

**Al Mudon International Real Estate Company
K.S.C. (Closed) and its Subsidiaries**

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2009



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

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

Management Responsibility for the consolidated Financial Statements

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

Auditors' Responsibility

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

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' judgements, 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 the management, as well as evaluating the overall presentation of the consolidated financial statements.

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

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
AL MUDON INTERNATIONAL REAL ESTATE COMPANY K.S.C. (CLOSED) (continued)**

Opinion

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

Report on Other Legal and Regulatory Matters

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



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



DR. SAUD AL-HUMAIIDI
LICENSE NO. 51 A
DR. SAUD AL-HUMAIIDI & PARTNERS
MEMBER OF BAKER TILLY
INTERNATIONAL

9 March 2010

Kuwait

Al Mudon International Real Estate Company K.S.C. (Closed) and its Subsidiaries

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2009

	<i>Notes</i>	<i>2009 KD</i>	<i>2008 KD</i>
Murabaha income		-	96,143
Gain on part disposal of investment in a subsidiary	3	135,670	-
Share of results of associates	8	269,740	450,961
Realised gain on sale of investment available for sale		-	85,231
(Loss)/gain on sale of associates	8	(7,979)	7,278,524
Other income		54,782	12,058
Foreign exchange (loss)/gain		(4,113)	65,371
INCOME		448,100	7,988,288
Murabaha expense		-	54,563
General and administrative expenses		275,891	195,521
Impairment losses	4	30,000	4,200,000
EXPENSES		305,891	4,450,084
PROFIT YEAR BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES ("KFAS"), ZAKAT AND NATIONAL LABOUR SUPPORT TAX ("NLST")		142,209	3,538,204
Contribution to KFAS		(1,280)	(31,844)
Zakat		(1,422)	(35,382)
NLST		(3,555)	(88,455)
PROFIT FOR THE YEAR	5	135,952	3,382,523
Attributable to:			
Equity holders' of the parent company		136,850	3,382,523
Non-controlling interests		(898)	-
		135,952	3,382,523
Basic and diluted earnings per share attributable to equity holders of the parent company	6	1.37 fils	33.83 fils

The attached notes 1 to 19 form part of these consolidated financial statements.

Al Mudon International Real Estate Company K.S.C. (Closed) and its Subsidiaries

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	<i>2009</i>	<i>2008</i>
	<i>KD</i>	<i>KD</i>
Profit for the year	135,952	3,382,523
Other comprehensive income (loss):		
Cumulative change in fair values of investments available for sale	(217,145)	(35,688)
Impairment loss on investments available for sale	30,000	-
Foreign currency translation adjustments - associates	114,365	(72,926)
Foreign currency translation adjustments - subsidiaries	316,355	284,019
Other comprehensive income for the year	243,575	175,405
Total comprehensive income for the year	379,527	3,557,928
Attributable to:		
Equity holders' of the parent company	380,425	3,557,928
Non-controlling interests	(898)	-
	379,527	3,557,928

The attached notes 1 to 19 form part of these consolidated financial statements.

Al Mudon International Real Estate Company K.S.C. (Closed) and its Subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	<i>Notes</i>	<i>2009 KD</i>	<i>2008 KD</i>
ASSETS			
Non-current assets			
Investment property	7	9,557,258	9,229,778
Investment in an associate	8	5,049,977	4,816,550
Investments available for sale	9	5,145,947	57,398
Total non-current assets		<u>19,753,182</u>	<u>14,103,726</u>
Current assets			
Other assets	10	2,114,820	6,469,126
Bank balances and cash		26,051	19,263
		<u>2,140,871</u>	<u>6,488,389</u>
TOTAL ASSETS		<u>21,894,053</u>	<u>20,592,115</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	11	10,000,000	10,000,000
Statutory reserve	12	1,202,220	1,187,999
Voluntary reserve	13	1,245,957	1,231,736
Cumulative changes in fair values		(222,833)	(35,688)
Foreign currency translation reserve		548,885	118,165
Retained earnings		4,034,743	3,926,335
Equity attributable to equity holders of the parent company		<u>16,808,972</u>	<u>16,428,547</u>
Non-controlling interests		1,364,893	-
Total equity		<u>18,173,865</u>	<u>16,428,547</u>
Non-current liabilities			
Employees' end of service benefits		1,255	27,428
Current liabilities			
Other liabilities	14	3,718,933	4,136,140
Total liabilities		<u>3,720,188</u>	<u>4,163,568</u>
TOTAL EQUITY AND LIABILITIES		<u>21,894,053</u>	<u>20,592,115</u>

Adnan Yaqoub Bou Rhama
Chairman

Omar Ali Alzumai
Vice chairman

The attached notes 1 to 19 form part of these consolidated financial statements.

Al Mudon International Real Estate Company K.S.C. (Closed) and its Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2009

	<i>Notes</i>	2009 <i>KD</i>	2008 <i>KD</i>
OPERATING ACTIVITIES			
Profit for the year before KFAS, Zakat and NLST		142,209	3,538,204
Adjustments for:			
Share of results of associates		(269,740)	(450,961)
Loss/(gain) on sale of associates		7,979	(7,278,524)
Impairment loss	4	30,000	4,200,000
Gain on part disposal of investment in a subsidiary		(135,670)	-
Reversal of excess provision for employees' end of service benefits		(26,173)	-
 Murabaha income		-	(96,143)
Murabaha expenses		-	54,563
		(251,395)	(32,861)
Changes in operating assets and liabilities::			
Other assets		(76,807)	(4,969,287)
Other liabilities		(855,742)	62,030
Net cash used in operating activities		(1,183,944)	(4,940,118)
INVESTING ACTIVITIES			
Acquisition of subsidiaries		-	(8,786,170)
Investment in associates	8	(25,426)	(2,740,527)
Proceeds from sale of investment in associates		23,016	10,154,760
Addition to Investment property		(6,609)	(199,615)
Purchase of investment available for sale		(41,713)	-
Dividend received from an associate	8	64,606	-
Proceeds from sale of investment available for sale		851	-
Proceeds from part disposal of investment in a subsidiary		1,581,964	-
Net cash from (used in) investing activities		1,596,689	(1,571,552)
FINANCING ACTIVITIES			
Murabaha payables		-	(1,208,497)
Amount due to the ultimate parent company		(401,441)	7,651,719
Murabaha expenses paid		-	(54,563)
Net cash (used in) from financing activities		(401,441)	6,388,659
INCREASE/(DECREASE) IN BANK BALANCES AND CASH			
Net foreign exchange difference		(4,516)	167,976
Bank balances and cash on acquisition of subsidiaries		-	(26,581)
Bank balances and cash at 1 January		19,263	879
BANK BALANCES AND CASH AT 31 DECEMBER		26,051	19,263

The attached notes 1 to 19 form part of these consolidated financial statements.

Al Mudon International Real Estate Company K.S.C. (Closed) and its Subsidiaries
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2009

	<i>Attributable to equity holders of the parent company</i>								
	<i>Share capital</i> KD	<i>Statutory reserve</i> KD	<i>Voluntary reserve</i> KD	<i>Cumulative changes in fair values</i> KD	<i>Foreign currency translation reserve</i> KD	<i>Retained earnings</i> KD	<i>Sub total</i> KD	<i>Non-controlling interests</i> KD	<i>Total</i> KD
Balance at 1 January 2009	10,000,000	1,187,999	1,231,736	(35,688)	118,165	3,926,335	16,428,547	-	16,428,547
Profit for the year	-	-	-	-	-	136,850	136,850	(898)	135,952
Other comprehensive (expense) income for the year	-	-	-	(187,145)	430,720	-	243,575	-	243,575
Total comprehensive (expense) income for the year	-	-	-	(187,145)	430,720	136,850	380,425	(898)	379,527
Arising on part disposal of a subsidiary (Note 3)	-	-	-	-	-	-	-	1,365,791	1,365,791
Transfer to reserve	-	14,221	14,221	-	-	(28,442)	-	-	-
Balance at 31 December 2009	10,000,000	1,202,220	1,245,957	(222,833)	548,885	4,034,743	16,808,972	1,364,893	18,173,865
Balance at 1 January 2008	5,000,000	834,179	877,916	-	(92,928)	6,251,452	12,870,619	-	12,870,619
Profit for the year	-	-	-	-	-	3,382,523	3,382,523	-	3,382,523
Other comprehensive (expense) income for the year	-	-	-	(35,688)	211,093	-	175,405	-	175,405
Total comprehensive (expense) income for the year	-	-	-	(35,688)	211,093	3,382,523	3,557,928	-	3,557,928
Bonus shares issued	5,000,000	-	-	-	-	(5,000,000)	-	-	-
Transfer to reserve	-	353,820	353,820	-	-	(707,640)	-	-	-
Balance at 31 December 2008	10,000,000	1,187,999	1,231,736	(35,688)	118,165	3,926,335	16,428,547	-	16,428,547

The attached notes 1 to 19 form part of these consolidated financial statements.

Al Mudon International Real Estate Company K.S.C. (Closed) and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

1 CORPORATE INFORMATION

The consolidated financial statements of Al Mudon International Real Estate Company K.S.C. (Closed), (the "parent company") and its subsidiaries (the "group") for the year ended 31 December 2009 were authorised for issue by the Board of Directors on 9 March 2010. The Annual General Assembly of the shareholders have the right to amend these consolidated financial statements.

The parent company is a closed shareholding company incorporated and registered in Kuwait in 1996. The parent company's registered office is at 2 Floor, Building No. 4, Block No. 8, Al Mubarkia Area, Kuwait.

The principal activities of the parent company comprise investments in real estates and securities.

The parent company is a subsidiary of Watheeqa Holding Group K.S.C. (Closed) (the "ultimate parent company").

The parent company is listed on Kuwait Stock Exchange.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The consolidated financial statements are prepared under the historical cost convention as modified for the revaluation of investments available for sale. The consolidated financial statements are presented in Kuwaiti Dinars, which is also the functional currency of the parent company.

Statement of compliance

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

Changes in accounting policy and disclosures

The accounting policies are consistent with those used in the previous year, except the group adopted the following standards effective for annual periods beginning on or after 1 January 2009:

IAS 1 'Presentation of Financial Statements' (Revised):

The revised standard separates owner and non-owner changes in shareholders' equity. The statement of changes in shareholders' equity includes only details of transactions with owners, with non-owner changes in shareholders' equity presented as a single line. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The group has elected to present two linked statements.

IFRS 7 'Financial Instruments: Disclosures' (Amended)

The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments. In addition, reconciliation between the beginning and ending balance for level 3 fair value measurements is required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to assets used for liquidity management. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in Note 16. The fair value measurement disclosures are presented in Note 17.

IFRS 8 'Operating segments':

The new standard which replaced IAS 14 'Segment reporting' requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. The application of this IFRS does not have any implication as the reportable segments used in the previous periods were consistent with the internal reporting provided to the chief operating decision - maker.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policy and disclosures (continued)

IAS 40 'Investment Properties' (Revised):

The improvements to IFRS project revised the scope of IAS 40 'Investment properties' such that property under construction or development for future use as an investment property is classified as investment property. Since the group follows 'fair value model', property under construction or development should be fair valued at each reporting date. If fair value cannot be reliably determined, property under construction or development will be measured at cost until such time as fair value can be determined or construction is complete. As a result of the application of this standard, the "property under construction" has been classified as "investment property".

IASB Standard and International Financial Reporting Interpretation Committee (IFRIC) Interpretation issued but not yet effective and not early adopted:

IFRS 9 'Financial Instruments'

The standard was issued in November 2009 and becomes effective for financial years beginning on or after 1 January 2013. The new standard enhances the ability of investors and other users of financial information to understand the accounting of financial assets and reduces complexity. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used.

IAS 24 (revised) "Related party disclosures"

The revised standard was issued in November 2009 and becomes effective for annual periods beginning on or after 1 January 2011. The revised standard simplifies the definition of a related party.

IFRS 3R Business combination and IAS 27R Consolidated and Separate financial statements

The revised standards were issued in January 2008 and become effective for the financial years beginning on or after 1 July 2009. IFRS 3R introduces a number of changes in the accounting for business combinations occurring after this date that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27R requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

The application of these standards and interpretation will be made in the consolidated financial statements when these standards become effective and are not expected to have a material impact on the consolidated financial statements of the group.

Principles of consolidation

The consolidated financial statements comprise the financial statements of the parent company and its subsidiaries as at 31 December 2009. 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 prepared for the same reporting year as the parent company, using uniform accounting policies for like transactions and other events in similar circumstances. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the group obtains control, and continues until the date that such control ceases.

Non-controlling interests' represents the portion of profit and loss and net assets not held by the group and is presented separately in the consolidated statement of income and within equity in the consolidated statement of financial position, separately from parent shareholders' equity. Acquisition of non-controlling interests is accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill. The excess of acquirer's interest in net fair values of the identifiable net assets acquired (i.e. a discount on acquisition) over the cost of acquisition is recognised directly in the consolidated statement of income in the year of acquisition.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)**Principles of consolidation (continued)**

Significant inter-group balances and transactions, including inter-group profits and unrealised profits and losses are eliminated on consolidation.

The principal subsidiaries of the group are as follows:

<i>Name of company</i>	<i>Principal activities</i>	<i>Country of incorporation</i>	<i>Effective equity interest as at 31 December 2009</i>	<i>Effective equity interest as at 31 December 2008</i>
Leaders Business Group (Holding) SAL	Real estate development	Lebanon	85.7%	100%
<i>Held through LBG</i>				
Palais Noura SAL (Previously Modern Company for Project Development SAL)	Real estate development	Lebanon	85.7%	100%

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured.

Murabaha income is recognised on a time proportion basis so as to yield a constant periodic rate of return based on the balance outstanding.

Investment property

Investment property is property acquired, constructed or in the course of construction and development and is held to earn rentals or for capital appreciation or both.

In May 2008, the IASB revised the scope of IAS 40 Investment Property such that property under development is classified as investment property prospectively from 1 January 2009 and is measured at fair value and any fair value adjustment is recognised in the consolidated statement of income. During the year ended 31 December 2008, property under construction was dealt with under IAS 16 and recorded at cost, net of accumulated impairment losses, until development was complete, upon which it is transferred to investment property.

Investment property is measured initially at cost including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating.

Subsequent to initial recognition, Investment property is stated at fair value. Gains or losses arising from changes in the fair values are included in the consolidated statement of income in the year in which they arise.

The fair value of investment property is determined by independent real estate valuation experts, except if such values cannot be reliably determined. In the exceptional cases when a fair value cannot be reliably determined, such properties are recorded at cost.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in an associate

Investment in an associate is accounted for under the equity method of accounting. An associate is an entity in which the group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised or separately tested for impairment. The consolidated statement of income reflects the group's share of the results of operations of the associate. Where there has been a change recognised in other comprehensive income of the associate, the group recognises its share of any changes and discloses this, when applicable, in other comprehensive income. Profits and losses resulting from transactions between the group and the associate are eliminated to the extent of the interest in the associate.

The reporting dates of the associate and the group are identical. The associate's accounting policies conform to those used by the group for like transactions and events in similar circumstances.

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

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

Business combinations and goodwill

Business combinations are accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interests was measured at the proportionate share of the acquiree's identifiable net assets.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of an acquisition over the group's share of the acquiree's fair value of the net identifiable assets as at the date of the acquisition. Following initial recognition, goodwill is measured at cost less impairment losses. Any excess, at the date of acquisition, of the group's share in the acquiree's fair value of the net identifiable assets over the cost of the acquisition is recognised in the consolidated statement of income.

Goodwill is allocated to each of the group's cash-generating units or groups of cash generating units and is tested annually for impairment. Goodwill impairment is determined by assessing the recoverable amount of cash-generating unit, to which goodwill relates. The recoverable value is the value in use of the cash-generating unit, which is the net present value of estimated future cash flows expected from such cash-generating unit. If the recoverable amount of 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 prorated on the basis of the carrying amount of each asset in the unit. Any impairment loss recognised for goodwill is not reversed in a subsequent period.

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

When associates or subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation difference and goodwill is recognised in the consolidated statement of income.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Recognition/de-recognition of financial assets and liabilities

The group recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instruments. A regular way purchase of financial assets is recognised using the trade date accounting. Financial liabilities are not recognised unless one of the parties has performed or the contract is a derivative contract.

Financial assets and liabilities are measured initially at fair value (transaction price) plus, in case of a financial asset or financial liability not at fair value through income statement, directly attributable transaction costs. Transaction costs on financial assets and financial liabilities at fair value through income statement are expensed immediately.

A financial asset (in whole or in part) is derecognised either when:

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

Where the group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the group's continuing involvement in the asset.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

Investments available for sale

Investments available for sale are those non-derivative financial assets that are designated as available for sale and are not classified as investments at fair value through income statement, or loans and receivables.

Investments available for sale are measured initially at fair value (transaction price) plus, directly attributable transaction costs. After initial recognition, investments available for sale are measured at fair value with gains and losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain and loss previously reported in equity is recognised in the consolidated statement of income. Investments whose fair value cannot be reliably measured are carried at cost less impairment losses, if any

Offsetting

Financial assets and liabilities are offset when the group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

Fair values

For investments quoted in an active market, fair value is determined by reference to quoted market prices. Current bid prices are used for assets and offer prices are used for liabilities.

For investments where there is no quoted market price, a reasonable estimate of the fair value is determined by using valuation techniques such as recent arm's length transactions, reference to the current fair value of another instrument that is substantially the same, an earnings multiple, or is based on the expected cash flows of the investment discounted at current rates applicable for items with similar terms and risk characteristics. Fair value estimates take into account liquidity constraints and assessment for any impairment.

The fair value of profit bearing items is estimated based on discounted cash flow using profit rates for items with similar terms and risk characteristic.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets

An assessment is made at each reporting date to determine, in case of financial asset, whether there is objective evidence that a specific financial asset may be impaired and, in case of other assets, whether there is an indication that a specific asset may be impaired. A financial asset or a group of financial assets are impaired if, and only if, there is an objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If such evidence or indication exists, any impairment loss is recognised in the consolidated statement of income.

The group assesses whether objective evidence of impairment exists on an individual basis for each individual significant receivables and collectively for others. The main criteria that the group uses to determine that there is objective evidence of an impairment consideration include whether any payment of principal or interest are overdue by more than 90 days or there are any known difficulties in the cash flows including the sustainability of the counterparty's business plan, credit rating downgrades, breach of original terms of the contract, its ability to improve performance once a financial difficulty has arisen, deterioration in the value of collateral, etc. Impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

Impairment is determined as follows:

- For assets carried at amortised cost, impairment is based on estimated cash flows discounted at the original effective interest rate;
- For assets carried at fair value, impairment is the difference between cost and fair value; and
- For assets carried at cost, impairment is the difference between actual cost and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Reversal of impairment losses, except for goodwill, recognised in prior years is recorded when there is an indication that the impairment losses recognised for the financial asset no longer exist or have decreased and the decrease can be related objectively to an event occurring after the impairment was recognised. Except for investments available for sale, reversals of impairment losses are recognised in consolidated statement of income. Impairment losses on investments available for sale are not reversed through consolidated statement of income; increases in their fair value after impairment are recognised directly in consolidated statement of other comprehensive income.

Employees' end of service benefits

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

Foreign currency translation

Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Kuwaiti Dinars at rates of exchange prevailing on that date. Any resultant gains or losses are recognised in consolidated statement of income.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Kuwaiti Dinars at the foreign exchange rates prevailing at the dates that the values were determined. In case of non-monetary assets whose change in fair values are recognised directly in equity, foreign exchange differences are recognised in other comprehensive income and for non-monetary assets whose change in fair value are recognised in the statement of income are recognised in the consolidated statement of income.

Assets including goodwill and liabilities, both monetary and non-monetary, of foreign operations are translated at the exchange rates prevailing at the reporting date. Operating results of such operations are translated at average exchange rates for the year. The resulting exchange differences are accumulated in a separate section of equity (foreign currency translation reserve) until the disposal of the foreign operation.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Contingencies

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

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

Significant accounting judgments, estimates and assumptions

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

The most significant use of judgements and estimates are as follows:

Classification of financial instruments

Judgments are made in the classification of financial instruments based on management's intention at acquisition.

Valuation of unquoted equity investments

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

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

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

Impairment of investments available for sale

The group treats investments available for sale as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgement and involves evaluating factors including industry and market conditions, future cash flows and discount factors.

Impairment provision of receivables

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

Fair values of assets and liabilities acquired

The determination of the fair value of the assets, liabilities and contingent liabilities as a result of business combination requires significant judgement.

3 GAIN ON PART DISPOSAL OF INVESTMENT IN A SUBSIDIARY

On 29 September 2009, the group sold 14.3% equity interest in Leaders Business Group (Holding) SAL, a subsidiary, to an associate resulting in a net gain of KD 135,670 (net of eliminations) (note 8). This part disposal of investment in a subsidiary has resulted in non-controlling interests of KD 1,365,791.

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4 IMPAIRMENT LOSSES

	<i>2009</i> <i>KD</i>	<i>2008</i> <i>KD</i>
Impairment loss on investment in an associate (Note 8)	-	1,200,000
Impairment loss on other assets (Note 10)	-	3,000,000
Impairment loss on investment available for sale (Note 9)	30,000	-
	<u>30,000</u>	<u>4,200,000</u>

5 PROFIT FOR THE YEAR

Profit for the year is stated after charging staff costs of KD 159,139 (2008: KD 154,309).

6 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the profit for the year attributable to equity holders of the parent company by the weighted average number of ordinary shares outstanding during the year.

	<i>2009</i> <i>KD</i>	<i>2008</i> <i>KD</i>
Profit for the year attributable to the equity holders of the parent company	136,850	3,382,523
	Share	Share
Weighted average number of ordinary shares outstanding for basic earnings per share	100,000,000	100,000,000
Basic and diluted earnings per share	1.37 fils	33.83 fils

7 INVESTMENT PROPERTY

	<i>2009</i> <i>KD</i>	<i>2008</i> <i>KD</i>
Opening balance	9,229,778	-
On acquisition of the subsidiary in the previous year	-	8,800,406
Development costs	6,609	199,615
Foreign currency translation adjustment	320,871	229,757
	<u>9,557,258</u>	<u>9,229,778</u>

Investment property represents the value of plots of land in Lebanon and related development costs. As at 31 December 2009 investment property is carried at cost because its fair value could not be reliably measured due to the unique nature of the property and an absolute lack of transaction activity in that market.

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8 INVESTMENT IN AN ASSOCIATE

	<i>2009</i>	<i>2008</i>
	<i>KD</i>	<i>KD</i>
Opening balances	4,816,550	9,714,843
Additions	25,426	2,740,527
Disposals	(30,995)	(6,816,855)
Share of results of associates	269,740	450,961
Dividends received	(64,606)	-
Foreign exchange translation adjustment	114,365	(83,354)
Upstream transaction with parent company (note 3)	(80,503)	-
Foreign currency effect on sale of investment in associates	-	10,428
Impairment losses (note 4)	-	(1,200,000)
	<u>5,049,977</u>	<u>4,816,550</u>

Investment in an associate includes goodwill as of 31 December 2009 amounting to KD 3,322,639 (2008: KD 3,322,639). Investment in an associate represents 37.33% (2008: 37.24%) equity interest in Development and Engineering Consultants Company (S.A.E.), an entity incorporated and registered in Egypt and is quoted on the Egypt Stock Exchange. It has a market value of KD 2,951,169 (2008: KD 2,323,222).

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

	<i>2009</i>	<i>2008</i>
	<i>KD</i>	<i>KD</i>
Share of associates' financial position:		
Total assets	6,085,393	5,216,728
Total liabilities	3,077,552	2,522,817
Net assets	<u>3,007,841</u>	<u>2,693,911</u>
Share of associates' revenue and profit:		
Revenue	<u>478,898</u>	<u>1,237,673</u>
Profit for the year	<u>269,740</u>	<u>450,961</u>

During the year, the group has sold 0.24% and purchased 0.33% equity interest of Development and Engineering Consultants Company (S.A.E.) and realised a loss of KD 7,979 (2008: gain of KD 7,278,524 on sale of equity interest relating to three associates namely, Development and Engineering Consultants Company (S.A.E.), Mena for Touristic and Real Estate Investment Company (S.A.E.), and Mena Plaza Company (S.A.E.)).

9 INVESTMENTS AVAILABLE FOR SALE

	<i>2009</i>	<i>2008</i>
	<i>KD</i>	<i>KD</i>
Quoted equity investment	55,974	57,398
Unquoted equity investment	5,089,973	-
	<u>5,145,947</u>	<u>57,398</u>

An impairment charge of KD 30,000 (31 December 2008: KD Nil) has been recognised in respect of quoted investment available for sale for which there has been a significant or prolonged decline in fair value below cost.

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9 INVESTMENTS AVAILABLE FOR SALE (continued)

Unquoted equity investment is recorded at fair value using valuation techniques as current market transactions or observable market data are not available.

Investments available for sale are managed by ultimate parent company (Note 15).

10 OTHER ASSETS

	<i>2009</i>	<i>2008</i>
	<i>KD</i>	<i>KD</i>
Amount due from related parties (Note 15)	909,342	2,834
Other receivables	1,205,478	1,205,478
Advance payment for investment	-	5,260,814
	<u>2,114,820</u>	<u>6,469,126</u>

At 31 December 2009, other receivables amounting to KD 4,201,361 (2008: KD 4,201,361) were impaired, with provision for impairment losses of KD 3,000,000 (2008: KD 3,000,000). Movement in the provision for impairment losses is as follows:

	<i>KD</i>	<i>KD</i>
At 1 January	3,000,000	-
Charge for the year (note 4)	-	3,000,000
At 31 December	<u>3,000,000</u>	<u>3,000,000</u>

11 SHARE CAPITAL

	<i>Authorised, issued and fully paid</i>	
	<i>2009</i>	<i>2008</i>
	<i>KD</i>	<i>KD</i>
Shares of 100 fils each	<u>10,000,000</u>	<u>10,000,000</u>

12 STATUTORY RESERVE

In accordance with the Commercial Companies Law and the parent company's Articles of Association, 10% of the profit for the year before contribution to KFAS, Zakat and NLST has been transferred to statutory reserve. The group may resolve to discontinue such annual transfers when the reserve totals 50% of paid up share capital.

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

13 VOLUNTARY RESERVE

In accordance with the parent company's Articles of Association, the group has resolved to transfer 10% of the profit for the year before contribution to KFAS, Zakat and NLST to the voluntary reserve until the shareholders decide to discontinue the transfer. There are no restrictions on distributions from voluntary reserve.

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14 OTHER LIABILITIES

	2009 KD	2008 KD
Amount due to ultimate parent company (Note 15)	3,412,475	3,813,916
Amount due to related parties (Note 15)	112,268	108,949
KFAS payable	54,672	53,392
Zakat payable	36,804	35,382
NLST payable	92,010	88,455
Others	10,704	36,046
	<u>3,718,933</u>	<u>4,136,140</u>

15 RELATED PARTY TRANSACTIONS

These represent transactions with certain parties (major shareholders, associate, directors and executive officers of the group, close members of their families and entities over which they exercise control or over which they are able to exercise significant influence) entered into by the group in the ordinary course of business. The terms of these transactions are approved by the group's management.

Transactions with related parties are as follows:

	<i>Ultimate parent company</i> KD	<i>Associate</i> KD	<i>Other related parties</i> KD	<i>Total 2009</i> KD	<i>Total 2008</i> KD
Consolidated statement of income					
Gain on part disposal of investment in a subsidiary	-	135,670	-	135,670	-
Murabaha income	-	-	-	-	96,166
General and administrative expenses	67,499	-	156,115	223,614	-
Murabaha expense	-	-	-	-	54,563
Consolidated statement of financial Position					
Other assets	-	851,724	4,117	855,841	2,834
Other liabilities	3,412,475	-	112,268	3,524,743	3,922,865

Amounts due from / (to) related parties are disclosed on notes 10 and 14 respectively. Amount due to ultimate parent company is disclosed in note 14. These balances are receivable/payable on demand and do not carry any interest.

	<i>Ultimate parent company</i>	<i>Associate</i>	<i>Other related parties</i>	<i>Total 2009</i>	<i>Total 2008</i>
Other transaction					
Finance for advance payment for investment	-	-	-	-	4,632,225
Purchase of investment in associate	-	-	5,946	5,946	2,280,992

Investments available for sale are managed by ultimate parent company (Note 9).

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15 RELATED PARTY TRANSACTIONS (continued)

Key management personnel compensation

	2009 <i>KD</i>	2008 <i>KD</i>
Short-term employee benefits	57,599	39,600
Termination benefits	880	7,615
	<u>58,479</u>	<u>47,215</u>

16 RISK MANAGEMENT

The main risks arising from the group's financial instruments are credit risk, liquidity risk, foreign currency risk and profit rate risk. No changes were made in the risk management objectives and policies during the years ended 31 December 2009 and 31 December 2008. The management of the group reviews and agrees policies for managing each of these risks which are summarised below.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial assets subject to credit risk consist principally of other assets and bank balances. With respect to credit risk arising from financial assets, including bank balances, the group's exposure to credit risk arises from default of the counterparty, with maximum exposure equal to the carrying values of those assets in the consolidated statement of financial position.

The maximum credit exposure to a single client or counterparty as of 31 December 2009 was KD 1,201,361 (2008: KD 1,201,361).

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 its receivables and invests in bank deposits or other investments that are readily realisable. The maturity profile is monitored by management to ensure adequate liquidity is maintained. The group limits its liquidity risk by ensuring funds from related parties are available.

	<i>On demand</i>	<i>Within 3 months</i>	<i>Total</i>
2009			
Other liabilities	<u>3,524,743</u>	<u>194,190</u>	<u>3,718,933</u>
2008			
Other liabilities	<u>3,922,865</u>	<u>213,275</u>	<u>4,136,140</u>

The ultimate parent company has confirmed in writing that have agreed to provide adequate funds to enable the group to meet its liabilities as they fall due.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The management monitors the positions on a daily basis to ensure positions are maintained within established limits. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the group does not hedge foreign currency exposures.

The effect on profit (due to change in the fair value of monetary assets) and on equity, as a result of change in currency rate by 10% of Kuwait Dinars against US Dollars, with all other variables held constant amounts to KD 615 (2008: KD 1,290) and KD 51,459 (2008: KD 5,740) respectively.

16 RISK MANAGEMENT (continued)

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The group is not significantly exposed to interest rate risk as there are no significant interest bearing assets and liabilities.

Equity price risk

Equity price risk arises from changes in the fair values of investments available for sale. Equity price risk is managed by the investment department of the ultimate parent company. The unquoted equity price risk exposure arises from the group's investment portfolio. The group manages this through diversification of investments in terms of geographical distribution and industry concentration.

The effect on equity as a result of change in equity prices by 10%, with all other variables held constant amounts to KD 51,460 (2008: KD 5,740).

17 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

The group classifies its financial assets as "investments available for sale", "other assets" and "bank balances and cash" and its financial liabilities as "other liabilities".

The fair values of financial instruments are not materially different from their carrying values.

Fair value hierarchy

The group uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in an active market for identical assets and liabilities

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

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

As at 31 December 2009, the group held the following financial instruments measured at fair value.

31 December 2009	<i>Level: 1</i> <i>KD</i>	<i>Level: 2</i> <i>KD</i>	<i>Level: 3</i> <i>KD</i>	<i>Total</i> <i>KD</i>
Investments available for sale				
Equity securities	55,974	-	5,089,973	5,145,947

18 CAPITAL MANAGEMENT

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

The group manages its capital structure and makes adjustments to it, in light of changes in business conditions. Capital comprises share capital, statutory reserve, voluntary reserve, cumulative changes in fair values, foreign currency translation reserve and retained earnings and is measured at KD 16,808,972 as at 31 December 2009 (2008: KD 16,428,547).

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19 SEGMENTAL INFORMATION

The group operates in primarily two business regions a) Kuwait and b) International. The group does not have material inter-segment transactions. The segment information is presented on the same basis as that used for internal reporting purposes by the chief operating decision – maker.

Management monitors operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on segmental return on investments.

The following table presents total revenue, profit before tax for the year and total assets information regarding the group's segment.

<i>Year ended 31 December 2009</i>	<i>Kuwait KD</i>	<i>International KD</i>	<i>Total KD</i>
Segment revenue	44,406	133,954	178,360
Share of results of associates	-	269,740	269,740
Total segment revenue	44,406	403,694	448,100
Segment (loss)/profit before tax	(237,857)	380,066	142,209
 <i>Year ended 31 December 2009</i>	 <i>Kuwait KD</i>	 <i>International KD</i>	 <i>Total KD</i>
As at 31 December 2009			
Segment assets	2,139,268	14,704,808	16,844,076
Investment in an associate	-	5,049,977	5,049,977
Total segment assets	2,139,268	19,754,785	21,894,053
Segment liabilities	3,528,155	8,547	3,536,702
Unallocated liabilities			183,486
Total liabilities			3,720,188

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19 SEGMENTAL INFORMATION (continued)

<i>Year ended 31 December 2008</i>	<i>Kuwait KD</i>	<i>International KD</i>	<i>Total KD</i>
Segment revenue	7,537,327	-	7,537,327
Share of results of associates	-	450,961	450,961
Total segment revenue	<u>7,537,327</u>	<u>450,961</u>	<u>7,988,288</u>
Segment profit before tax	<u>3,094,917</u>	<u>443,287</u>	<u>3,538,204</u>
As at 31 December 2008			
Segment assets	4,216,631	11,558,934	15,775,565
Investment in an associate	-	4,816,550	4,816,550
Total segment assets	<u>4,216,631</u>	<u>16,375,484</u>	<u>20,592,115</u>
Segment liabilities	<u>3,981,361</u>	<u>4,978</u>	3,986,339
Unallocated liabilities			<u>177,229</u>
Total liabilities			<u>4,163,568</u>