</u>
Cash and cash equivalents at the end of the year (Note 3)	<u><u>28,180,304</u></u>	<u><u>48,756,857</u></u>

The accompanying notes (1) to (40) form an integral part of the consolidated financial statements.

**AL MAZAYA HOLDING COMPANY K.S.C. (HOLDING) AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009**

(All amounts are in Kuwaiti Dinars)

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1. Incorporation and activities

Al Mazaya Holding Company - K.S.C. (Holding) was incorporated on November 7, 1998 under the Commercial Companies Law No. 15 of 1960 and amendments thereto.

The Parent Company is engaged in investment in local and foreign companies, real estate properties and consultancy services.

The registered office of the Parent Company is at Sahlia Complex, Fahed Al Salem Street, P.O. Box 3546, Safat 13036, Kuwait.

The number of employees as at December 31, 2009 was 103 (2008 – 110).

These consolidated financial statements were approved for issue by the Board of Directors on March 22, 2010. The shareholders' General Assembly has the power to amend these consolidated financial statements after issuance.

2. Significant accounting policies

The accompanying consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standard Board (IASB).

Significant accounting policies are summarized as follows:

a) Basis of preparation

The consolidated financial statements are presented in Kuwaiti Dinars and are prepared under the historical cost convention, except for the following material items that are stated at their fair value:

- Quoted investments available for sale
- Investment properties

The accounting policies applied by the Group are consistent with those used in the previous year except for the changes due to implementation of the following new and amended International Financial Reporting Standards as of January 1, 2009:

IAS 1 (Revised) "Presentation of Financial Statements"

The Group has applied IAS 1 (Revised), which has impacted the presentation of consolidated financial statements to enhance the usefulness of the information presented. The revised standard has introduced a number of terminology changes (including revised titles for the consolidated financial statements) and has resulted in a number of changes in presentation and disclosure. The revised IAS 1 has introduced a new statement of other comprehensive income, wherein all changes in equity arising from transactions other than with owners in their capacity as owners should be presented. Accordingly only changes in equity arising from transactions with owners in their capacity as owners are permitted to be presented in the consolidated statement of changes in equity. Comparative information has been re-presented so that it also is in conformity with the revised standard.

IFRS 7 "Financial Instruments – Disclosures" (Amendment)

The Amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the Amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

**AL MAZAYA HOLDING COMPANY K.S.C. (HOLDING) AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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(All amounts are in Kuwaiti Dinars)

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IFRS 8 "Operating Segments"

The Group has applied IFRS 8, which requires disclosure of information to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. Accordingly, operating segments should be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. Annual improvement made to IFRS 8 in April 2009 clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Group's chief operating decision maker does review segment assets and liabilities, the Group has continued to disclose this information.

The Group has a non-complex structure of different business activities. Therefore, the operating segments determined in accordance with IFRS 8 are the same as the business segments previously identified under IAS 14.

IAS 23 "Borrowing Cost" (Revised)

The Group has applied IAS 23 (Revised), which requires an entity to capitalize borrowing costs attributable to the acquisition, construction or production of a qualifying asset for which the commencement date for capitalization is on or after January 1, 2009 as a part of the cost of that asset and removing an option of expensing these borrowing costs in the consolidated statement of income.

IAS 36 "Impairment of Assets"

When discounted cash flows are used to estimate 'fair value less cost to sell' additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate 'value in use'.

IAS 40 "Investment Property"

The amendment is part of the IASB's annual improvements project published in May 2008. The amendment requires properties under construction to be used as investment property on completion to be classified as investment property instead of Fixed Assets. The Group adopted this amendment as of January 1, 2009.

The Group applied the improvement made on IAS 40 effective January 1, 2009 on retrospective basis as allowed by this standard as the fair values of investment properties under construction were determined at that date. This resulted in reclassifying the total amount of properties under development and work in progress in the consolidated financial statements as of December 31, 2008 which amounted to KD 144.5 millions into the categories of properties held for trading, investment properties, and fixed assets, depending on their future use. This improvement has no effects on the consolidated statement of income.

Standards and Interpretations issued but not effective

The following IASB Standards and Interpretations have been issued but are not yet effective, and have not yet been adopted by the Group:

**AL MAZAYA HOLDING COMPANY K.S.C. (HOLDING) AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009**

(All amounts are in Kuwaiti Dinars)

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Revised IFRS 3 "Business Combinations"

Revised IFRS 3, which will be effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after July 1, 2009, incorporates the following changes:

- The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations.
- Contingent consideration will be measured at fair value, with subsequent changes therein recognized in profit or loss.
- Transaction costs, other than share and debt issue costs, will be expensed as incurred.
- Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognized in profit or loss.
- Any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

Amended IAS 27 "Consolidated and Separate Financial Statements"

Amended IAS 27, which will be effective for annual periods beginning on or after July 1, 2009 requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in the consolidated statement of income.

IFRIC 17 "Distribution of Non-cash Assets to owners" (Effective for annual periods beginning on or after July 1, 2009)

The interpretation is part of the IASB's annual improvements project published in April 2009. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. This interpretation is not expected to have any impact on the consolidated financial statements.

IAS 38 (Amendment) "Intangible Assets"

The amendment is part of the IASB's annual improvements project published in April 2009 and the Group will apply IAS 38 (Amendment) from the date IFRS 3 (Revised) is adopted. The Amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The Amendment will not result in a material impact on the Group's consolidated financial statements.

IAS 1 (Amendment) "Presentation of Financial Statements"

The Amendment is part of the IASB's annual improvements project published in April 2009. The Amendment provides clarification that the potential settlement of a liability by the issue of equity securities is not relevant to its classification as current or non current. By amending the definition of current liability, the Amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Group will apply IAS 1 (Amendment) from January 1, 2010. It is not expected to have a material impact on the Group's consolidated financial statements.

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IFRS 2 (Amendments), "Group Cash-Settled and Share-based Payment Transactions"

In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 – Group and Treasury Share Transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation. The new guidance is not expected to have a material impact on the Group's consolidated financial statements.

IFRIC 18 "Transfers of Assets from Customers"

The Interpretation applicable for transfers effected on or after financial periods beginning on or after July 1, 2009, addresses the accounting by recipients for transfers of fixed assets from 'customers' and concludes that when the item of fixed assets transferred meets the definition of an asset from the perspective of the recipient, the recipient should recognize the asset at its fair value on the date of the transfer, with the credit recognized as revenue in accordance with IAS 18 "Revenue".

IAS 7 (Amendment) "Statement of Cash Flows"

The Amendment is part of the IASB's annual improvements project published in April 2009. The Amendment explicitly states that only expenditure that results in recognizing an asset can be classified as a cash flow from investing activities.

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions in the process of applying the Group's accounting policies. Significant accounting judgments, estimates and assumptions are disclosed in Note 2(c).

b) Recognition / derecognition of financial assets and financial liabilities

A financial asset or a financial liability is recognized when the Group becomes a party to the contractual provisions of the instrument. Financial asset (in whole or in part) is derecognized when the contractual rights to the cash flows from the financial asset expire or when the Group transfers substantially all the risks and rewards of ownership or when the Group has neither transferred or retained substantially all the risks and rewards of ownership and when it no longer has control over the asset or a proportion of the assets. A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expired.

c) Critical accounting judgments, estimates and assumptions

The Group makes judgments, estimates and assumptions concerning the future. The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from the estimates.

**a) Judgments**

In the process of applying the Group's accounting policies which are described in Note 2, management has made the following judgments that have the most significant effect on the amounts recognized in the consolidated financial statements:

**(i) Revenue Recognition**

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The determination of whether the revenue recognition criteria as specified under IAS 18 are met requires significant judgment.

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(ii) Determination of contract cost

Determination of costs which are directly related to the specific contract or attributable to the contract activity in general requires significant judgment. The determination of contract cost has a significant impact upon revenue recognition in respect of long term contracts. The Group follows guidance of IAS 11 for determination of contract cost and revenue recognition.

(iii) Classification of Land

Upon acquisition of land, the Group classifies the land into one of the following categories, based on the intention of the management for the use of the land:

1) Properties held for trading

When the intention of the Group is either to sell land in the ordinary course of business or to develop land in order to sell it in the future, both the land and the construction are classified as properties held for trading.

2) Investment properties

When the intention of the Group is to earn rentals from land, hold land for capital appreciation, develop land in order to earn rentals or if the intention is not determined for land, the land is classified as investment property.

3) Fixed assets

When the intention of the Group is to develop a land in order to occupy it in the future, both the land and the construction costs are classified as work in progress – Fixed assets.

(iv) Provision for doubtful debts

The determination of the recoverability of the amount due from customers and the factors determining the impairment of the receivable involve significant judgment.

(v) Classification of investments

On acquisition of an investment, the Group classifies its investments as investments available for sale. The Group follows the guidance of IAS 39 on classifying its investments.

(vi) Impairment of investments

The Group follows the guidance of IAS 39 to determine when an available-for-sale equity investment is impaired. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, a significant or prolonged decline in the fair value below its cost; and the financial health of and short term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow. The determination of what is "significant" or "prolonged" requires significant judgment.

(vii) Application of IFRIC 15 – Agreements for the construction of real estate.

The determination, whether the agreements within the scope of IAS 11 – Construction Contracts or IAS 18 – Revenue-require significant judgment.

**b) Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimating 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.

**(i) Fair value of unquoted equity investments**

If the market for a financial asset is not active or not available, the Group establishes fair value by using valuation techniques which include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances. This valuation requires the Group to make estimates about expected future cash flows and discount rates that are subject to uncertainty.

**(ii) Impairment of goodwill**

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the "value in use" of the asset or the cash-generating unit to which the goodwill is allocated. Estimating a value in use requires the Group to make an estimate of the expected future cash-flows from the asset or the cash-generating unit and also choose an appropriate discount rate in order to calculate the present-value of the cash-flows.

**(iii) Construction contracts**

Revenue from construction contracts that are considered to be within the scope of IAS 11 are recognized in accordance with the percentage of completion method of accounting measured by reference to the physical percentage of completion. The revenue recognition as per the above criteria should correspond to the actual work completed. The determination of estimated costs and the application of percentage of completion method involve estimation. Further, the budgeted cost and revenue should consider the claims and variations pertaining to the contract.

**(iv) Provision for doubtful debts**

The extent of provision for doubtful debts involves estimation process. Provision for doubtful debts is made when there is an objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified. The benchmarks for determining the amount of provision or write-down include analysis, technical assessment and subsequent events. The provisions and write-down of receivables are subject to management approval.

**(v) Revaluation of investment properties**

The Group carries its investment properties at fair value, with changes in fair value being recognized in the consolidated statement of income. The Group engaged an independent valuation specialist to determine fair value as at 31 December 2009. For the investment property the evaluator used a valuation technique based on a discounted cash flow model as there is a lack of comparable market data because of the nature of the property. The determined fair value of the investment properties is most sensitive to the estimated yield as well as the long term vacancy rate.

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d) Principles of consolidation

Subsidiaries are those enterprises controlled by the Parent Company. Control exists when the Parent Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Inter-company balances and transactions, including inter-company profits and unrealized profits and losses are eliminated on consolidation. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

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

The financial statements of Mazaya Investments (DIFC) Limited have been consolidated in the consolidated financial statements as of December 31, 2009, while the comparative figures for the year ended December 31, 2008 do not include such information, as the Group's investment in this subsidiary had been previously classified as investment in an unconsolidated subsidiary.

Consolidated statement of financial position:

	<u>Amount</u>
Cash and cash equivalents	70,470
Accounts receivable and other debit balances	6,765
Fixed assets	5,899
Other credit balances	1,344

Consolidated statement of income:

Management fees, commission and consultancy income	27,789
Administrative expenses	70,290

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Subsidiaries	Country of incorporation	Percentage of ownership	
		2009 %	2008 %
Al Mazaya Real Estate Development Company – K.S.C. (Closed)	Kuwait	100	100
Al Mazaya Real Estate FZ/LLC and its subsidiaries:	U.A.E	100	100
Al Dana Real Estate Limited	U.A.E	100	100
Al Rayhan Real Estate Limited	U.A.E	100	100
Advantage General Trading Co. W.L.L.	U.A.E	100	100
Mazaya Investments (DIFC) Limited	U.A.E	100	-
Al Mazaya Al Khalijia for General Trading and Contracting – Khalid S. Esbaitah and Partners – W.L.L.	Kuwait	100	100
Al Mazaya Arabian Real Estate Company – Khalid S. Esbaitah and Partners – W.L.L.	Kuwait	100	100
Al Mazaya International for Projects Management Company – Khalid S. Esbaitah and Partners – W.L.L.	Kuwait	100	100
Mazaya Lebanon Company - S.A.L. (Holding) and its subsidiary:	Lebanon	100	100
Mazaya Lamartien – S.A.L.	Lebanon	100	100
Seven Zones Real Estate Company K.S.C. (Closed)	Kuwait	100	100
First Dubai Real Estate Development Company - K.S.C. (Closed) and its subsidiary:	Kuwait	63.98	66.88
Future International Project Management – W.L.L. and its subsidiary:	Kuwait	85.16	85.16
Waterfront Real Estate Company K.S.C. (Closed)	Kuwait	91.97	91.97

Investment in subsidiary – First Dubai Real Estate Development Company K.S.C.C. with a fair market value of KD 15,000,000 is pledged against a term loan (Note 13).

e) Cash and cash equivalents

Cash and cash equivalents includes cash on hand and deposits held at call with banks and other short – term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

f) Receivables

Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivable is established when there is an objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated statement of income. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivable. Subsequent recoveries of amounts previously written off are credited in the consolidated statement of income.

g) Murabaha receivable

Murabaha receivable represents a sale of commodity with deferred installments. Murabaha receivable is stated net of impairment losses or provision for doubtful debts.

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h) Properties held for trading

Properties acquired, constructed or in the course of construction for sale are classified as properties held for trading. Unsold properties are stated at cost or net realizable value which ever is less. Sold properties in the course of development are stated at cost plus attributable profit or loss less progress billings. The cost of properties held for trading under development includes the cost of land and other related expenditure which are capitalized as and when activities that are necessary to get the properties ready for sale are in progress. Net realizable value represents the estimated selling price less costs to be incurred in selling the property.

i) Investments

The Group classifies its investments as investments available for sale. The classification depends on the purpose for which the investments were acquired and is determined at initial recognition by the management.

(i) Investments available for sale

Investments available for sale are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months from the end of the reporting period.

Purchases and sales of investments are recognized on trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through income statement.

After initial recognition, investments available for sale are subsequently carried at fair value. The fair values of quoted investments are based on current bid prices. If the market for an investment is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

Unrealized gains and losses arising from changes in the fair value of investments available for sale are recognized in cumulative changes in fair value in the consolidated statement of comprehensive income.

Where investments available for sale could not be measured reliably, these are stated at cost less impairment losses, if any.

When an investment available for sale is disposed off or impaired, any prior fair value earlier reported in the consolidated statement of comprehensive income is transferred to the consolidated statement of income.

An investment (in whole or in part) is derecognized either when: the contractual rights to receive the cash flows from the investment have expired; or the Group has transferred its rights to receive cash flows from the investment and either (a) has transferred substantially all the risks and rewards of ownership of the investment, or (b) has neither transferred nor retained substantially all the risks and rewards of the investment, but has transferred control of the investment. Where the Group has retained control, it shall continue to recognize the investment to the extent of its continuing involvement in the investment.

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The Group assesses at the end of each reporting year whether there is an objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for investments available for sale, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in consolidated statement of income – is removed from the consolidated statement of comprehensive income and recognized in the consolidated statement of income. Impairment losses recognized in the consolidated statement of income on available for sale equity instruments are not reversed through the consolidated statement of income.

j) Joint venture

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 require the unanimous consent of the parties sharing control.

Where a Group undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognized in the financial statements of the relevant group 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 recognized 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.

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group reports its interests in jointly controlled entities using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Under the equity method, investments in joint ventures are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the joint venture, less any impairment in the value of individual investments.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of an associate.

Where the Group transacts with its jointly controlled entities, unrealized profits and losses are eliminated to the extent of the Group's interest in the joint venture.

k) Associates

Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policy decisions. The consolidated financial statements include the Group's share of the results and assets and liabilities of associates under the equity method of accounting from the date that significant influence effectively commences until the date that significant influence effectively ceases, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Under the equity method, investments in associates are carried in the consolidated statement of financial position 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 not recognized except to the extent that the Group has an obligation or has made payments on behalf of the associate.

Gains or losses arising from transactions with associates are eliminated against the investment in the associate to the extent of the Group's interest in 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 recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment in associate and is assessed for impairment as part of the 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 recognized immediately in the consolidated statement of income.

l) Investment properties

Investment properties, which are properties constructed or in course of construction, held to earn rentals and/or for capital appreciation, are stated at their fair value at the end of the reporting period. Gains or losses arising from changes in the fair value of investment properties are included in the consolidated statement of income for the period in which they arise.

Property interest that is held under an operating lease is classified and accounted for as investment property when the property would otherwise meet the definition of an investment property and the lessee uses the fair value model.

Investment properties are derecognized 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. Gains or losses arising on the retirement or disposal of an investment property are recognized in the consolidated statement of income.

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.

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m) Fixed assets

The initial cost of fixed assets comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to the consolidated statement of income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of fixed assets beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of fixed assets.

Fixed assets are stated at cost less accumulated depreciation and impairment losses. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the consolidated statement of income.

Land is not depreciated. Depreciation is computed on a straight-line basis over the estimated useful life of other fixed assets as follows:

	Useful life (Years)
Furniture and equipment	5
Leasehold improvements	3 - 5
Computers and softwares	3
Motor vehicles	5

Work in progress fixed assets will be depreciated upon completion.

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of fixed assets.

n) Leasehold land

Leasehold land represents a long term lease agreement. The Group amortizes the lease value over the lease period.

o) Goodwill

Goodwill arising on an acquisition of a subsidiary, jointly controlled entity or associate represents the excess of the cost of the acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities as at the date of the acquisition. Goodwill is initially recognized 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 recognized for goodwill is not reversed in a subsequent period.

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

The Group's policy for goodwill arising on the acquisition of an associate is described under 'Investment in associates' in note 2(k).

Where there is an excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost, the Group is required to reassess the identification and measurement of the net identifiable assets and measurement of the cost of the acquisition and recognize immediately in the consolidated statement of income any excess remaining after that remeasurement.

p) Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statement of income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

q) Accounts payable

Accounts payable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

r) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of income over the period of the borrowings using the effective interest method.

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Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

s) Wakala and Murabaha payable

Wakala and Murabaha payables represent an agreement whereby the Group takes a certain amount of cash from another party, and invests it according to specific conditions in return for a certain fee (percentage of the amount invested). They are subsequently re-measured and carried out at amortized cost using the effective yield method. Costs of Wakala and Murabaha payable are expensed on a time proportion basis.

t) Provision for end of service indemnity

Provision is made for amounts payable to employees under the Kuwaiti Labor Law in the private sector and employees' contracts. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination at the end of the reporting period, and approximates the present value of the final obligation.

u) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

v) Treasury shares

Treasury shares consist of the Parent Company's own shares that have been issued, subsequently reacquired by the Parent Company and not yet reissued or canceled. The treasury shares are accounted for using the cost method. Under the cost method, the weighted average cost of the shares reacquired is charged to a contra equity account. When the treasury shares are reissued, gains are credited to a separate account in equity (treasury shares reserve) which is not distributable. Any realized 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 and then reserves.

Gains realized subsequently on the sale of treasury shares are first used to offset any recorded losses in the order of reserves, retained earnings and the gain on sale of treasury shares account. 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.

Where any Group's company purchases the Parent Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Parent Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs, is included in equity attributable to the Parent Company's equity holders.

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w) Financial instruments

Financial assets and financial liabilities carried on the consolidated statement of financial position include cash and cash equivalents, accounts receivable and other debit balances, Murabaha receivable, investments available for sale, bank overdraft, accounts payable and other credit balances, term loans and Wakala and Murabaha payables. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies found in this Note.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains, and losses relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

x) Revenue recognition

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

i) Sale of properties:

Revenue on sale of properties under development classified under properties held for trading is recognized as follows:

- When the agreement is within the scope of IAS 11 – construction contracts, and its outcome can be estimated reliably, the Group recognizes the revenue by reference to the stage of completion of the contract activity in accordance with IAS 11.
- When the agreement is within the scope of IAS 18 – Revenue, Group recognizes revenue at time of completion. When the significant risks and rewards of ownership of real estate are being transferred from Group at a single time.

If there is a doubt about the future economic benefits flowing to the Group, the Group recognizes revenue based on the installment percentage.

Revenue on sale of plots of land is recognized on the basis of the full accrual method as and when all of the following conditions are met:

- A sale is consummated and contracts are signed;
- The buyer's investment, to the date of the consolidated financial statements, is adequate to demonstrate a commitment to pay for the property;
- The Group's receivable is not subject to future subordination;
- The Group has transferred to the buyer the usual risks and rewards of ownership in a transaction that is in substance a sale and does not have a substantial continuing involvement with the property; and
- Work to be completed is either easily measurable and accrued or is not significant in relation to the overall value of the contract.

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If all except for the last criterion listed above are fulfilled, the percentage of completion method is adopted to recognize revenue.

The risk of the purchaser being able to rescind the contract for reasons stated in the contract which are dependent on the enactment of pending legislation and therefore outside the Group's control is considered by management to be remote.

Revenue on sale of apartments and villas is recognized on the basis of percentage of completion based on internal surveys of work performed as and when all the following conditions are met:

- The buyer's investment, to the date of the consolidated financial statements, is adequate to demonstrate a commitment to pay for the property;
- Construction is beyond a preliminary stage. The engineering, design work, construction contract execution, site clearance and building foundation are finished;
- The buyer is committed. The buyer is unable to require a refund except for non-delivery of the unit and, in certain cases, in the event of the non-enactment of pending legislation regarding freehold title and immigration visas. Management believes that the likelihood of the Group being unable to fulfill its contractual obligations for these reasons is remote; and
- The aggregate sales proceeds and costs can be reasonably estimated.

ii) Cost of revenue

Cost of revenue includes the cost of land and development costs. Development costs include the cost of infrastructure and construction.

iii) Construction contracts

Revenue from construction contracts is recognized in accordance with the percentage of completion method of accounting measured by reference to the physical percentage of completion. Profit is only recognized when the contract reaches a point where the ultimate profit can be estimated with reasonable certainty. Claims, variation orders and incentive payments are included in the determination of contract profit when approved by contract owners. Anticipated losses on contracts are recognized in full as soon as they become apparent.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognized as expenses in the period in which they are incurred.

iv) Interest income

Interest income is recognized using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired receivables is recognized either as cash is collected or on a cost-recovery basis as conditions warrant.

v) Dividend income

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

vi) Rental income

Rental income is recognized when earned on a time apportionment basis.

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vii) Gain on sale of investments

Gain on sale of investments is measured by the difference between the sale proceeds and the carrying amount of the investment at the date of disposal, and is recognized at the time of the sale.

viii) Management, commission and consultancy income

- Management fees are recognized on an accrual basis.
- Commission income and consultancy revenue are recognized at the time the related services are provided.

y) 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. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

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

z) 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 but are disclosed in the Notes to the consolidated financial statements.

aa) Foreign currencies

Foreign currency transactions are translated into Kuwaiti Dinars at rates of exchange prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currency at the end of the reporting period are retranslated into Kuwaiti Dinars at rates of exchange prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on 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 arising on the settlement of monetary items, and on the retranslation of monetary items, are included in consolidated statement of income for the period. Translation differences on non-monetary items such as equity investments classified as available for sale are included in "cumulative changes in fair value" in the consolidated statement of comprehensive income.

The assets and liabilities of the foreign subsidiary are translated into Kuwaiti Dinars at rates of exchange prevailing at the end of the reporting period. The results of the subsidiary are translated into Kuwaiti Dinars at rates approximating the exchange rates prevailing at the dates of the transactions. Foreign exchange differences arising on translation are recognized directly in the consolidated statement of comprehensive income. Such translation differences are recognized in the consolidated statement of income in the period in which the foreign operation is disposed off.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

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ab) Contingencies

Contingent liabilities are not recognized but disclosed in the consolidated financial statements except when the possibility of an outflow of resources embodying economic losses is remote.

A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

ac) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is identified as the person being responsible for allocating resources, assessing performance and making strategic decisions regarding the operating segments.

3. Cash and cash equivalents

	<u>2009</u>	<u>2008</u>
Cash on hand and at banks	20,760,706	39,772,935
Short term bank deposits	7,182,970	8,982,942
Cash in investment portfolios (Note 32)	236,628	980
	<u>28,180,304</u>	<u>48,756,857</u>

The effective interest rate on short term bank deposits was 2% (2008 - 6%) per annum. These deposits have an average maturity of 30 days (2008 - 25 days).

There is no material difference between the fair value and the book value of cash and cash equivalents.

Cash on hand and at banks include an amount of KD 18,140,492 (December 31, 2008 – KD 26,309,343) representing restricted cash to be used only against construction work.

4. Accounts receivable and other debit balances

	<u>2009</u>	<u>2008</u>
Trade receivable (a)	5,142,216	4,495,833
Advance payments	11,938,128	17,584,488
Advances for capital subscription	7,163,163	14,534,904
Due from related parties (Note 32)	5,365,299	3,568,657
Staff receivables	1,254,791	1,249,176
Other receivables	1,468,720	760,270
	<u>32,332,317</u>	<u>42,193,328</u>
Provision for doubtful accounts (b) (Note 25)	<u>(800,889)</u>	<u>(16,346,304)</u>
	<u>31,531,428</u>	<u>25,847,024</u>

The fair values of accounts receivable and other debit balances approximated their carrying values as at December 31, 2009.

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a) Trade receivable

Trade receivable that are less than 1 year past due are not considered impaired. As of December 31, 2009, trade receivable amounting to KD 202,169 (2008 - KD 837,806) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	<u>2009</u>	<u>2008</u>
Less than 3 months	468,432	3,014,483
3 to 6 months	1,136,453	520,140
6 months to 1 year	2,534,273	123,404
Over 1 year	1,003,058	837,806
	<u>5,142,216</u>	<u>4,495,833</u>

b) Provision for doubtful accounts

The movement in the provision for doubtful accounts is as follows:

	<u>2009</u>	<u>2008</u>
Balance at the beginning of the year	16,346,304	-
Gain on waiver of capital subscription (i)	(7,308,045)	-
Charged during the year	800,889	16,346,304
Provision no longer required (ii) (Note 26)	(7,587,996)	-
Written off	(1,450,263)	-
Balance at the end of the year	<u>800,889</u>	<u>16,346,304</u>

Provisions, written off as uncollectible receivables and utilization of the provision for bad and doubtful debts are included in the consolidated statement of income

During the year ended December 31, 2008, the Group paid an amount of KD 14,534,904 for subscription in an investment which was classified under accounts receivable and other debit balances as advances for capital subscription since the share certificates relating to this investment were not issued up to the date of issuing the consolidated financial statements for the year ended December 31, 2008. Also, the Group has provided a 100% provision for the subscribed amount in 2008 consolidated financial statements due to the uncertainty pertaining to the existence and valuation of the investment. This resulted in a net book value of KD Nil relating to this investment subscription.

(i) Gain on waiver of capital subscription

During the year ended December 31, 2009, the portfolio manager has compensated the Parent Company for 50% of this investment subscription by offering shares in several companies with a fair value of KD 7,308,045 as of that date, and accordingly recognized a gain amounting to KD 7,308,045 in the consolidated statement of income for the reversed provision.

(ii) Provision no longer required

Subsequent to the consolidated statement of financial position date, the portfolio manager has compensated the Parent Company for remaining 50% of the investment subscription; accordingly the provision provided is no longer required.

c) The other classes within accounts receivable and other debit balances do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

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5. Properties held for trading

	<u>2009</u>	<u>2008</u>
Balance at the beginning of the year	197,864,613	120,650,881
Additions	60,695,339	150,741,628
Disposals (Note 21)	(49,168,968)	(100,092,253)
Transferred (to) / from investment properties (Note 9)	(86,648,299)	25,662,337
Transferred from work in progress (Note 2.a)	-	891,891
Foreign currency translation adjustments	3,379,456	10,129
Balance at the end of the year	<u>126,122,141</u>	<u>197,864,613</u>

6. Investments available for sale

	<u>2009</u>	<u>2008</u>
<b>Quoted:</b>		
Equity securities	1,393,094	1,346,541
Funds and Portfolios	-	148,282
<b>Unquoted:</b>		
Equity securities	17,235,067	14,838,087
Funds & Portfolios	6,085,331	7,915,310
	<u>24,713,492</u>	<u>24,248,220</u>

The movement during the year is as follows:

	<u>2009</u>	<u>2008</u>
Balance at the beginning of the year	24,248,220	11,728,068
Additions	47,011,510	81,763,044
Disposals	(39,925,963)	(59,482,048)
Reclassified from investments at fair value through income statement	-	845,875
Transferred to investment in associates (Note 7)	(6,676,330)	(3,813,810)
Changes in fair value	56,055	68,567
Impairment losses (Note 24)	-	(6,861,476)
Balance at the end of the year	<u>24,713,492</u>	<u>24,248,220</u>

The fair value of investments in unquoted equity securities is established by using valuation techniques that include the use of recent arm's length transactions with reference to other instruments that are substantially the same.



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**8. Investment in joint ventures**

Investment in joint ventures consists of the following:

	Country of Incorporation	Ownership Percentage	2009	2008
Al-Madar Gulf Limited	U.A.E.	50%	4,534,859	4,486,131
Al Wahda Real Estate Investment Limited	U.A.E.	48%	(5,389)	(172,526)
Seven Zones	Kuwait	50%	7,260,976	7,420,344
			<u>11,790,446</u>	<u>11,733,949</u>

The movement during the year is as follows:

	2009	2008
Balance at the beginning of the year	11,733,949	4,638,293
Additions	215,133	7,437,415
Group's share of results from joint ventures	(226,592)	(342,763)
Foreign currency translation adjustments	67,956	1,004
Balance at the end of the year	<u>11,790,446</u>	<u>11,733,949</u>

The Group's interest in its joint ventures is as follows:

	Assets		Liabilities		Net Assets	
	2009	2008	2009	2008	2009	2008
Al-Madar Gulf Limited	6,838,097	10,219,933	2,303,238	5,733,802	4,534,859	4,486,131
Al Wahda Real Estate Investment Limited	1,812,462	1,488,376	1,817,851	1,660,902	(5,389)	(172,526)
Seven Zones	9,131,893	8,272,936	1,870,917	852,592	7,260,976	7,420,344

	Revenues		Results	
	2009	2008	2009	2008
Al-Madar Gulf Limited	2,213,386	4,004,145	(231,765)	(230,268)
Al Wahda Real Estate Investment Limited	2,628	28,404	918	(95,424)
Seven Zones	9,017	-	4,255	(17,071)

**9. Investment properties**

	2009	2008
Balance at the beginning of the year	18,286,395	25,662,337
Additions	11,620,362	-
Transferred from work in progress (Note 2.a)	-	1,725,129
Related to a newly consolidated subsidiary	-	41,547,608
Transferred from / (to) properties held for trading (Note 5)	86,648,299	(25,662,337)
Changes in fair value	(16,028,799)	(24,986,342)
Foreign currency translation adjustments	(293,970)	-
Balance at the end of the year	<u>100,232,287</u>	<u>18,286,395</u>

Investment properties balance includes an amount of KD 11,620,362 (2008 – KD 1,725,129) representing investment properties under construction.

The fair value of the Group's investment properties at December 31, 2009 has been arrived at on the basis of a valuation carried out at that date by independent evaluators.

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10. Fixed assets

Fixed assets balance includes an amount of KD 22,229,532 (2008 – KD 9,849,585) representing work in progress towers which the Group intends to use in the future.

Certain fixed assets with an amount of KD 13,474,531 is pledged against term loan (2008- KD 9,849,585) (Note 13).

11. Leasehold land

Leasehold land represents a land leased from a Bahraini Company through a subsidiary. The leasehold right value is amortized over 25 years which represents the lease period.

12. Accounts payable and other credit balances

	<u>2009</u>	<u>2008</u>
Trade payables	20,449,459	31,824,944
Advances received from customers	64,030,508	45,276,773
Amounts due to related parties (Note 32)	10,482,183	9,745,139
Retentions payable	6,320,453	2,588,178
Accrued development costs	136,800	1,250,737
Dividends payable	747,868	757,182
Other payables and accrued expenses	5,056,051	7,602,709
	<u>107,223,322</u>	<u>99,045,662</u>

Trade payables are non-interest bearing. There is no material difference between the fair value and the book value of accounts payable and other credit balances.

13. Term loans

	<u>2009</u>	<u>2008</u>
Bank loan bearing interest rate at 2% (2008 - 2%) per annum over the Central Bank of Kuwait's discount rate, matures in July 31, 2010	10,000,000	10,000,000
Bank loan bearing interest rate at 3.5% (2008 – 3.5%) per annum over the Central Bank of Kuwait's discount rate, matures on April 30, 2010	19,970,000	19,970,000
Bank loan bearing interest rate at 3.5% (2008 – 3.5%) per annum over the Central Bank of Kuwait's discount rate, matures on April 29, 2010	15,000,000	15,000,000
Total term loans	<u>44,970,000</u>	<u>44,970,000</u>
Overdraft bearing interest rate at 3.5% (2008 – 3.5%) per annum, matures on April 15, 2010.	5,073,936	5,093,743
Total term loans and overdrafts	<u>50,043,936</u>	<u>50,063,743</u>

The Group has pledged ownership of a subsidiary's shares with a fair market value of KD 15,000,000 and certain fixed assets with an amount of KD 13,474,531 (2008 – KD 9,849,585) (Note 10) as collaterals against a term loan (Note 2.d).

The fair value of term loans equals their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowing rate.

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14. Wakala and Murabaha payables

	<u>2009</u>	<u>2008</u>
Wakala payables mature on April 15, 2010	5,000,000	6,070,000
Murabaha payable matures on October 20, 2010	3,500,000	-
	<u>8,500,000</u>	<u>6,070,000</u>

Average cost rate attributable to Wakala payables during the year ended December 31, 2009 was 7% (2008 – 7.625%) per annum.

Average cost rate attributable to Murabaha payable during the year ended December 31, 2009 was 8% (2008 – Nil%) per annum.

15. Deferred consideration on acquisition of properties

	<u>2009</u>	<u>2008</u>
Balance at the beginning of the year	34,007,819	38,699,426
Additions	-	16,711,032
Additions related to a newly consolidated subsidiary	-	10,859,034
Consideration paid during the year	(3,582,792)	(32,264,721)
Foreign currency transaction adjustments	1,039,416	3,048
Balance at the end of the year	<u>31,464,443</u>	<u>34,007,819</u>

16. Share capital

Authorized, issued and paid-up capital consists of 499,476,750 shares (2008 – 454,069,800 shares) of 100 fils each (Note 36).

17. Share premium

This represents cash received in excess of the par value of the shares issued.

18. Reserves

Statutory reserve:

As required by the Commercial Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year attributable to equity holders of the Parent Company before contribution to Kuwait Foundation for the Advancement of Sciences, National Labour Support Tax, contribution to Zakat and Board of Directors' remuneration is transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve equals 50% of the capital. This reserve is not available for distribution except in cases stipulated by Law and the Parent Company's Articles of Association. The Parent Company has transferred an amount of KD 515,305 for the year ended December 31, 2009.

Voluntary reserve:

As required by the Parent Company's Articles of Association, 10% of the profit for the year attributable to equity holders of the Parent Company before contribution to Kuwait Foundation for the Advancement of Sciences, National Labour Support Tax, contribution to Zakat and Board of Directors' remuneration is transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' General Assembly upon recommendation by the Board of Directors. The Parent Company has transferred an amount of KD 515,305 for the year ended December 31, 2009.

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19. Treasury shares

	<u>2009</u>	<u>2008</u>
Number of shares (shares)	49,189,869	43,667,154
Percentage of issued shares (%)	9.85%	9.62%
Market value (Kuwaiti Dinar)	5,997,864	13,496,854
Cost (Kuwaiti Dinar)	27,189,284	28,049,447

Treasury shares include 39,908,000 shares with a cost of KD 23,224,041 and market value of KD 4,948,592 in the books of a subsidiary – First Dubai Real Estate Development K.S.C. (Closed).

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20. Other equity balances

	Reserves	Treasury shares reserve	Cumulative changes in fair value	Assets revaluation surplus	Foreign currency translation adjustments	Total
Balance at December 31, 2007	15,555,516	1,359,542	-	1,038,731	(2,433,513)	15,520,276
Transfer to reserves	2,707,324	-	-	-	-	2,707,324
Sale of treasury shares	-	202,347	-	-	-	202,347
Total comprehensive income (loss) for the year	-	-	68,567	(415,492)	1,625,971	1,279,046
Balance at December 31, 2008	18,262,840	1,561,889	68,567	623,239	(807,542)	19,708,993
Transfer to reserves	1,030,610	-	-	-	-	1,030,610
Sale of treasury shares	-	(860,812)	-	-	-	(860,812)
Total comprehensive (loss) income for the year	-	-	(12,512)	(103,873)	2,286,244	2,169,859
<b>Balance at December 31, 2009</b>	<b>19,293,450</b>	<b>701,077</b>	<b>56,055</b>	<b>519,366</b>	<b>1,478,702</b>	<b>22,048,650</b>

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21. Gross profit

	<u>2009</u>	<u>2008</u>
Revenue from sale of properties held for trading	61,351,443	153,111,378
Revenue from sale of investment property	-	2,606,975
Cost of sale of properties held for trading (Note 5)	(49,168,968)	(100,092,253)
Gross profit	<u>12,182,475</u>	<u>55,626,100</u>

During the year ended December 31, 2008, one of the subsidiaries sold 80% of a major project located in Dubai – United Arab Emirates with an approximate amount of AED 1.64 Billion, equivalent to KD 119 million resulting in realized revenue and profit recognized in the consolidated statement of income during 2008 amounted to KD 47,734,956 and KD 28,945,059 respectively, representing 40% of the total revenue and profit.

During the year ended December 31, 2009 and due to the global crisis, the Group entered into a settlement agreement with the purchasing party to complete only 50% of the sale transaction equivalent to 40% of the project for which, there is no impact on the revenues and costs reported during the year ended December 31, 2008, as the Group recognized the revenues, costs and profits based on the percentage of collection, resulting in adjustment to the total selling amount to AED 820 million, equivalent to KD 59.6 million. The realized revenue and profit from the settlement agreement amounted to KD 13,036,892 and KD 6,979,156 respectively, which had been recognized in the current year consolidated statement of income with a cost amounting to KD 6,057,736.

22. Management fees, commission and consultancy income

The Group acts as project manager for certain real estate properties owned by other parties through developing, managing, and selling those properties. The Group charges those parties certain management fees, commission and consultancy income against those services (Note 32).

23. Net investment income

	<u>2009</u>	<u>2008</u>
Unrealized gain from changes in fair value of investments at fair value through income statement	-	310,134
Realized (loss) gain on sale of investments at fair value through income statement	(77)	541,965
Realized (loss) gain on sale of investments available for sale	(262,643)	379,951
Dividend income	690,751	347,082
	<u>428,031</u>	<u>1,579,132</u>

24. Impairment losses

	<u>2009</u>	<u>2008</u>
Impairment loss on investments available for sale (Note 6)	-	6,861,476
Impairment of goodwill	-	18,813,250
	<u>-</u>	<u>25,674,726</u>

25. Provisions

	<u>2009</u>	<u>2008</u>
Provision for doubtful accounts (Note 4)	800,889	16,346,304
Provision for investment in an associate (Note 7)	-	1,500,000
	<u>800,889</u>	<u>17,846,304</u>

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26. Provisions no longer required

During the year ended December 31, 2009, the Group reversed certain provision as follows:

	<u>2009</u>
Provision for accounts receivable no longer required (Note 4)	7,587,996
Provision for investments in associates no longer required (Note 7)	<u>667,719</u>
	<u>8,255,715</u>

27. Depreciation and amortization

	<u>2009</u>	<u>2008</u>
Depreciation	312,790	260,784
Amortization	72,777	72,977
	<u>385,567</u>	<u>333,761</u>

28. Contribution to Kuwait Foundation for the Advancement of Sciences

Contribution to Kuwait Foundation for the Advancement of Sciences is calculated at 1% of the profit of the Parent Company after deducting its share of income from shareholding subsidiaries and associates and transfer to statutory reserve.

During the year 2008, the Group calculated the contribution to KFAS based on 2008 net profit without deducting an amount of KD 15,485,610 pertaining to profits previously recorded and for which contribution to KFAS has been already paid. Accordingly no contribution to KFAS should have been accrued for or paid in year 2008.

In year 2009 and based on the above, the Group didn't record any contribution to KFAS in the consolidated statement of income since there is already available accrual balance. The contribution to KFAS that the Group will pay for year 2009 amounts to KD 46,377.

29. National Labor Support Tax

National Labor Support Tax is calculated at 2.5% of the profit of the Parent Company and after deducting its share of income from listed shareholding subsidiaries and associates and dividends from Kuwaiti listed shareholding companies and adding back any provision taken and deducting provision reversals and provision no longer required amounts, as well as profit incurred from disposal of assets for which provision have been already provided up to the provision balance.

During year 2009, the group has reversed provisions no longer required which have been deducted from the profit for NLST calculation purposes and accordingly there was no profit on which contribution to NLST could be calculated.

30. Contribution to Zakat

Contribution to ZAKAT is calculated at 1% of the profit of the Parent Company after deducting its share of income from shareholding subsidiaries adding back any provision taken and deducting provision reversals and provisions no longer required amounts, as well as profit incurred from disposal of assets for which provision have been already provided up to the provision balance, and this is in accordance with Ministry of Finance resolution No. 58/2007 effective December 10, 2007.

During year 2009, the group has reversed provisions no longer required which have been deducted from the profit for Zakat calculation purposes and accordingly there was no profit on which contribution to Zakat could be calculated .

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31. Earnings per share attributable to the equity holders of the Parent Company

Earnings per share is computed by dividing net profit for the year attributable to equity holders of the Parent Company by the weighted average number of shares outstanding during the year. The dilutive effect of share options outstanding has no material impact on earnings per share for the year.

	<u>2009</u>	<u>2008</u>
Net profit for the year attributable to equity holders of the Parent Company	<u>5,153,053</u>	<u>13,046,148</u>
	<u>Shares</u>	<u>Shares</u>
Weighted average number of issued and fully paid-up shares	454,069,800	424,248,199
Add: Bonus shares	45,406,980	45,406,980
Less: weighted average number of treasury shares	<u>(49,653,431)</u>	<u>(19,575,718)</u>
Weighted average number of shares outstanding	<u>449,823,349</u>	<u>450,079,461</u>
	<u>Fils</u>	<u>Fils</u>
Earnings per share attributable to equity holders of the Parent Company	<u>11.46</u>	<u>28.99</u>

Earnings per share for the year ended December 31, 2008 before restatement for the issue of bonus shares amounted to 31.86 fils.

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**32. Related parties' disclosures**

The Group has entered into various transactions with related parties, i.e. shareholders, key management personnel and other related parties in the normal course of its business concerning financing and other related services. Prices and terms of payment are approved by the Group's management. Significant related parties transactions and balances are as follows:

	Major shareholders	Joint ventures	Other related parties	2009	2008
<b>Balances included in the consolidated statement of financial position:</b>					
Cash and cash equivalents (Note 3)	236,628	-	-	236,628	980
Accounts receivable and other debit balances (Note 4)	1,755,973	3,606,466	2,860	5,365,299	3,568,657
Accounts payable and other credit balances (Note 12)	1,630,438	8,332,306	519,439	10,482,183	9,745,139
<b>Transactions included in the consolidated statement of income:</b>					
Management fees, commission and consultancy income (Note 22)	86,625	-	461,361	547,986	830,146
<b>Key management personnel compensation:</b>					
Salaries and other short term benefits				283,267	684,012
Terminal benefits				24,294	41,366
				<u>307,561</u>	<u>725,378</u>

The related parties' balances represent the amounts being collected or paid on behalf of the Group by / for its related parties, which related to operational activities.

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33. Fiduciary accounts

The Group manages projects on behalf of others, and maintains cash balances and notes receivable in fiduciary accounts, which are not reflected in the Group's consolidated statement of financial position. Assets under management as of December 31, 2009, amounted to KD 12,060,967 (December 31, 2008 – KD 13,552,550).

34. Capital commitments and contingent liabilities

The Group had capital commitments and contingent liabilities in respect of the following:

	<u>2009</u>	<u>2008</u>
Letters of guarantee	22,876,000	27,861,300
Capital commitments	103,054,154	103,718,103
	<u>125,930,154</u>	<u>131,579,403</u>

The capital commitments balance represents the estimated and the remaining amounts of contracts and projects to be executed in the future. The estimated revenues related to these contracts and projects are KD 107,261,106 as of December 31, 2009.

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**35. Segment information:**

For management purposes, the Group is divided into three geographical segments, which are: State of Kuwait, United Arab Emirates and Lebanon, where the Group performs its main activities in the real estate segment, accordingly, the Group has no secondary segment. There are no income generating transactions between the Group's segments. The segment information for the geographical segments that represent the primary segments is as follows:

	2009			2008				
	Kuwait	United Arab Emirates	Others	Total	Kuwait	United Arab Emirates	Others	Total
Gross profit	21,209	12,161,266	-	12,182,475	26,019	55,600,081	-	55,626,100
Changes in fair value of investment properties	-	(16,028,799)	-	(16,028,799)	-	(24,986,342)	-	(24,986,342)
Management fees, commission and consultancy income	279,047	777,823	-	1,056,870	427,988	4,193,025	-	4,621,013
Net investment income	711,248	-	(283,217)	428,031	1,579,132	-	-	1,579,132
Impairment losses	-	-	-	-	(25,674,726)	-	-	(25,674,726)
Provisions	(600,889)	-	-	(600,889)	(17,846,304)	-	-	(17,846,304)
Provision no longer required	8,255,715	-	-	8,255,715	-	-	-	-
(Loss) gain on partial disposal of a subsidiary	(568,002)	-	-	(568,002)	4,448,623	-	-	4,448,623
Gain on waiver of capital subscription	7,308,045	-	-	7,308,045	23,526,071	-	-	23,526,071
Dilution loss	-	-	-	-	(2,893,829)	-	-	(2,893,829)
Group's share of results from joint ventures	4,255	(230,847)	-	(226,592)	(1,092,475)	749,712	-	(342,763)
Group's share of results from associates	-	-	49,811	49,811	-	-	120,157	120,157
Marketing expenses	(117,028)	-	-	(117,028)	(306,710)	(403,436)	-	(710,146)
Administrative expenses	(1,776,118)	(89,275)	-	(1,865,393)	(4,720,505)	(1,546,377)	(62,083)	(6,328,965)
Expenses related to equity settled share based payments	(238,237)	(1,474,470)	-	(1,712,707)	(1,897,015)	-	-	(1,897,015)
Depreciation and amortization	(33,543)	-	-	(33,543)	(212,776)	(122,714)	-	(333,761)
Expenses on completed projects	(43,917)	(147,330)	-	(191,247)	(402,900)	(331,603)	-	(725,743)
Foreign currency exchange gain (loss)	25,246	(799,341)	-	(774,095)	337,829	118,273	-	569,432
Other (expenses) income	260,421	486,644	-	747,065	41,245	11,487	-	159,518
Interest income	566,823	194,540	-	761,363	1,170,957	-	-	1,282,444
Finance charges	(2,386,362)	-	-	(2,386,362)	(3,050,999)	-	-	(3,050,999)
Contribution to Kuwait Foundation for the Advancement of Sciences	-	-	-	-	(38,929)	-	-	(38,929)
National Labor Support Tax	-	-	-	-	(336,487)	-	-	(336,487)
Contribution to Zakat	-	-	-	-	(115,051)	-	-	(115,051)
Net (loss) profit for the year	11,380,913	(5,149,789)	(234,406)	5,996,718	(27,030,842)	33,924,327	58,074	6,951,559
Total segment assets	90,912,114	240,735,415	32,068,287	363,716,816	78,691,496	253,565,183	12,619,578	344,876,259
Total segment liabilities	78,350,739	119,164,529	385	197,515,653	71,636,925	117,749,640	11,016	189,397,581

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36. General Assembly

The Board of directors proposed not to distribute any cash dividends or bonus shares for the year ended December 31, 2009. This proposal is subject to the shareholders' Annual General Assembly.

The Shareholders' Annual General Assembly held on May 17, 2009 approved the distribution of 10 bonus shares for every 100 shares for the year ended December 31, 2008.

37. Financial risk management

In the normal course of business, the Group uses primary financial instruments such as cash and cash equivalents, accounts receivable, murabaha receivables, investments, accounts payable, term loans and Wakala and Murabaha payables and as a result, is exposed to the risks indicated below. The Group currently does not use derivative financial instruments to manage its exposure to these risks.

**a) Interest rate risk**

Financial instruments are subject to the risk of changes in value due to changes in the level of interest. The effective interest rates and the periods in which interest bearing financial assets and liabilities are repriced or mature are indicated in the respective notes.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit through the impact on floating rate borrowings. There is no impact on the Group's statement of comprehensive income.

Year	Increase / decrease in interest rate	Balance	Effect on consolidated statement of income
<b>2009</b>			
Short term bank deposits	± 50 basis points	7,182,970	± 35,914
Bank overdraft and term loans	± 50 basis points	50,043,936	± 250,219
<b>2008</b>			
Short term bank deposits	± 50 basis points	8,982,942	± 44,914
Bank overdraft and term loans	± 50 basis points	50,063,743	± 250,318

**b) Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets which potentially subject the Group to credit risk consist principally of cash and cash equivalents and accounts receivable. The Group's cash and cash equivalents are placed with high credit rating financial institutions. Receivables are presented net of allowance for doubtful debts. Credit risk with respect to receivables is limited due to the large number of customers.

The Group's maximum exposure arising from default of the counter-party is limited to the carrying amount of cash and cash equivalents, accounts receivable and due from related parties.

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**c) Foreign currency risk**

The Group incurs foreign currency risk on transactions that are denominated in a currency other than the Kuwaiti Dinar. The Group may reduce its exposure to fluctuations in foreign exchange rates through the use of derivative financial instruments. The Group ensures that the net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the Kuwaiti Dinar.

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange rates:

	Increase / decrease against Kuwaiti Dinars	Effect on consolidated statement of income	Effect on consolidated statement of comprehensive income
<b>2009</b>			
AED	± 5%	± 263,223	± 2,132,101
USD	± 5%	± 7,846	± 8,783
<b>2008</b>			
AED	± 5%	±390,515	± 2,732,882
USD	± 5%	± 47,250	± 4,076

**d) Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk, the Group periodically assesses the financial viability of customers and invests in bank deposits or other investments that are readily realizable.

Maturity Table for financial liabilities:

<b>2009</b>	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Total
Bank overdraft	-	5,073,936	-	-	5,073,936
Accounts payable and other credit balances	-	21,197,327	127,795	85,898,200	107,223,322
Term loans	-	44,970,000	-	-	44,970,000
Wakala and Murabaha payables	-	8,500,000	-	-	8,500,000
Deferred consideration on acquisition of properties	-	-	-	31,464,443	31,464,443
	-	79,741,263	127,795	117,362,643	197,231,701
<b>2008</b>					
	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Total
Bank overdraft	-	5,093,743	-	-	5,093,743
Accounts payable and other credit balances	757,182	9,745,139	12,414,637	76,128,704	99,045,662
Term loans	-	-	44,970,000	-	44,970,000
Wakala and Murabaha payables	-	1,070,000	5,000,000	-	6,070,000
Deferred consideration on acquisition of properties	-	1,645,184	15,834,157	16,528,478	34,007,819
	757,182	17,554,066	78,218,794	92,657,182	189,187,224

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**e) Equity price risk**

Equity price risk is the risk that fair values of equities decrease as the result of changes in level of equity indices and the value of individual stocks. The equity price risk exposure arises from the Group's investment in equity securities classified as investments available for sale.

The following table demonstrates the sensitivity to a reasonably possible change in equity indices as a result of change in the fair value of these investments to which the Group had significant exposure:

Market indices	2009			2008		
	Change in equity price %	Effect on consolidated statement of income	Effect on consolidated statement of comprehensive income	Change in equity price %	Effect on consolidated statement of income	Effect on consolidated statement of comprehensive income
Kuwait Stock Exchange	± 5%	-	± 336,260	± 5%	± 67	± 106,447

**Fair value of financial instruments**

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained from current bid prices, discounted cash flow models and other models as appropriate. At December 31, the fair values of financial instruments approximate their carrying amounts.

Effective January 1, 2009, the Group adopted the amendment to IFRS 7 for financial instruments that are measured in the consolidated statement of financial position at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

The following table presents the Group's equity securities that are measured at fair value at December 31:

	Level 1	Level 2	Total balance
<b>2009</b>			
Investments available for sale	1,393,094	23,320,398	24,713,492
<b>2008</b>			
Investments available for sale	1,494,823	22,753,397	24,248,220

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily traded equity investments or classified as available-for-sale.

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The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on Group's specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of foreign currency exchange contract is determined using forward exchange rates at the end of reporting period.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

**38. Capital Risk Management**

The Group's objectives when managing capital resources are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital resources structure to reduce the cost of capital.

In order to maintain or adjust the capital resources structure, the Group may adjust the amount of dividends paid to shareholders, return paid up capital to shareholders, issue new shares, sell assets to reduce debt, repay loans or obtain additional loans.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

For the purpose of capital risk management, the total capital resources consist of the following components:

	<u>2009</u>	<u>2008</u>
Bank overdraft	5,073,936	5,093,743
Term loans	44,970,00	44,970,000
Wakala and Murabaha payables	8,500,000	6,070,000
Less: cash and cash equivalents	<u>(28,180,304)</u>	<u>(48,756,857)</u>
Net debts	30,363,632	7,376,886
Total equity	<u>166,201,163</u>	155,478,678
Total capital resources	196,564,795	162,855,564

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39. Legal claim

On December 4, 2007, contracts have been signed between Al Mazaya Real Estate Company FZ LLC (a company duly incorporated in Dubai and wholly owned by Al Mazaya Holding Company K.S.C. (Holding)) and Limitless Company LLC (Owned by Dubai Government) for purchasing 9 plots, as described in the Sale and Purchase Agreements concluded between the two parties which are located in "Downtown Jabel Ali – Zone 1 and 4".

A request of committal to arbitration has been placed by Al Mazaya Real Estate Company FZ LLC to Dubai International Arbitration Centre as per Article (20) of the sale and purchase agreements on June 10, 2009 and the arbitration case was recorded under No. (133/2009).

The legal pleas related to Al Mazaya Real Estate Company FZ LLC request for arbitration could be summarized as follows:

- The right to retain the option of contract termination as per Article (16.2) of Sale and Purchase Agreements.
- Termination of the contract due to force majeure and the emergent economic conditions.
- Termination of the contract on a ground of the subject lands not being ready for delivery (Zone 4).
- Combining and cancelling some lands and transfer the paid amounts to the ready lands (Zone 1).
- Requesting cancellation of the contract of the lands located within (Zone 4) due to the fact that Limitless Company L.L.C. did not initiate any construction works such as infrastructure, e.g. electricity, water plumbing, drainage, roads, land organization, etc. and, accordingly, there is no damage or justification that requires monetary compensation or forfeiture of the paid amount.

The recent legal proceedings:

Arbitration charges have been paid by both dispute parties; two arbitrators were nominated and nomination of the third arbitrator is in process to complete the Arbitration Panel of the case.

The legal position:

Based on the opinion of the Group's internal legal advisory, the legal position of Al Mazaya Real Estate Company FZ LLC is supported by pleas based on the contracts concluded with Limitless Company L.L.C. and the legal actions taken by Al Mazaya Real Estate Company FZ LLC in this dispute. Moreover, in case all of the above were rejected by the arbitration panel, then this shall have no effect on the financial position of the Group since these plots were valued at their current market value, while if any of the above was approved by arbitration panel then the Group shall assess the exact financial effect at the point of time based on the specific decision of the panel.

40. Comparative figures

Certain of the prior year amounts have been reclassified to conform with the current year presentation.