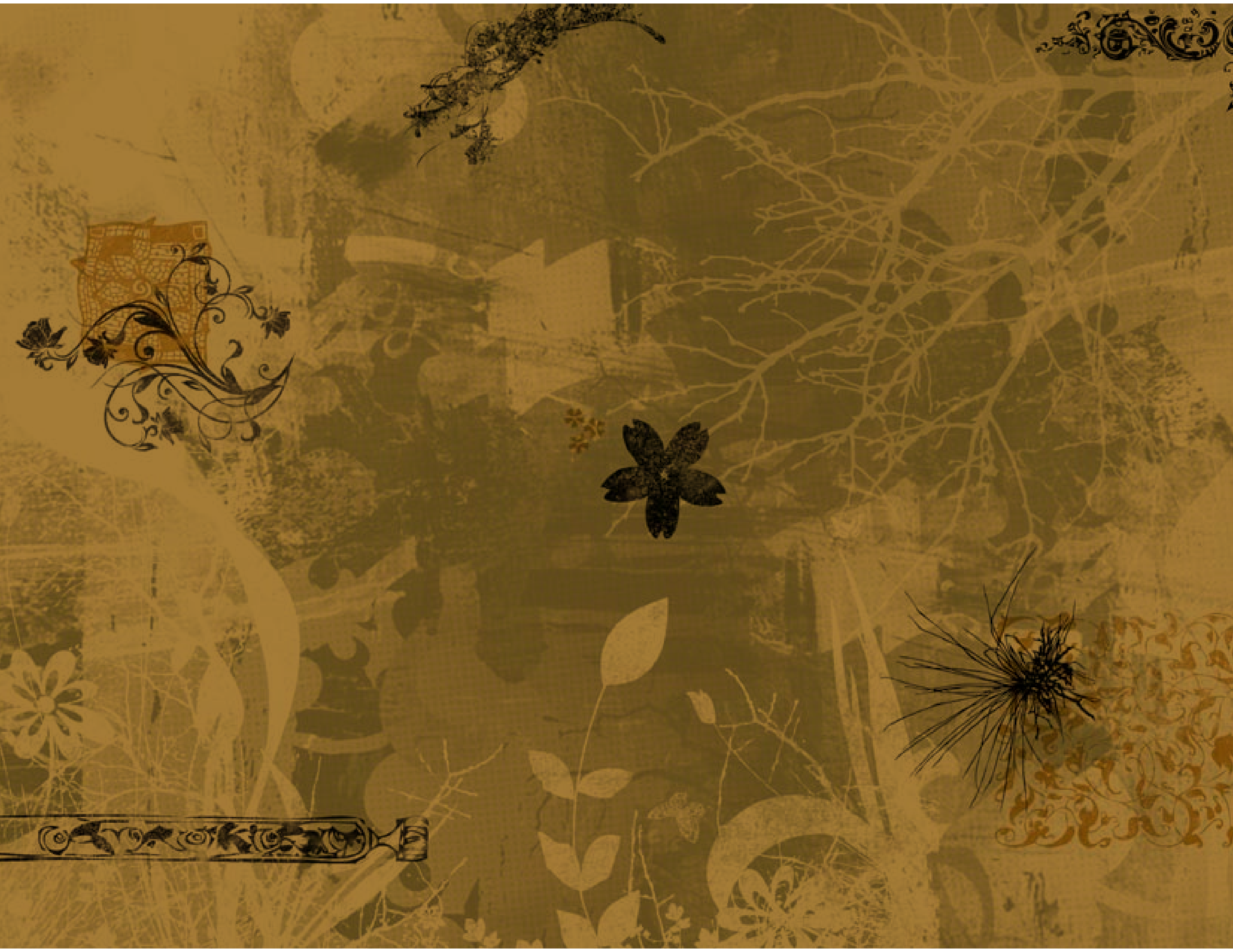

Annual Report 2008

Real Estate Development

أبيار للتطوير العقاري

IN GOD WE
TRUST

COMPANY INFO:

Abyaar Real Estate Development is a major real estate developer operating across the Middle East region, and providing high quality real estate properties renowned for their modern designs and selected prime locations. The company's vision is to develop boutique, contemporary destinations differentiated through exceptional quality, and contributing to raising the standards of lifestyle. The Company operates in compliance with the principles of Islamic Shari'a.

Originally established in 2002 as a limited liability company, Abyaar's legal status was changed in 2005 into a shareholding company with a capital of KD 35 million, pursuant to a strategic partnership between Kuwait's Aayan Leasing and Investment Company and Al Rashdan Group. The list of major shareholders in Abyaar includes other prominent names in the world of real estate and investment, such as Al-Khorafi Group, Al-Muthnna Investment Company and Wafra Investment Company. Through this partnership, Abyaar demonstrates firm commitment to raising the benchmark for the real estate sector across the Gulf markets.

Abyaar develops residential, commercial, retail and hospitality projects, using accomplished external and interior architects to create an unparalleled boutique product.

Listed on the Kuwait Stock Exchange in 2007, the Company's capital was raised from KD 48 million to KD 53 million in 2008, and then to KD 106 million in 2009.

ADDRESS:

Kuwait office

Salhia, Fahad Al-Salem Street, Al-Shab Tower 15 th floor
P.O Box 4238 Safat 13043 Kuwait
Tel: +965 22996500
Fax: +965 22996501

Dubai office

The Old Town Burj Dubai, Tajer Residences, E313, Emaar Court
P.O Box 115657,Dubai United Arab Emirates
Tel: +971 44232100
Fax: +971 44232150
Website: www.abyaar.com
E-Mail: info@abyaar.com

AUDITORS:

Ernst & Young Al-Aiban, Al-Osaimi & Partners
RÖdl Middle East Burgan – International accountants Ali Al Hassawi & Partners

SHARIAA COMMITTEE:

Sheikh Dr. Abdul Aziz Khalifa Al Qassar, Chairman
Sheikh Abdul Satar Al Qattan, Member
Sheikh Dr. Mohammad Abdul Razak Al Sedeeq, Member
Sheikh Dawood Salman Al Essa, Shariaa Auditor

HH Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah
Amir of the State of Kuwait

HH Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah
Crown Prince of the State of Kuwait

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BOARD OF DIRECTORS

Chairman
Hesham Abdul Wahab Al-Obaid

Vice Chairman & Managing Director
Marzooq Rashed Al-Rashdan

Board Member & Director Business Development
Mansour Rashed Al-Rashdan

Board Member
Qutaiba Yagoub Al-Khorafi

Board Member
Ahmed Rasheed Al-Aayoub

Hesham Abdul Wahab Al-Obaid

CHAIRMAN MESSAGE

Dear Shareholders,

May God's peace and mercy be upon you. I am pleased to present to you, on behalf of the Board of Directors, the Annual Report and the financial results of your Company for the financial year ended December 31, 2008, in which we also review the main developments Abyaar has witnessed, and its major achievements, during the year.

Nobody denies that the year 2008 was a very difficult one for all economic sectors worldwide, including the real estate sector, as the global financial crisis heavily weighed on all companies around the world. Despite these adverse conditions, your Company managed to achieve good operating results, thanks to its prudent policies and strategies that helped Abyaar withstand and weather the implications of the current global crisis. Abyaar posted net profits of KD 5,957,203, representing earning per share of 12.18 fils, while total shareholders equity grew to KD 82,871,583, up by 30%. Total assets also rose to KD 286 million, up by 220% over the previous year. Abyaar has also set aside all precautionary provisions necessary for weathering and absorbing the adverse consequences of the global financial crisis.

It gives me pleasure as well to review with you the major achievements of your Company during the year:

* Pier 24 Tower, comprising 20 floors and managed by Radisson SAS, has been commissioned and operated.

* Dubai Investment Park Office Building 1 project, comprising 6 floors, has been successfully sold.

* Dubai Investment Park Office Building 2 project, comprising 6, has been completed and lease process is underway.

- 28% of Pier 8 Tower, comprising 40 floors, has been completed.
- Foundations works have been completed for Olgana Tower 36 and Hillianna Tower 46.
- Building works for ACACIA Villas are in process and expected to be completed during the current year.
- Architectural designs works have been completed for Jeddah Tower Project, and have been presented to Leading Projects Committee at Jeddah Secretariat General. The Committee has expressed its approval in principle of the project, pending the completion of the remaining detailed designs.

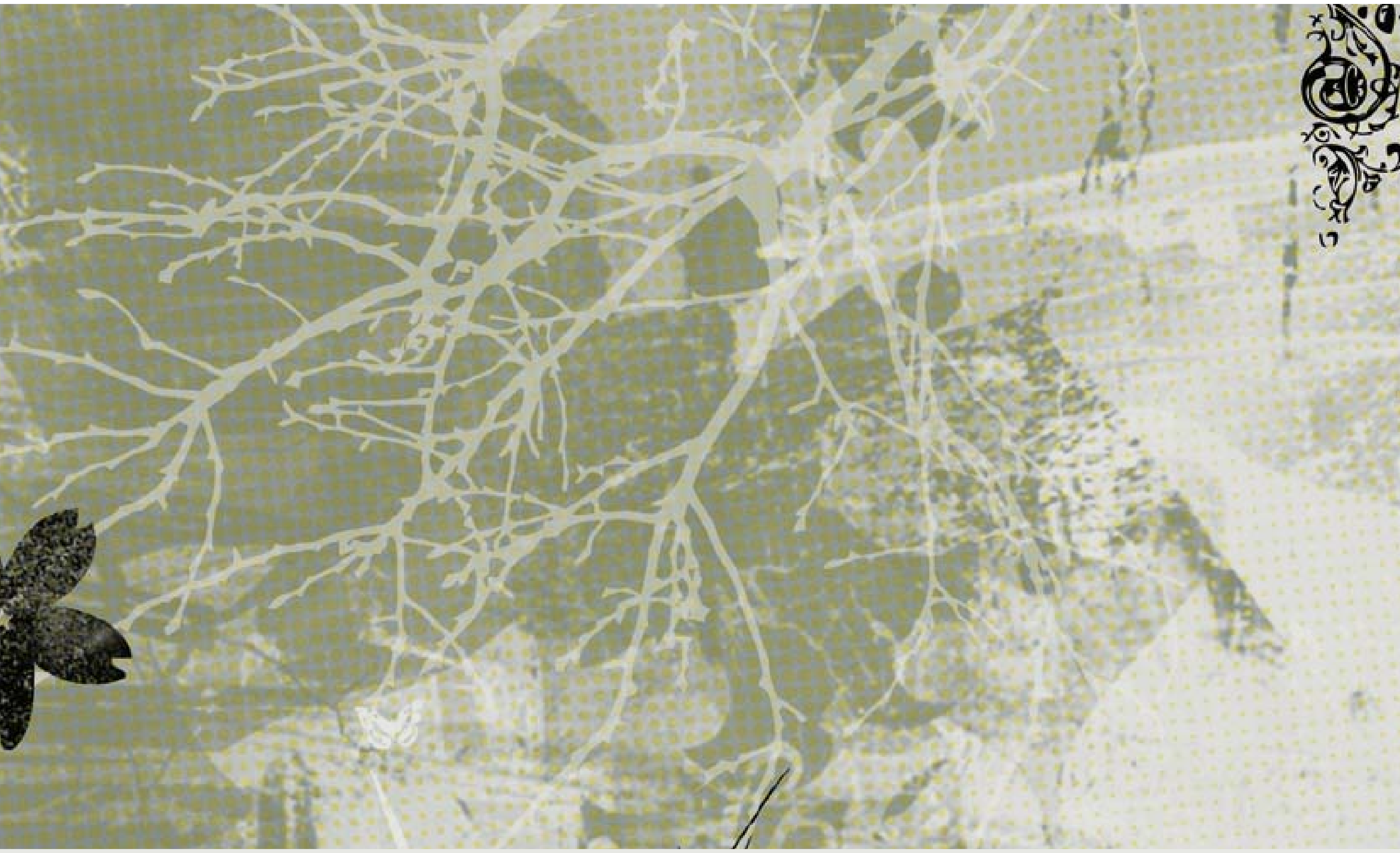
- A strategic partnership has been announced between Christian Lacroix and Abyaar.
- Abyaar launched a private placement representing 10% of its share capital, which has been allocated to new investors.
- We have raised around 50% of the capital increase amount, equaling around KD 27 million.
- Abyaar has announced Port Ghaleb project in Egypt, which is one of the Company's largest projects, occupying an area of 1 million square kilometer.
- The company is currently preparing the master plan for Port Ghaleb project.

In parallel to these achievements, the Company continued, and will continue, its focus on qualifying and developing its human resources, along with upgrading our administrative systems through using the latest technologies in all of our works, aiming at linking our projects sites to management headquarters, thus lending a distinguished feature to your Company.

In conclusion, I would like to express, on behalf of the Company's Board of Directors and Management, our thanks and appreciation to our valuable shareholders for their confidence in the Board of Directors and their continued support to the Company. It also gives me pleasure to sincerely thank the Company's management and staff for their dedicated efforts that have been crucial in attaining the positive financial results during the year.

Thanks to all of you, with our heart-felt gratitude.

Hesham Al-Obaid
Chairman



FINANCIAL STATEMENT

INDEPENDENT AUDITORS> REPORT TO THE SHAREHOLDERS OF ABYAAR REAL ESTATE DEVELOPMENT COMPANY K.S.C. (CLOSED)

We have audited the accompanying financial statements of Abyaar Real Estate Development Company K.S.C. (Closed), which comprise the balance sheet as at 31 December 2008 and the income statement, cash flow statement and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

The company's management is responsible for the preparation and fair presentation of these 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 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 financial statements based on 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 financial statements in order to design audit procedures that are appropriate for 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 financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respect, the financial position of the company as of 31 December 2008, 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 company and the financial statements, together with the contents of the report of the board of directors relating to these 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 financial statements incorporate all information that is required by the Commercial Companies Law of 1960, as amended, and by the 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 2008 that might have had a material effect on the business of the company or on its financial position.

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

Ali A. Al-Hasawi
License No.30-A
RÖdl Middle East
Burgan – International accountants

8 April 2009
Kuwaits

Abyaar Real Estate Development Company K.S.C. (Closed)
INCOME STATEMENT
Year ended 31 December 2008

	Notes	***2008*** ***KD***	*2007* *KD*
Sale of trading properties		**5,930,724**	23,366,212
Cost of trading properties sold		**(3,109,901)**	(6,087,185)
Profit on sale of trading properties	5	**2,820,823**	17,279,027
Gain on sale of properties under development	6	**15,016,797**	6,204,830
Impairment loss on properties under development	6	**(3,288,008)**	-
Gain on sale of investment properties	7	**495,600**	-
Unrealized gain on revaluation of investment properties		**-**	460,537
Rental income		**164,432**	110,445
Other income		**272,155**	124,320
Share of results of associates	8	**(18,498)**	-
		15,463,301	24,179,159
Staff costs		**(2,301,469)**	(1,277,781)
General and administration expenses		**(2,088,729)**	(985,057)
Advertising and marketing expenses		**(2,591,067)**	(2,032,419)
Finance costs		**(2,250,285)**	(2,403,834)
PROFIT BEFORE CONTRIBUTION TO KFAS, NLST, ZAKAT AND BOARD OF DIRECTORS REMUNERATION		**6,231,751**	17,480,068
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		**(56,252)**	(157,321)
National Labour Support Tax (NLST)		**(155,794)**	(437,002)
Zakat		**(62,502)**	(10,682)
Board of directors' remuneration		**-**	(35,000)
PROFIT FOR THE YEAR		**5,957,203**	16,840,063
BASIC AND DILUTED EARNINGS PER SHARE	4	**12.19 fils**	34.85 fils

Abyaar Real Estate Development Company K.S.C. (Closed)
BALANCE SHEET
At 31 December 2008

	Notes	**2008 KD**	2007 KD
ASSETS			
Non-current assets			
Properties under development	6	**196,917,597**	78,253,924
Investment properties	7	**206,488**	818,400
Investment in associates	8	**15,081,917**	-
Property and equipment	9	**2,159,604**	1,713,385
Investment in joint ventures	10	**16,713,991**	15,492,065
Available for sale investments	11	**4,740,736**	276,500
		235,820,333	96,554,274
Current assets			
Trading properties	5	**12,548,687**	-
Accounts receivable and prepayments	12	**36,233,770**	31,513,505
Bank balances and cash	13	**1,799,090**	1,873,700
		50,581,547	33,387,205
TOTAL ASSETS		**286,401,880**	129,941,479
EQUITY AND LIABILITIES			
Equity			
Share capital	14	**53,363,750**	38,610,000
Share premium	14	**24,361,250**	35,000
Statutory reserve	15	**3,586,118**	2,962,943
General reserve	15	**2,371,182**	1,748,007
Treasury shares	16	**(912,343)**	-
Employees' share purchase reserve	20	**-**	61,458
Retained earnings		**101,626**	20,647,900
Total equity		**82,871,583**	64,065,308
Non-current liabilities			
Murabaha payable	17	**8,292,067**	12,275,637
Istisna'a payable	18	**5,933,077**	6,232,807
Accounts payable and accruals	19	**68,751,271**	-
Employees' end of service benefits		**174,579**	61,402
		83,150,994	18,569,846
Current liabilities			
Murabaha payable	17	**80,837,614**	28,790,402
Istisna'a payable	18	**958,872**	484,965
Accounts payable and accruals	19	**38,354,827**	16,738,576
Obligations under finance lease	21	**227,990**	1,292,382
		120,379,303	47,306,325
Total liabilities		**203,530,297**	65,876,171
TOTAL EQUITY AND LIABILITIES		**286,401,880**	129,941,479

Marzooq Al-Rashdan
Vice Chairman & Managing Director

Abyaar Real Estate Development Company K.S.C. (Closed)
CASH FLOW STATEMENT
Year ended 31 December 2008

	Notes	*2008* *KD*	*2007* *KD*
OPERATING ACTIVITIES			
Profit for the year		**5,957,203**	16,840,063
Adjustment for:			
Depreciation	9	**149,442**	25,976
Finance costs		**2,250,285**	2,403,834
Provision for employees end of service benefits		**117,109**	48,653
Employees' share purchases expenses		**601,458**	61,458
Unrealized gain on revaluation of investment properties	7	**-**	(460,537)
Share of results of associates		**18,498**	-
Impairment loss on properties under development		**3,288,008**	-
		12,382,003	18,919,447
Changes in working capital:			
Accounts receivable and prepayments		**(4,720,265)**	6,193,816
Accounts payable and accruals		**19,578,722**	6,086,419
Payable on acquisition of properties under development		**70,788,800**	-
Trading properties		**(12,548,687)**	6,120,024
Employees end of service benefits paid		**(3,932)**	-
Net cash from operating activities		**85,476,641**	37,319,706
INVESTING ACTIVITIES			
Disposal of investment properties	7	**818,400**	-
Additions to properties under development	6	**(148,899,960)**	-
Additions to property and equipment	9	**(595,661)**	(1,616,485)
Disposal of properties under development	6	**11,083,203**	-
Purchase of available for sale investments		**(4,464,236)**	(276,500)
Additions to investment in joint ventures		**(1,221,926)**	(15,492,065)
Investment in associates	8	**(15,100,415)**	-
Net movement in properties under development		**-**	(30,647,673)
Net cash used in investing activities		**(158,380,595)**	(48,032,723)
FINANCING ACTIVITIES			
Proceeds from increase of share capital	14	**29,377,500**	135,000
Purchase of treasury shares		**(85,151,462)**	-
Proceeds from sale of treasury shares		**84,239,119**	-
Obligation under finance lease paid		**(1,046,392)**	(14,880,388)
Proceeds from Islamic finance		**49,169,412**	28,212,188
Islamic finance cost paid		**(3,758,833)**	(1,404,243)
Net cash from financing activities		**72,829,344**	12,062,557
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(74,610)**	1,349,540
Cash and cash equivalents at 1 January		**1,873,700**	524,160
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	13	**1,799,090**	1,873,700

Abyaar Real Estate Development Company K.S.C. (Closed)
STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2008

	Share capital KD	*Share premium KD*	*Statutory reserve KD*	*General reserve KD*	*Treasury shares KD*	*Employees share purchase reserve KD*	*Retained earnings KD*	*Total KD*
Balance at 1 January 2007	35,000,000	-	1,214,936	-	-	-	10,813,851	47,028,787
Net profit and total recognized income for the year	-	-	-	-	-	-	16,840,063	16,840,063
Shares issued under employees share purchase scheme (Note 20)	100,000	35,000	-	-	-	-	-	135,000
Issue of bonus shares (Note 14)	3,510,000	-	-	-	-	-	(3,510,000)	-
Employees' share purchase expense	-	-	-	-	-	61,458	-	61,458
Transfer to statutory reserve	-	-	1,748,007		-	-	(1,748,007)	-
Transfer to general reserve	-	-	-	1,748,007	-	-	(1,748,007)	-
Balance at 31 December 2007	38,610,000	35,000	2,962,943	1,748,007	-	61,458	20,647,900	64,065,308
Net profit and total recognized income for the year	-	-	-	-	-	-	5,957,203	5,957,203
Issue of share capital (Note 14)	4,851,250	24,256,250	-	-	-	-	-	29,107,500
Shares issued under employees share purchase scheme (Note 20)	200,000	70,000	-	-	-	-	-	270,000
Issue of bonus shares (Note 14)	9,702,500	-	-	-	-	-	(9,702,500)	-
Transfer to statutory reserve	-	-	623,175	-	-	-	(623,175)	-
Transfer to general reserve	-	-	-	623,175	-	-	(623,175)	-
Employees' share purchase expense	-					540,000		540,000
Share purchase reversed (Note 20)	-	-	-	-	-	(601,458)	601,458	-
Purchase of treasury shares (Note 16)	-	-	-	-	(85,151,462)	-	-	(85,151,462)
Sale of treasury shares (Note 16)	-	-	-	-	84,239,119	-	(16,156,085)	68,083,034
Balance at 31 December 2008	**53,363,750**	**24,361,250**	**3,586,118**	**2,371,182**	**(912,343)**	**-**	**101,626**	**82,871,583**

1 ACTIVITIES

The financial statements of Abyaar Real Estate Development Company K.S.C. (Closed) (the 'company') for the year ended 31 December 2008 were authorised for issue by the company's board of directors on 8 April 2009. The shareholders' General Assembly has the power to amend these financial statements after issuance.

The registered office of the company is located at Al-Sahab Tower, Fahed Al Salem Street, Al Salhia, Kuwait City, P.O. Box 1426, Safat 13015 Safat, Kuwait.

The company is engaged in various types of real estate development activities. The company's business activities are all carried out within the Middle East region. All activities are conducted in accordance with Islamic Sharee'a.

2 FUNDAMENTAL ACCOUNTING CONCEPT

The company has prepared the financial statements under the going concern concept of accounting. As discussed in the Note 17, at 31 December 2008, the company was unable to meet its murabaha payable obligations when due of approximately KD 23 million which increased to KD 25 million at the date of approval of the financial statements, and its current liabilities exceeded the current assets by approximately KD 70 million at 31 December 2008. The management and the shareholders have taken a number of actions to settle the company's liabilities and obtain longer term funding; some of which are described below:

- A financial advisor has been appointed to assist the company with rescheduling of its debts.
- As discussed in Note 13, the General Assembly held on 16 December 2008 approved the increase in the authorized share capital of the company from KD 53 million to KD 106 million (subsequently realized to KD 79.5 million) and called for the capital in trust. At 31 December 2008, KD 5 million was received and, subsequently, at the date of the approval of the financial statements, a further KD 22 million has been received.
- Subsequent to 31 December 2008, the company obtained an additional financing of KD 13 million which has been used to meet commitments on Istisna'a payables and settle part of the balances relating to murabaha payables that were overdue at 31 December 2008.
- The company is in discussion with its lenders to arrange for rescheduling and providing collateral coverage for its murabaha payables.

Based on the above, and the fact that the company's assets exceed its liabilities by approximately KD 83 million at 31 December 2008, and the management's confidence that sufficient funds will be obtained for the company to continue in business, the financial statements have been prepared under the going concern concept of accounting, which assess that the company shall be able to reschedule its current liabilities.

3 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements are prepared under the historical cost convention modified to include the measurement at fair value of investment properties and available for sale investments.

The financial statements have been presented in Kuwaiti Dinars.

The financial statements are prepared under the historical cost convention except for the measurement at fair value of available for sale investments investment properties.

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and applicable requirements of Ministerial Order No. 18 of 1990.

International Accounting Standards Board (IASB) Standards and International Financial Reporting Interpretations Committee (IFRIC) Interpretations issued but not adopted

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

- IAS 1(Revised): Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009)
    - IFRS 8: Operating Segments (effective for annual periods beginning on or after 1 January 2009)
- IAS 23 (Revised): Borrowing Costs (effective for annual periods beginning on or after 1 January 2009)
    - IFRS 2 (Revised): Share Based Payment (effective for annual periods beginning on or after 1 January 2009)
    - IFRS 3 (Revised): Business Combinations (effective for annual periods beginning on or after 1 July 2009)
- IAS 27 (Revised): Consolidated and Separate Financial Statement (effective for annual periods beginning on or after 1 July 2009)
- IFRIC 15: Agreement for Construction of Real Estate (effective for annual periods beginning on or after 1 January 2009)

IAS 1 Revised Presentation of Financial Statements

The standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with non-owner changes in 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 company is still evaluating whether it will have one or two statements.

IFRS 8 Operating Segments

IFRS 8 replaces IAS 14 Segment Reporting (IAS 14) upon its effective date. The company has not early adopted this amendment. The company is still evaluating the impact of application of IFRS 8 on the financial statement.

IAS 23 (Revised) Borrowing costs

This standard will require an entity to capitalize borrowing costs attributable to the acquisition, construction or production of a qualifying asset as a part of the cost of that asset and removes the option of expensing these borrowing costs in the income statement. The application of the revised IAS 23 will not impact the company's financial statements as the company currently capitalizes borrowing costs.

IFRS 2 Share-based Payment (Revised)

The amendment clarifies the definition of a vesting condition and prescribes the treatment for an award that is effectively cancelled. The company has not early adopted this amendment. The application of revised IFRS 2 is not expected to have material effect on the financial statements of the company.

IFRS 3R Business Combinations and IAS 27R Consolidated and Separate Financial Statements

IFRS 3R introduces a number of changes in the accounting for business combinations occurring after this date that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27R requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 Statement of Cash Flows, IAS 12 Income Taxes, IAS 21. The Effects of Changes in Foreign Exchange Rates, IAS 28 Investment in Associates and IAS 31 Interests in Joint Ventures. The changes by IFRS 3R and IAS 27R will affect future acquisitions or loss of control and transactions with minority interests. The standards may be early applied. The application of the standard will not have an impact on the company.

IFRIC 15 Agreements for construction of real estate

The interpretation is to be applied retrospectively. It clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognized if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. Furthermore, the interpretation provides guidance on how to determine whether an agreement is within the scope of IAS 11 or IAS 18. It is likely to result in IAS 18 being applied to a wider range of transactions including pre-completion sale of real estate units. The company is still evaluating the impact of the application of this interpretation on the financial statements.

International Accounting Standards Board (IASB) Standards and International Financial Reporting Interpretations Committee (IFRIC) Interpretations issued but not adopted (continued)

IFRIC 15 Agreements for construction of real estate (continued)

The accounting policies used in the preparation of the financial statements are consistent with those used in preparation of the annual financial statements for the year ended 31 December 2007 with the exception of newly adopted policies in respect of investment in associates, investment in joint ventures, trading properties and treasury shares.

The company adopted the following new accounting policies during the year:

Investments in associates

The company's investment in associates is accounted for under the equity method of accounting. These are entities over which the company exercises significant influence and which are neither subsidiaries nor joint ventures. Investments in associates are carried in the balance sheet at cost, plus post-acquisition changes in the company's share of net assets of the associate, less any impairment in value. The income statement reflects the company's share of the results of its associates.

Unrealized profits and losses resulting from transactions between the company and its associate are eliminated to the extent of the company's interest in the associate.

Investment in joint ventures

The company has interest in joint ventures which are jointly controlled entities. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venture has an interest.

The investment in joint venture is accounted for under the equity method of accounting using the latest audited financial statements. Under the equity method of accounting, the initial investment is recorded at cost and the carrying amount is increased or decreased to recognise the company's share of profits or losses and other changes in equity of the joint venture. Distributions received from joint venture reduce the carrying amount of the investment.

Trading properties

Trading properties are held for short term purposes and are carried at the lower of cost and net realisable value determined on an individual basis. Cost comprises the purchase cost of real estate and other expenses incurred in order to complete the transaction. Net realisable value is based on estimated selling price less any further costs to be incurred on disposal of real estate.

Treasury shares

Treasury shares consist of the company's own shares that have been issued, subsequently reacquired by the company and not yet sold or cancelled. The treasury shares are accounted for using the cost method. When treasury shares are sold, gains are credited to a separate equity account (treasury shares reserve), which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and treasury shares reserve 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.

Revenue recognition

Rental income is recognized on a straight line basis over the lease term.

Income from the sale of properties under development and trading properties is recognized when significant risks and rewards of ownership have passed to the buyer and the amount of revenue can be measured reliably.

Finance costs

Finance costs that are directly attributable to the acquisition and construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete. Other finance costs are recognized as an expense in the period in which they are incurred.

Kuwait Foundation for the Advancement of Sciences (KFAS)

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

National Labour Support Tax (NLST)

The company calculates the NLST in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of profit before deductions for the year. As per law, income from associates, cash dividends from listed companies which are subjected to NLST have been deducted from the profit for the year.

Zakat

Effective from 10 December 2007, the company provided for Zakat in accordance with the requirements of Law No. 46 of 2006. The Zakat charge calculated in accordance with these requirements is charged to the income statement.

Properties under development

Properties under development are for future use as investment property and are stated at cost less any impairment in value.

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

Investment properties

Investment properties are initially recorded at cost, including transaction cost. Subsequent to initial recognition, investment properties are carried at fair value. Gains and losses arising from changes in the fair value of investment properties are included in the income statement.

Transfers are made to investment properties 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 properties when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

Property and equipment

Property and equipment is stated at cost, less accumulated depreciation and any impairment in value. Land is not depreciated.

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

• Buildings	30 years
• Furniture and fixtures	3 years
• Vehicles	3- 5 years
• Computers	1-4 years

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the income statement as the expense is incurred.

Available for sale investments

All investments are initially recognised at cost, being the fair value of the consideration given including acquisition charges associated with the investment. After initial recognition, investments are remeasured at fair value, unless fair values cannot be reliably measured, in which case, these investments are carried at cost less any impairment loss. Valuation gains and losses arising from remeasurement to fair value are reported as a separate component of equity until the investment is derecognised or the investment is determined to be impaired. On derecognition or impairment, the cumulative gain or loss previously reported in equity is included in the income statement for the year.

Accounts receivable and prepayments

Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances, and short-term deposits with an original maturity of three months or less, net of outstanding bank overdrafts.

Murabaha payable

Murabaha payable represents amounts payable on a deferred settlement basis for assets purchased under murabaha arrangements. Murabaha payables are stated at the gross amount of the payable, net of deferred profit payable. Profit payable is expensed on a time apportionment basis taking account of the profit rate attributable and the balance outstanding.

Istisna'a payable

Istisna'a is a sale contract between a contract owner and a contractor whereby the contractor based on an order from the contract owner undertakes to manufacture or otherwise acquire the subject matter of the contract according to specifications, and sells it to the contract owner for an agreed upon price and method of settlement whether that be in advance, by instalments or deferred to a specific future time. Istisna'a payable is carried at amortised cost.

Accounts payable and accruals

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

Employees' end of service benefits

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

Leases

Finance leases, which transfer to the company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of finance charge on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term. Operating lease payments are recognised as expense on straight line basis over the lease term.

Certain property interests held for investment purposes by the company under an operating lease are classified as investment properties and accounted for as if they were in the nature of finance leases.

IFRS 2 "Share-Based Payment"

IFRS 2 "Share-Based Payment" requires an expense to be recognised where the company buys goods or services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions").

Share-based payment transactions

Entitled employees (including senior management) of the company receive remuneration in the form of share-based payment transactions, whereby entitled employees render services in exchange for shares or rights over shares ("equity-settled transactions").

Equity-settled transactions

The cost of equity-settled transactions with employees is measured under the intrinsic value method. Under this method, the cost is determined by comparing the company's shares at each reporting date and the date of final settlement to the exercise price with any change in intrinsic value recognised in the income statement.

The cost of equity settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees exercise their rights. The cumulative expense recognised for equity-settled transactions at each reporting date until the exercise date reflects the extent to which the exercise period has expired and the number of awards that, in the opinion of the directors at that date, based on the best available estimate of the number of equity instruments that will ultimately vest.

Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Impairment of financial assets

An assessment for a group of financial assets is made at each balance sheet date to determine whether there is an objective evidence that a specific group of financial asset may be impaired. If such an evidence exists, an impairment loss is recognised in the income statement.

Impairment is determined as follows:

(a) for assets carried at amortised cost, impairment is based on estimated cash flows discounted at the original effective rate of return;

(b) for assets carried at fair value, impairment is the difference between cost and fair value; and

(c) for assets carried at cost, impairment is the difference between cost and present value of future cash flows discounted at the current market rate of return for a similar financial asset.

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

Recognition and derecognition of financial assets and liabilities

A financial asset or a financial liability is recognised when the company becomes a party to the contractual provisions of the instrument. A financial asset (in whole or in part) is de-recognised when the contractual rights to cash flows from the financial asset expire, the company has transferred substantially all the risks and rewards and when it has neither transferred nor retained substantially all the risks and rewards of ownership or when it no longer has control over the asset or proportion of the asset. A financial liability is de-recognised when the obligation specified in the contract is discharged, cancelled or expired.

Trade and settlement date accounting

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

Impairment of non-financial assets

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement. After such a reversal, the depreciation charge is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and the company intends to settle on a net basis so as to realise the assets and liabilities simultaneously.

Foreign currencies

The company's financial statements are presented in Kuwaiti Dinar, however the company's functional currency is Emirate Dirham. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non monetary items that are measured in terms of historical costs in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Translation gains or losses on non monetary items are included in equity as part of the fair value adjustment on securities available for sale, unless part of an effective hedging strategy.

Fair values

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Consequently differences can arise between carrying values and the fair value estimates.

Underlying the definitions of fair value is the presumption that the company is a going concern without any intention or requirement to materially curtail the scale of its operation or to undertake a transaction on adverse terms.

Available for sale investments

For investments traded in organised financial markets, fair value is determined by reference to stock exchange quoted market bid prices at the close of business on the balance sheet date.

For investments where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to recent arm's length market transactions, an earnings multiple, or an industry specific earnings multiple or a value based on a similar publicly traded company, or is based on the expected cash flows of the investment, or the underlying net asset base of the investment. Fair value estimates take into account liquidity constraints and assessment for any impairment.

Investments with no reliable measures of their fair values and for which no fair value information could be obtained are carried at their initial cost less impairment in value.

Investment properties

For investment properties, fair value is supported by indicative market prices. Valuation is carried out by independent valuers who hold a recognised and relevant professional qualification and who have recent experience in the location and category of the investment property being valued.

Judgements

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

Classification of real estate

Management decides on acquisition of a real estate property whether it should be classified as trading, investment property or property under development.

The company classifies property as trading property if it is acquired principally for sale in the ordinary course of business.

The company classifies property as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use.

The company classifies property as property under development if it is acquired with the intention of development.

Impairment of investments

The company treats available for sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgement.

Estimation uncertainty

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

Valuation of unquoted equity investments

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

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

Valuation of investment properties

Valuation of foreign investment properties is based on one valuation by an independent valuer who holds a recognised and relevant professional qualifications and relevant experience.

4 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the profit for the year by the weighted average number of shares outstanding during the year.

There are no dilutive potential ordinary shares.

	2008	*2007*
	KD	*KD*
Profit for the year	**5,957,203**	16,840,063
	Shares	*Shares*
Weighted average number of shares outstanding during the year	**488,782,279**	483,125,000
Basic and diluted earnings per share	**12.19 fils**	34.85 fils

The basic and diluted earnings per share for the comparative period have been restated for the bonus share issued during the year (Note 14).

5 TRADING PROPERTIES

	2008	2007
	KD	KD
At 1 January	**-**	-
Transferred from properties under development (Note 6)	**15,658,588**	6,087,180
Disposals	**(3,109,901)**	(6,087,180)
At 31 December	**12,548,687**	-

Trading properties comprise of a residential project located in the United Arab Emirates. The project was transferred on completion of development from properties under development at a cost of KD 15,658,588 (Note 6).

During the year, in two separate transactions, the company sold twenty units to a related party and eight units to a third party, realising a gain of KD 2,820,823 (2007: KD 17,279,027).

Also, during the year, based on termination agreements signed with third parties and a related party, the company has reversed sales recognised in the period 1 April to 30 September 2008 of one hundred and eleven units from a residential project with a sales value of KD 25,448,357, resulting in a reversal of gain of KD 14,311,635. The progress payments received on the termination are included in accounts payable (Note 19).

6 PROPERTIES UNDER DEVELOPMENT

	2008	2007
	KD	KD
At 1 January	**78,253,924**	70,348,549
Additions	**148,899,960**	21,642,600
Disposals	**(11,083,203)**	(7,650,045)
Transfer to trading properties (Note 5)	**(15,658,588)**	(6,087,180)
Transfer to investment properties (Note 7)	**(206,488)**	-
Impairment loss	**(3,288,008)**	-
At 31 December	**196,917,597**	78,253,924

Properties under development include certain plots of land located in Dubai acquired by the company (through an arrangement with a related party) under build-operate-transfer agreements. Plots land are held under operating leases and are classified and accounted for as property under development to be transferred to investment properties when developed; accordingly, the operating leases for the land are accounted for as finance leases. The carrying value of these properties is KD 22,457,475 (2007: KD 29,838,950). The remaining balance in properties under development aggregating to KD 174,460,122 (2007: KD 48,414,974) represents the cost of freehold properties located in various locations in the Middle East, and subsequent development cost incurred. The balance of remaining commitments contracted in respect land and properties is disclosed in Note 22.

During the year, the company sold certain properties under development to a related party for total consideration of KD 26,100,000 (2007: KD 13,445,800) resulting in a gain of KD 15,016,797 (2007: KD 6,204,830).

The impairment loss relates to a property under development situated in Dubai and is based on a valuation obtained from an independent real estate assessor.

Also, during the year, two plots of land were purchased in Egypt. The cost of purchase and subsequent development costs incurred aggregate to KD 74,301,730.

As at 31 December 2008, the fair value of properties under development was KD 257,754,297.

Certain properties are held by nominees for the beneficial interests of the company.

7 INVESTMENT PROPERTIES

	2008 ***KD***	*2007* *KD*
At 1 January	**818,400**	357,863
Transfer from properties under development (Note 6)	**206,488**	-
Change in fair value	**-**	460,537
Disposals	**(818,400)**	-
At 31 December	**206,488**	818,400

During the year, the company has sold an investment property located in the United Arab Emirates for a total consideration of KD 1,314,000, realising a gain on KD 495,600.

8 INVESTMENT IN ASSOCIATES

Name of the company	*Country of Incorporation*	*% equity interest* **2008**	*2007*	*Activities*
Abyaar Qatar Real Estate Development.	Kuwait	**25%**	-	Real Estate Development
Makan United Real Estate	Kuwait	**20%**	-	Real Estate
Tamec General Trading and Contracting Co. W.L.L.	Kuwait	**20%**	-	General Trading and Contracting
Al Jaddaf Real Estate Co. K.S.C. (Closed)	Kuwait	**36.5%**	-	Real Estate Development

Carrying amount of investment in associates:

	2008 KD	*2007 KD*
Fair value of net tangible assets acquired	**15,100,415**	-
Share of results	**(18,498)**	-
At 31 December	**15,081,917**	-

The following table illustrates summarized financial information of the company's investment in associates:

	2008 KD	*2007 KD*
Share of associates' balance sheet:		
Assets	**16,067,696**	-
Liabilities	**(2,396,167)**	-
Net assets	**13,671,529**	-
Share of the associates' revenue and loss:		
Revenue	**111,794**	-
(Loss)	**(18,498)**	-

The associates are not listed.

9 PROPERTY AND EQUIPMENT

2008	*Buildings*	*Furniture and fixtures*	*Computers*	*Vehicles*	*Total*
	KD	*KD*	*KD*	*KD*	*KD*
Cost					
At 1 January 2008	1,512,610	185,103	15,578	26,070	1,739,361
Additions	69,498	359,230	166,933	-	595,661
At 31 December 2008	**1,582,108**	**544,333**	**182,511**	**26,070**	**2,335,022**
Depreciation					
At 1 January 2008	-	18,510	5,293	2,173	25,976
Depreciation for the year	30,910	81,290	32,013	5,229	149,442
At 31 December 2008	**30,910**	**99,800**	**37,306**	**7,402**	**175,418**
Net carrying amount					
At 31 December 2008	**1,551,198**	**444,533**	**145,205**	**18,668**	**2,159,604**

2007	*Buildings*	*Furniture and fixtures*	*Computers*	*Vehicles*	*Total*
	KD	*KD*	*KD*	*KD*	*KD*
Cost					
At 1 January 2007	-	122,876	-	-	122,876
Additions	1,512,610	62,228	15,576	26,071	1,616,485
At 31 December 2007	1,512,610	185,104	15,576	26,071	1,739,361
Depreciation					
At 1 January 2007	-	-	-	-	-
Depreciation for the year	-	18,510	5,293	2,173	25,976
At 31 December 2007	-	18,510	5,293	2,173	25,976
Net carrying amount					
At 31 December 2007	1,512,610	166,594	10,283	23,898	1,713,385

10 INVESTMENT IN JOINT VENTURES

The company has a 50% interest in Al Marj FZC and Elite Investment Company LLC, which are jointly controlled entities involved in real estate development. The balance represents the cost of land acquired for contribution to these joint ventures.

11 AVAILABLE FOR SALE INVESTMENTS

These represent investments in unquoted securities and unquoted managed funds amounting to KD 4,740,736 (31 December 2007: KD 276,500) and are carried at cost, as these investments are in entities which are recently established and have not experienced any decline in value.

12 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2008	*2007*
	KD	*KD*
Receivables on sale of properties under development to related parties	**10,513,852**	2,395,784
Receivables on sale of trading properties and properties under development to other than related parties	**7,736,666**	21,499,924
Other receivables	**6,111,428**	2,602,056
Prepaid expenses and commissions	**2,562,576**	1,748,529
Payment for subscription in unquoted shares (unallocated)	**-**	2,175,000
Other amounts due from related parties	**9,309,248**	1,092,212
	36,233,770	31,513,505

13 CASH AND CASH EQUIVALENTS

	2008	*2007*
	KD	*KD*
Term deposits	**-**	483,600
Other bank balances and cash	**1,799,090**	1,390,100
Bank balances and cash	**1,799,090**	1,873,700

14 SHARE CAPITAL

The share capital of the company consists of:

	Authorized, issued and fully paid	
	2008	*2007*
	KD	*KD*
Ordinary shares of 100 fils each	**53,363,750**	38,610,000

Following approval of the Annual General Meeting held on 16 March 2008, the company, through a private placement increased its share capital from KD 38,610,000 as at 31 December 2007 to KD 48,512,500 by issuance of 97,025,000 bonus shares of 100 fils each equivalent to 25% of paid-up share capital as at 31 December 2007 and 2,000,000 shares of 100 fils each and 35 fils share premium each under employees' share purchase scheme.

Following approval of the Extra-ordinary General Assembly held on 25 June 2008, the company increased its share capital from KD 48,512,500 to KD 53,363,750 by issuance of 48,512,500 shares of 100 fils each and 500 fils share premium each, equivalent to 10% of paid-up share capital as at 30 June 2008, allocated to new shareholders.

Also following the approval of the General Assembly held on 16 December 2008, the shareholders agreed to increase the share capital from KD 53,363,750 to KD 106,727,500 by issuance of 533,637,500 shares of 100 fils each and 25 fils share premium each, equivalent to 100% of paid-up share capital as at 30 June 2008. However, the company has received KD 5,442,125 (Note 19) as at 31 December 2008, out of the total increase in share capital.

15 RESERVES

a) **Statutory reserve**

In accordance with the Commercial Companies Law and the company's Articles of Association, 10% of the profit before directors fees, contribution to Kuwait Foundation for the Advancement of Sciences and National Labor Support Tax and zakat has been transferred to the statutory reserve. The company may discontinue such transfer 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 retained earnings are not sufficient for the payment of dividend of that amount.

b) **General reserve**

In accordance with the company's Articles of Association, 10% of the net profit for the year before directors fees, contribution to Kuwait Foundation for the Advancement of Sciences, National Labour Support Tax and zakat has been transferred to general reserve. The company may resolve to discontinue such annual transfers in accordance with a resolution of the company's ordinary general meeting based on proposal submitted by the company's board of directors.

16 TREASURY SHARES

During the year, the company acquired 125,880,000 treasury shares at a price of KD 85,151,462. During the year the company also sold 99,005,000 treasury shares for a loss of KD 16,156,085. The loss on sale of treasury shares has been charged to retained earnings. The balance of treasury shares at the end of the year was 3,085,000 shares (representing 0.58% from the total outstanding shares) amounting to KD 912,343 (31 December 2007: Nil) and with a market value of KD 401,050 (31 December 2007: Nil).

17 MURABAHA PAYABLE

Murabaha payable has been disclosed as follows:

	2008	*2007*
	KD	*KD*
Non current:		
Gross amount	**9,636,198**	14,897,410
Less: deferred profit payable	**(1,344,131)**	(2,621,773)
	8,292,067	12,275,637
Current:		
Gross amount	**82,606,270**	30,398,064
Less: deferred profit payable	**(1,768,656)**	(1,607,662)
	80,837,614	28,790,402

The fair value of murabaha payables approximates the carrying value as at 31 December 2008. The effective rate of profit payable approximates 9% (2007: 10%).

During the three months period 31 December 2008, the company was unable to meet its murabaha payable obligations of KD 23.3 million and suspended the principal repayments on murabaha payables. For subsequent developments, see Note 2.

18 ISTISNA'A PAYABLE

Istisna'a finance payable has been disclosed as follows:

	2008	2007
	KD	KD
Non current		
Gross	**7,323,222**	8,582,596
Less: deferred profit payable	**(1,390,145)**	(2,349,789)
	5,933,077	6,232,807
Current		
Gross	**1,537,034**	668,368
Less: deferred profit payable	**(578,162)**	(183,403)
	958,872	484,965

Istisna'a payable has a maturity period of 4 years with an effective rate of profit payable of approximately 9% (2007: 9.4%) per annum. The Istisna'a payable is secured by a charge over the underlying assets in the project.

19 ACCOUNTS PAYABLE AND ACCRUALS

	2008	2007
	KD	KD
Amounts due to related parties (Note 22)	**74,917,027**	271,421
Accrued expenses	**1,531,651**	523,876
Advances from customers	**11,399,952**	6,232,194
Provision for government fees	**58,550**	99,675
Other payables	**6,854,494**	2,337,976
Progress payments for cancelled sales (Note 14)	**5,442,125**	-
Payable on acquisition of property under development	**6,902,299**	7,273,434
	107,106,098	16,738,576

An amount of KD 70,788,800 under amounts due to related parties, relates to purchase of two plots of land in Egypt during the year. The amount has a maturity of 4 year, and is non interest bearing.

Advances from customers of KD 11,399,952 and an amount of KD 57,351,319 of the amounts due to related parties, are classified as non current liabilities.

The progress payments received on sale of trading properties subsequently cancelled (note 5) will be settled by issue of share capital as part of the share capital increase approved on 16 December 2008 (Note 14) as per an agreement reached with these customers.

20 EMPLOYEES' SHARE PURCHASE SCHEME

The company operates an equity-based share purchase plan for eligible employees. During the period ended 31 March 2007, 1,000,000 shares were issued with "lock-in" periods of 3 to 5 years. Also, 2,000,000 shares were issued with "lock-in" periods of 3 to 5 years during the year. The shares were issued at 135 fils each.

Should the employee leave the company before the "lock-in" period expires because of hardship situations (i.e. disability, termination of service or retirement), the employee will receive cash equivalent to the fair market value of the shares. Should the employee leave the company before the "lock-in" period expires for other reasons, the employee will receive cash equivalent to the lower of the purchase price of the shares or the fair market value of the shares.

The eligible employees are entitled to receive dividends and participate in any rights issue during the "lock-in" period.

During the year, based on a Board of Directors' resolution, the company has terminated the scheme.

21 OBLIGATIONS UNDER FINANCE LEASE

The company has lease commitments in respect of certain BOT projects and other projects. The lease payments have been paid in advance, and therefore finance charges are not considered significant.

The future lease commitments outstanding as at 31 December are as follows:

	2008	*2007*
	KD	*KD*
Due within 1 year	**227,990**	1,292,382

22 RELATED PARTY TRANSACTIONS

These represent transactions with certain parties (major shareholders and companies of which they are principal owners or over which they are able to exercise significant influence) entered into by the company in the ordinary course of business. Pricing policies and terms of these transactions are approved by the company's management.

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

	Major shareholders	*Other related parties*	***Total 2008***	*Total 2007*
	KD	*KD*	***KD***	*KD*
Gain on sale of trading properties	-	2,310,537	**2,310,537**	-
Gain on sale of properties under development	-	15,016,797	**15,016,797**	2,347,774
Finance costs	-	372,677	**372,677**	576,421

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

	shareholders	*Other related parties*	***Total 2008***	*Total 2007*
	KD	*KD*	***KD***	*KD*
Amounts due from related parties (Note 12)	10,513,852	9,309,248	**19,823,100**	3,487,996
Murabaha payables	-	-	**-**	10,298,007
Amounts due to related parties (Note 19)	74,334,507	582,520	**74,917,027**	271,421
Available for sale investments	-	-	-	276,500

Key management compensation:

	2008	*2007*
	KD	*KD*
Short term benefits	**499,750**	538,623
Employees' share purchase expense	**-**	61,458
Employees' end of service benefits	**32,130**	31,187
Total	**531,880**	631,268

23 COMMITMENTS AND CONTINGENCIES

The company has commitments in respect of future capital expenditure amounting to KD 71,653,150 (31 December 2007: KD 34,619,455) relating to properties under development.

At 31 December 2008 the company had contingent liabilities in respect of bank guarantees arising in the ordinary course of business from which it is anticipated that no material liabilities will arise, amounting to KD 47,150 (2007:

KD 755,718).

24 PRIMARY SEGMENT INFORMATION

The company operates primarily in one GCC geographic market which is the United Arab Emirates. This market forms the basis on which the company reports its primary segmental information.

Transactions between segments are conducted at market rates on an arm's length basis.

Segment information for the year ended 31 December 2008 is as follows:

	UAE		Kuwait		Total	
	2008	*2007*	***2008***	*2007*	***2008***	*2007*
	KD	*KD*	***KD***	*KD*	***KD***	*KD*
Segment revenue	18,769,807	24,179,159	-	-	**18,769,807**	24,179,159
Segment expenses	7,848,674	3,233,018	1,590,027	1,062,239	**9,438,701**	4,295,257
Segment results	10,921,133	20,946,141	(1,590,027)	(1,062,239)	**9,331,106**	19,883,902
Unallocated finance cost and other expenses					**3,373,903**	3,043,839
Profit for the year					**5,957,203**	16,840,063
Segment assets	163,187,186	123,348,261	36,530,632	6,593,218	**199,717,818**	129,941,479
Unallocated assets					**86,684,062**	
Total Assets					**286,401,880**	129,941,479
Segment liabilities	36,377,209	30,885,342	94,980,538	34,990,829	**131,357,747**	65,876,171
Unallocated liabilities					**72,172,550**	
Total liabilities					**203,530,297**	65,876,171

25 RISK MANAGEMENT

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

The Board of Directors are ultimately responsible for the overall risk management approach and for approving the risk strategies and principles.

25.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The company monitors credit exposures and continually assesses the creditworthiness of counterparties.

Maximum exposure to credit risk

The company's policy is to enter into arrangements only with recognised, creditworthy counter parties. The maximum exposure with respect to credit risk arising from financial assets of the company, which comprise receivables and bank balances and cash, is equal to the carrying amount of these instruments as shown in notes 12 and 13.

Risk concentrations of the maximum exposure to credit risk

The maximum credit exposure to any client or counterparty as of 31 December 2008 was KD 10,513,852 (2007: KD 17,563,369) before taking account of collateral or other credit enhancements.

The company's receivable is primarily from clients located in Dubai, United Arab Emirates.

Collateral and other credit enhancements

The company does not hold any collateral.

Credit quality for class of financial assets

Neither internal credit grading system nor external credit grades are used by the company to manage the credit quality of receivables. Receivable balances are monitored on an ongoing basis with the result that the company's exposure to bad debts is not significant.

25.2 Liquidity risk

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

The table below summarises the maturity profile of the company's financial liabilities at 31 December 2008 based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately and are included in less than three months.

Financial liabilities	***Less than 3 months KD***	***3 to 12 months KD***	***1 to 5 years KD***	***Total KD***
31 December 2008				
Murabaha payable	45,474,136	36,310,165	10,438,428	92,222,729
Istisna'a payable	474,614	1,062,421	7,323,211	8,860,246
Accounts payables and accruals	10,976,061	27,606,754	68,925,850	107,508,665
Total financial liabilities	**56,924,811**	**64,979,340**	**86,687,489**	**208,591,640**
31 December 2007				
Murabaha Payable	12,017,342	18,181,825	15,096,307	45,295,474
Obligations under lease finance	-	484,965	8,765,999	9,250,964
Accounts payable and accruals	802,917	6,550,598	9,385,061	16,738,576
Total financial liabilities	12,820,259	25,217,388	33,247,367	71,285,014

The company is in the process of assessing its debt, see Note 2.

The table below shows the contractual expiry by maturity of the company's contingent liabilities and commitments.

Financial liabilities	***Less than 3 months KD***	***3 to 12 months KD***	***1 to 5 years KD***	***Total KD***
2008				
Contingent liabilities	-	47,150	-	47,150
Commitments	5,653,149	10,000,000	56,000,000	71,653,149
2007				
Contingent liabilities	-	149,000	606,718	755,718
Commitments	3,183,850	13,177,293	18,258,312	34,619,455

25.3 Market Risk

Market risk is the risk that the value of an asset will fluctuate as a result of changes in market prices. Market risks arise for open positions in interest rate, currency and equity product, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, foreign exchange rates and equity prices. Market risk is managed on the basis of pre-determined asset allocations across various asset categories, a continuous appraisal of market conditions and trends and the directors' estimate of long and short term changes in fair value.

25.3.1 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The company's borrowings are in the form of Murabahas or Istisna'a which are Islamic Financing instruments with a fixed rate of profit. Consequently the company is not exposed to interest rate risk.

25.3.2 Currency risk

Currency risk is managed on the basis of limits determined by the company's Board of Directors and a continuous assessment of the company's open positions and current and expected exchange rate movements. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the company does not hedge foreign currency exposures.

The effect on profit before KFAS, NLST and Zakat (due to change in the fair value of monetary assets and liabilities), as a result of 1% change in currency rate, with all other variables held constant is shown below:

	2008		*2007*	
Currency	***Change in currency rate in %***	***Effect on profit KD***	*Change in currency rate in %*	*Effect on profit KD*
AED	+1	(423,657)	+1	91,802

25.4 Operational risk

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

26 FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair values of financial instruments are not materially different from their carrying values except for available for sale.

27 CAPITAL MANAGEMENT

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

The company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2008 and 31 December 2007, however, due to the global credit and liquidity crisis, the management is in the process of assessing its debt and capital requirements; see Note 2.

The company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The company includes within net debt, finance costs bearing Murabahas and Istsna'a, trade and other payables, less cash and cash equivalents. Capital includes equity attributable to the equity holders of the parent less cumulative changes in fair values.

	2008 ***KD***	*2007* *KD*
Islamic financing (Murabaha and Istnsa'a)	**96,021,630**	47,783,810
Other liabilities	**107,508,667**	16,738,576
Less: bank balance and cash	**(1,799,090)**	(1,873,700)
Net debt	**201,731,207**	62,648,686
Equity attributable to the equity holders	**82,871,583**	64,065,308
Gearing ratio	**244%**	98%