

ANNUAL
REPORT

09



الشركة الخليجية المغربية القابضة
Gulf North Africa Holding Company





IN THE NAME OF ALLAH WHO IS MERCIFUL AND GRACIOUS

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H.H. Sheikh
Sabah Al-Ahmed Al-Jaber
Al-Sabah
Amir of The State of Kuwait



H.H. Sheikh
Nawaf Al-Ahmed Al-Jaber
Al-Sabah
Crown Prince of The State of Kuwait

Board Directors



Talal Jasim Al-Kharafi
Chairman



Dr. Foad Abdullah Al-Omar
Vice-Chairman & Head of
Executive Committee



**Waleed Abdulrahman
Al-Ruwaih**
Member



Emad Abdullah Al-Eissa
Member



Basel Jasim Al-Abaid
Member



**Abdulrahman Hisham
Al-Nissf**
Member



Ahmed Eissa Al-Dosarri
Member

Executive Management



**Eng. Waleed Essa
Al-Thaqeb**
Chief Executive Officer



**Eng. Saad Abdulrazaq
Al-Zaid**
Vice Chief Executive Officer



Bader Sager Al-Shatty
Head Of Investment



**Mohammed Abdulaziz
Al-Duhaiem**
Head of Marketing &
Public Relation



Edrees Al-Mansour
Human Resources
Manager



Eng. J.C Dhamija
Projects Manager



Saud W. Parkar
Finance Manager

Chairman's Message



Dear Shareholders,

I welcome you on behalf of myself and the members of the board of directors, and I hereby put forward the 4th yearly fiscal report for the Gulf North Africa Holding Company, for the financial year ending on 31 December, 2009.

The company achieved a net profit of KD 1.2 million for 2009 compared with KD 2.4 million for 2008. Total shareholding equity was KD 19.3 million in 2009 compared with KD 19.6 million for 2008. The earning per share realized a yield of 8 fils in comparison with 16 fils for 2008.

Gulf North Africa Holding Company continued its activities through its affiliates, which include:

1. Libya General Trading Company W.L.L.
2. Tunisia Arab General Trading Company W.L.L.
3. Morocco North Africa Holding Company
4. Al-Sham Gulf Limited Company
5. Al-Sham Gulf Holding Company

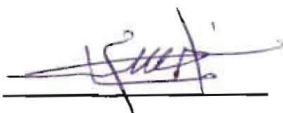
The company has also studied several investment and real estate opportunities in the North Africa region last year through its affiliates in terms of promotional, technical, financial, and legal aspects. The company's progress in studying such opportunities has reached a very much advanced stage, enabling the management to decide on the best available and prospective investments for the coming fiscal year.

2009 has also witnessed the successful marketing of phase 1 of the Dream Real Estate Project in Morocco through Morocco North Africa Company, which is owned 100% by Gulf North Africa Holding Company. The project involves developing a residential complex for locals and tourists combined, with a prime location facing the Atlantic Ocean between Rabat and Casablanca. Marketing for phase 2 of the project has also been on its way during 2009, as it will be completed during the upcoming fiscal year.

Gulf North Africa Holding Company has also been granted approval to be listed on the Kuwait Stock Exchange (Regular Market) on 23rd of March 2010. This move will improve the company reputation and will help acquire the needed finance for the company activities and projects if needed. It is also a step forward in improving the shereholder's returns as a whole.

Finally, I thank the members of the board of directors, the executive management of the company and all the staff of the company for their efforts in improving the company's performance. I would also like to thank the shareholders for their continued support.

Best regards,



Talal Jasim Al-Kharafi
Chairman

Current Projects

Casablanca – Damascus, Syria

The investment idea revolves around making use of about 140 hectares of land by developing it and selling the final plots. The land lies on the Syrian-Lebanese borders and will be used to produce infrastructured land plots consisting of residential buildings for local and tourists with fully supported services and amenities. Demand for similar developments is on the rise in Syria.

The project cost totals up to US\$60 million, and the land lies adjacent to the Syria-Lebanon Highway connecting Damascus to Beirut. Services on the premises will include a post office, a government landscape office, a mosque, restaurants, shops, hotels, and a hospital. The mountainous nature of the area helps to develop gardens throughout the development with sporting fields for golf, tennis, basketball, and volleyball. Also, an artificial lake will be included, which will be surrounded by the restaurants and shopping stores.

Janzour 1 – Tripoli, Libya

Gulf North Africa Holding Company recently started development on the site for 2 residential and 2 commercial buildings within the Libyan capital, Tripoli. The project cost totals up to US\$ 40 million (KD 12 million). The project capital adds to US\$ 20 million (KD 5.55 million), and Gulf North Africa Holding Company holds 20% in the total capital. Security covers the buildings on a 24 hour basis. Projacs Company is assigned as project manager.

Dream Real Estate – Boznaiga area, Morocco

The site in the Boznaiga area lies between Rabat and the capital Casablanca. The land faces the sea, and is adjacent to a major highway linking Rabat and Casablanca. Final license to build and operate have been granted for the project.

Gulf North Africa Holding Company is currently finishing off the design plans, as development will begin in the 2nd quarter of 2010, as it is planned to exit by the end of 2011.

Future Projects

Janzour 2 – Tripoli, Libya

The project involves developing a residential and commercial complex on a land of around 7000 meters squared. The project is an extension to the Janzour 1, which is being built on the adjacent land. Total cost of the project adds up to US\$ 52.5 million (KD 15 million) and holds a capital of US\$ 25.5 million (KD 8.5 million). The duration of the project is expected to be 2 years.

Sidi Rahal – Sidi Rahal, Morocco

The project's site is to the south of the capital, Casablanca. The intended idea involves infrastructure works with complete services and then selling the plots to interested developers. Total cost of the project is US\$ 15 million, while the capital adds to US\$ 7.5 million. Exit is expected in 2 years.

Andalus Fort – Tunis, Tunisia

The project involves buying a land near the capital, Tunis. The intended investment looks at working on providing infrastructure to the plots and then developing them. Due to the large size of the project, the final plots will have to be sold in phases. Project life period is 25 years, and the total cost adds up to US\$ 600 million.

Shari'a Report

Kuwait 23/2/2010

Dear Gulf North Africa Holding Company Shareholders

Peace and prayer be Upon Our Prophet Mohammad and His Companions

Subject: The Islamic Legal Report of the Gulf North Africa Holding Co.

I have perused the used principles and contracts related to the transactions and applications suggested by the Gulf North Africa Holding Co. for the financial year ended in 31 December 2009, and I have undertaken the necessary review in order to give my opinion about whether the company's activities complied with the provisions and principles of the Islamic Sharia. I have also looked at the given financial statements for the current year.

In my opinion, the transactions made by the company until 31/12/2009 complied with the provisions and principles of the Islamic Sharia, and the consultations in which the company invested also comply with the provisions of the Islamic Sharia.

Being that it is not provided for by the company's Article of Association to set aside Alms (Zakat) of its shares, it is however imposed on the owners.

Zakat for the annual year 2009 has come up to 3,231 fils per share.

We would like to cease the opportunity to express our gratefulness and appreciation for the company's administration for observing the application of the appropriate legal dealing and for all the contributors and those who deal with the company, asking Allah to bless your efforts in serving the Islamic Economy in a way that is for everybody's sake.

Allah's Peace and Mercy be upon you.



A.D. Abdel Aziz Khlifa Al Kassar

Shari'a Consultant of the Gulf North Africa Holding Co.

Affiliate Companies

Gulf North Africa Holding Company has established several companies, which continually help in carrying its businesses. These companies include:

- Libya General Trading Company W.L.L.
- Al-Sham Gulf Holding Company
- Al-Sham Gulf Limited Company
- Tunisia Arab General Trading Company W.L.L.



الشركة الليبية للتجارة العامة
Libyan General Trading Company

Company Profile

Libya General Trading Company W.L.L.

Attracted by the sound and healthy economic environment in Libya, Gulf North Africa Holding Company has established Libya General Trading Company to pursue further real estate opportunities in the area. Acting as a partner company, the company is currently managing the Janzour project which holds a capital of KD 5.55 million.

The Janzour project's idea revolves around developing an investing commercial complex in the heart of Tripoli, consisting of offices and residential apartments. The area is well known to have a number of foreign companies, and the final product should serve the employees working for these companies best.

The company is also in charge of bringing about other investment opportunities in Libya, which in turn would add value to Gulf North Africa Holding Company's shareholders return on investments.



Company Profile

Al-Sham Gulf Holding Company

The company was established in Syria in 2008 with a capital of 1 billion Syrian Pound (US\$ 20 million), paid in full over a five year period.

More than half of the committed capital has been paid by the end of 2009.

Al-Sham Gulf Holding Company is registered as a member of the Syrian Ministry of Commerce and is licensed to operate freely as a commercial organization under the Syrian Law; which constitutes it as a Holding company having the right to work in activities such as owning and financing companies and projects in sectors that are commercial, agricultural, industrial, touristic, residential, services, or general investing.

The company is fully owned by Gulf North Africa Holding Company. A major project being managed by the company at the moment is the Casablanca project on the Syrian-Lebanese borders. The project aims to build residential and commercial facilities that attract both local and tourists – lying to the west of the capital, Damascus. The project is one of the biggest modern real estate investments in Syria, being run by the private sector at the moment.

It is expected that a Capital Raise and new shares shall be issued soon, so that in a few years time, the company will be ready to be listed on the Syrian Stock Exchange, which was created as of late.





Company Profile Al-Sham Gulf Limited Company

The company was established in 2007 with a paid-up capital of 3 million Syrian Pounds (US\$ 60,000).

Al-Sham Gulf Limited Company is registered as a member of the Syrian Ministry of Commerce and is licensed to operate freely as a commercial organization under the Syrian Law for Limited Companies.

The company is fully owned by Gulf North Africa Holding Company, and was established with the aim of managing and developing the Casablanca Project. The land is owned by the company and lies west of the capital, Damascus, near the Lebanese borders. The project is considered to be one of the biggest modern real estate investments managed by the private sector in Syria, at the moment.

The company is currently active in pursuing all the deeds and licenses, which will pave the way for the actual development of the land.



Company Profile

Tunisia Arab General Trading. Co. W.L.L.

The company is an affiliate of Gulf North Africa Holding Company, and was established in June of 2006.

Due to the growth and stability in the Tunisian economy over the past few years, and the country's prime location on the Mediterranean Sea, the Gulf North Africa Holding Company has viewed the establishment of its affiliate as an advantage in bringing in the best available investment opportunities with the highest and most secure returns. There are several investment projects being studied at the given time by the company's management.

Gulf North Africa Holding Co. K.S.C. (Closed)
and Subsidiaries
Kuwait

Consolidated Financial Statements
and
Independent Auditor's Report
For the year ended 31 December 2009



INDEPENDENT AUDITOR'S REPORT

The Shareholders
Gulf North Africa Holding Co. K.S.C. (Closed)
Kuwait

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Gulf North Africa Holding Co. K.S.C. (Closed), Kuwait, ("the Company") and its subsidiaries (together referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements, to prevent and detect 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by 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.

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 of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards.

Report on Other legal and Regulatory Requirements

Furthermore, in our opinion, proper books of account have been kept by the 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 have obtained all the information and explanations that we required for the purpose of our audit and the consolidated financial statements include the information required by the Kuwait Commercial Companies Law of 1960, as amended, and the Company's Memorandum and Articles of Association, and an inventory was carried out in accordance with recognized procedures. To the best of our knowledge and belief, no violations of the Kuwait Commercial Companies Law of 1960, as amended, nor of the Memorandum and Articles of Association of the Company have occurred during the year ended 31 December 2009 that might have had a material effect on the business of the Group or on its financial position.

Rabea Saad Al-Muhanna
Licence No. 152 A
Horwarth Al-Muhanna & Co.

Kuwait

14 February 2010

Consolidated Statement of Financial Position at 31 December 2009

ASSETS

	Note	2009 KD	2008 KD
Current assets			
Cash and cash equivalents	4	5,147,190	8,967,009
Investment carried at fair value through income statement	5	2,681,221	2,998,351
Accounts receivable and other debit balances	6	1,973,543	485,507
Total current assets		9,801,954	12,450,867
Non-current assets			
Property, plant and equipment	7	65,434	13,775
Investment in unconsolidated subsidiaries	8	41,643	2,391,347
Investments available for sale	9	9,036,859	7,155,647
Investment in associate	10	1,081,280	1,127,064
Total non current assets		10,225,216	10,687,833
Total assets		20,027,170	23,138,700
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	11	15,000,000	15,000,000
Statutory reserve	12	721,222	596,111
Voluntary reserve	13	721,222	596,111
Retained earnings		2,918,703	3,468,652
Cumulative changes in fair value		(50,281)	(50,281)
Foreign currency translation reserve		1,234	-
Total equity		19,312,100	19,610,593
Non-current liabilities			
Employees end of service benefits		48,776	42,336
Current liabilities			
Accounts payable and other credit balances	14	666,294	3,485,771
Total equity and liabilities		20,027,170	23,138,700

Mr. Talal Jasem Mohammed Al Khorafi
Chairman

Dr. Fouad Abdulla A Omar
Vice Chairman



The accompanying notes form an integral part of these consolidated financial statements

Consolidated Statement of Income

for the year ended 31 December 2009

	Note	2009 KD	2008 KD
Service revenue	15	1,775,818	2,028,698
Murabaha income		88,853	61,175
Realised (loss)/profit on investment carried at fair value through income statement		(4,291)	42,248
Change in fair value of investment carried at fair value through income statement		(28,305)	86,948
Realised profit on sale of investment property		-	431,107
Profit on sale of investments available for sale		-	89,902
Loss on investments in associates		(45,784)	-
Dividend income		111,070	316,125
Other income		33,513	277,193
Total income		1,930,874	3,333,396
Administrative expenses	16	(667,022)	(825,608)
Depreciation on property, plant and equipment		(11,093)	(8,251)
Loss on disposal of property, plant & equipment		(1,651)	(3,779)
Profit before contribution to KFAS & Zakat		1,251,108	2,495,758
Provision for contribution to KFAS		(11,260)	(22,462)
Provision for Zakat		(12,575)	(25,180)
Directors remuneration		(27,000)	(39,000)
Net profit for the year		1,200,273	2,409,116
Basic and diluted earnings per share attributable to shareholders of the parent company (Fils)	17	8.00	16.06

The accompanying notes form an integral part of these consolidated financial statements

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2009

	2009	2008
	KD	KD
Profit for the year	1,200,273	2,409,116
Other Comprehensive income		
Net change in fair value of available for sale investments	-	25,097
Change in foreign currency translation reserve	1,234	
Total comprehensive income for the year	1,201,507	2,434,213

Consolidated Statement of Changes in Equity

for the year ended 31 December 2009

	Share Capital	Statutory reserve	Voluntary reserve	Retained earnings	Cumulative Change in fair value	Foreign currency translation reserve	Total
	KD	KD	KD	KD	KD	KD	KD
Balance at 31 December 2007	15,000,000	346,535	346,535	2,683,688	(75,378)	-	18,301,380
Dividend distribution	-	-	-	(1,125,000)	-	-	(1,125,000)
Transactions with shareholders	15,000,000	346,535	346,535	1,558,688	(75,378)	-	17,176,380
Profit for the year	-	-	-	2,409,116	-	-	2,409,116
Other comprehensive income	-	-	-	-	25,097	-	25,097
Total comprehensive income	-	-	-	2,409,116	25,097	-	2,434,213
Transfer to reserves	-	249,576	249,576	(499,152)	-	-	-
Balance at 31 December 2008	15,000,000	596,111	596,111	3,468,652	(50,281)	-	19,610,593
Dividend distribution	-	-	-	(1,500,000)	-	-	(1,500,000)
Transactions with shareholders	15,000,000	596,111	596,111	1,968,652	(50,281)	-	18,110,593
Profit for the year	-	-	-	1,200,273	-	-	1,200,273
Other comprehensive income	-	-	-	-	-	1,234	1,234
Total comprehensive income	-	-	-	1,200,273	-	1,234	1,201,507
Transfer to reserves	-	125,111	125,111	(250,222)	-	-	-
Balance at 31 December 2009	15,000,000	721,222	721,222	2,918,703	(50,281)	1,234	19,312,100

The accompanying notes form an integral part of these consolidated financial statements

Consolidated Statement of Cash Flows

for the year ended 31 December 2009

	Note	2009 KD	2008 KD
Cash flows from operating activities			
Net profit for the year		1,200,273	2,409,116
Adjustments for:			
Depreciation on property, plant and equipment		11,093	8,251
Dividend income		(111,070)	(316,125)
Changes in fair value of investments carried at fair value		28,305	(86,948)
Loss on disposal of property, plant & equipment		1,651	-
Other income (reversal of excess provisions)		(8,997)	-
Realised gain on investment carried at fair value		-	(42,248)
Provision for employees end of service benefits		19,948	22,249
Loss on investments in associates		45,784	-
Operating profit before changes in working capital		1,186,987	1,994,295
Changes in working capital			
(Increase)/decrease in accounts receivable and other debit balances		(1,488,036)	5,608,359
(Decrease)/increase in accounts payable and other credit balances		(467,085)	1,150,064
Cash (used in)/generated from operations		(768,134)	8,752,718
Employees end of service benefits paid		(4,511)	-
Net cash (used in)/ from operating activities		(772,645)	8,752,718
Cash flows from investing activities			
Murabaha investment		-	2,000,000
Investment in unconsolidated subsidiaries		(1,454)	(944,296)
Net purchase of investments available for sale		(1,881,212)	(2,764,632)
Dividend income		111,070	316,125
Net proceeds from sale of investments carried at fair value		288,825	1,652,099
Disposal of property, plant and equipment		449	25,805
Investment in associate		-	(1,127,064)
Purchase of property, plant and equipment		(64,852)	(8,751)
Net cash from/(used in) investing activities		(1,547,174)	(850,714)
Cash flow from financing activities			
Dividend paid		(1,500,000)	(1,124,250)
Net cash used in financing activities		(1,500,000)	(1,124,250)
Net (decrease)/increase in cash and cash equivalents		(3,819,819)	6,777,754
Cash and cash equivalents at beginning of the year		8,967,009	2,189,255
Cash and cash equivalents at end of the year	4	5,147,190	8,967,009

Notes to the Consolidated Financial Statements for the year ended 31 December 2009

1. Establishment

Gulf North Africa Holding Co. K.S.C.(Closed) («the Company») is a Kuwaiti shareholding company incorporated on 3 December 2005. The general assembly meeting for establishment of the Company was held at the Ministry of Commerce and Industry on 14 December 2005. The main activities of the Company are owning and investing in other companies, providing loans and advances to those companies, holding trademarks, licenses or other rights, owning necessary properties and other assets incidental to activities of the Company and investing in portfolios.

The Company is domiciled in Kuwait and the address of its registered office is P. O. Box 4425, Safat 13045, Kuwait.

The total number of employees at 31 December 2009 was 19 (2008 : 21).

The consolidated financial statements for the year ended 31 December 2009 comprise the company and its subsidiary (together referred to as the «group»).

The financial statements of the Company for the year ended 31 December 2009 were authorized for issue on 14 February 2010 by the Company's board of directors.

2 Adoption of new and revised International Financial Reporting Standards

During the year, the group adopted the following Standards effective for the annual periods beginning on or after 1 January 2009

- **IFRS 8 Operating Segments**

The new standard which replaced IAS 14 'Segment reporting' requires a management approach for segment reporting under which segment information is presented on the same basis as that used for internal reporting purposes. However, the application of the revised standard has had no impact on designation of the group's reporting segments as it has previously been consistent with the internal reporting provided to the chief operating decision maker and group mainly operates in a single segment.

- **IAS 1 (Revised) Presentation of Financial Statements**

The adoption of IAS 1 (Revised 2007) makes certain changes to the format and titles of the primary financial statements and to the presentation of some items within these statements. It also gives rise to additional disclosures. The measurement and recognition of the group's assets, liabilities, income and expenses is unchanged. However, some items that were recognised directly in equity are now recognised in other comprehensive income. IAS 1 affects the presentation of owner changes in equity and introduces a «Statement of comprehensive income»

- **IAS 23 (Revised) Borrowing costs**

IAS 23 Borrowing Costs has been amended resulting in elimination of the previously available option to expense all borrowing costs when incurred. Under the revised standard, all borrowing costs that are directly attributable to qualifying assets are to be capitalised. The application of the revised standard has no material impact on the consolidated financial statements in the period of initial application because it has always been groups accounting policy to capitalise borrowing costs incurred on qualifying assets.

Improvements to IFRSs

The Improvements include 35 amendments across 20 different Standards that largely clarify the required accounting treatment where previous practice had varied, and have not resulted in any significant changes in the group's accounting policies.

Following revised standards have been issued but not yet effective and have not been adopted by the group in the current period:

IAS 28 Investments in Associates (Revised 2008) (effective for annual period beginning 1 July 2009)

IFRS 3 Business Combination (Revised 2008) (effective for annual periods beginning on or after 1 July 2009)

IAS 27 Consolidated and Separate Financial Statements (Revised 2008) (effective for annual periods beginning on or after 1 July 2009)

3. Significant accounting polices

The principal accounting policies applied in the preparation of these financial statements are set out below.

3.1 Basis of preparation

The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards promulgated by the International Accounting Standards Board («IASB»), and the interpretations issued by the International Financial Reporting Interpretations Committee («IFRIC») of the IASB. The consolidated financial statements are prepared under the historical cost convention except for the revaluation of certain financial instruments as stated in the accounting policies mentioned below.

3.2 Basis of consolidation

The consolidated financial statements of the group for the year ended 31 December 2009 comprise of the Company and its subsidiaries (together referred to as the «group»), in which the company has a 50 % or more shareholding. Subsidiaries are consolidated from the date on which control is transferred to the group and no longer consolidated from the date that control ceases. All inter company transactions, balances and unrealised gain on transaction between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. The accounting policies have been consistently applied by the Company and its subsidiaries. The financial statements of the following subsidiaries are included in the consolidated financial statements :

31 December 2009

Company name	% of Ownership
Arab Tunisia General Trading W.L.L., Kuwait	100%
Al Sham Gulf Holding Company, Syria	100%
Al Sham Gulf Company Ltd, Syria	100%

31 December 2008

Company name	% of Ownership
Arab Tunisia General Trading W.L.L., Kuwait	100%
Algeria Mediterranean General Trading Company W.L.L., Kuwait	100%
Morocco Mediterranean General Trading Company W.L.L., Kuwait	100%

During the year ended 31 December 2009 Algeria Mediterranean General Trading Company W.L.L., Kuwait and Morocco Mediterranean General Trading Company W.L.L., Kuwait were liquidated and hence not included in the consolidation.

3.3 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Expenditure which enhances the future economic benefits of an asset are capitalized. Maintenance and repairs, replacements and improvements of a minor nature and value are charged to the statement of income for the year. Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with carrying amount. These are included in the statement of income.

Depreciation is charged to the statement of income on a straight line basis over the estimated useful lives of the assets as stated below:

	Years
Computers	2-5
Furniture & fixtures	5

3.4 Investment in unconsolidated subsidiaries

Subsidiaries are those enterprises controlled by the Company. Control exists when the 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. Investment in unconsolidated subsidiaries are valued at cost.

3.5 Investments available for sale

Investments are initially recognized at cost, being the fair value of the considerations given, which is measured using settlement date, including all acquisition costs associated with investments.

After initial recognition, investments available for sale are measured at fair value. The fair value of investments traded in recognized financial markets is their quoted market price based on the last bid price. For investments where there is no quoted market price, a reasonable estimate of fair value is determined by reference to the current market value of another instrument that is substantially the same or is based on discounted cash flow analysis or option pricing models. Investments whose fair value cannot be reliably measured are carried at cost less impairment losses.

Any gain or loss from change in the fair value of investments available for sale is recognized in the shareholders' equity and when the investment available for sale is disposed of, any amount in shareholders' equity that relates to that investment is transferred to income statement for calculating the gain or loss. Amount in shareholders' equity are also transferred to income statement whenever investment is impaired in the year in which it arises.

3.6 Cash and cash equivalents

Cash and cash equivalents are defined as cash and balances with banks and murabaha investments that are maturing within three months of the contract date with financial institutions that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

3.7 Murabaha investments

Investment in murabaha deals are valued at amortised cost which approximates to its fair value.

3.8 Investments at fair value through statement of income

Investments are initially recognized at cost, being the fair value of the considerations given, which is measured using settlement date, including all acquisition costs associated with investments.

After initial recognition, investments at fair value through income statement are measured at fair value. The fair value of investments traded in recognized financial markets is their quoted market price based on the last bid price. For investments where there is no quoted market price, a reasonable estimate of fair value is determined by reference to the current market value of another instrument that is substantially the same or is based on discounted cash flow analysis or option pricing models.

Investment are considered as investment at fair value through statement of income if they are purchased for resale in the short run or so they are classified by the management. Any realized or unrealized gains or losses are recognized in the statement of income for the year in which it takes place.

3.9 Investment in associate

An associate is one over which the group has significant influence but not control over its operation, generally accompanying directly or indirectly, a shareholding of between 20% to 50% of the equity share capital and is accounted for by the equity method.

3.10 Impairment of financial assets

An assessment is made at each financial statement date to determine whether there is objective evidence that a specific financial asset or a group of financial assets may be impaired. If such evidence exists, any impairment loss is recognised in the consolidated statement of income. Impairment is determined as follows:

- (a) For assets carried at fair value, impairment is the difference between cost and fair value;
- (b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and
- (c) For assets carried at amortized cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

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. Except for reversal of impairment losses related to equity instruments classified as available for sale, all other impairment reversals are recognised in the consolidated comprehensive of income to the extent the carrying value of the asset does not exceed its amortized cost at the reversal date. Impairment reversals in respect of equity instruments classified as available for sale are recognized in the cumulative changes in fair value reserve.

3.11 Impairment of non-financial assets

The group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the group 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 by recognising impairment loss in the consolidated statement of comprehensive income. 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 group makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the assets 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.

3.12 Accounts receivable

Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts.

3.13 Payables

Creditors and other credit balances are stated at cost.

3.14 Provisions

Provisions are recognized when the group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle that obligation.

3.15 Employees end of service indemnity

Provision is made for amounts payable to employees under the Kuwaiti Labour Law and employment contracts. This liability which is unfunded, represents the amount payable to each employee as a result of involuntary termination on the statement of financial position date, and approximates the present value of the final obligation.

3.16 Foreign currency translation

Foreign currency transactions are recorded in Kuwaiti Dinars at the rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Kuwaiti Dinars at the rate of exchange prevailing on the statement of financial position date. Resulting gains or losses are recognized in the statement of income.

3.17 Revenue recognition

Revenue from services rendered is recognized in proportion to the stage of completion of the transaction at the financial statements date. Revenue from Murabaha investment is recognized on a weighted time apportionment basis. Other income is accrued on a time basis, by reference to the principal outstanding and at the profit rate applicable. Dividend income from investments is recognized when the shareholders rights to receive payment has been established.

3.18 Critical accounting estimates and judgements

The preparation of consolidated financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgements in the process of applying the group's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectation of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the group financial statements are determination and measurement of useful life and residual value of property and equipment and classification and valuation of investments in unquoted investments and other securities.

4. Cash and cash equivalents

	2009	2008
	KD	KD
Cash in hand	661	2,598
Cash and balances with banks	2,616,708	8,164,368
Murabaha investments	2,529,821	800,043
	<u>5,147,190</u>	<u>8,967,009</u>

5 Investments at fair value through income statement

	2009	2008
	KD	KD
Quoted fund	283,520	600,650
Unquoted investments	2,397,701	2,397,701
	<u>2,681,221</u>	<u>2,998,351</u>

It was not possible to reliably measure the fair value of the unquoted investments. The management is not aware of any circumstances that would indicate any impairment in the value of the unquoted securities at the financial statement date. Accordingly these are carried at fair values as considered as of 31 December 2008.

6. Accounts receivable and other debit balances

	2009 KD	2008 KD
Due from related parties	1,903,760	149,558
Advances	-	96,973
Other receivable	9,368	163,184
Accrued revenue	37,823	54,851
Prepaid expenses	22,592	20,941
	1,973,543	485,507

7. Property, plant and equipment

	Furniture fixtures & KD	Computers KD	Total KD
Cost			
At 31 December 2008	6,990	14,494	21,484
Additions during the year	63,322	1,530	64,852
Disposals	(2,561)	-	(2,561)
At 31 December 2009	67,751	16,024	83,775
Accumulated depreciation			
At 31 December 2008	(1,688)	(6,021)	(7,709)
Depreciation for the year	(8,320)	(2,773)	(11,093)
Disposals	461	-	461
At 31 December 2009	(9,547)	(8,794)	(18,341)
Net book value at 31 December 2009	58,204	7,230	65,434
Net book value at 31 December 2008	5,302	8,473	13,775

8. Investment in unconsolidated subsidiaries

It represents the cost of investment in unconsolidated subsidiaries owned by the company, which are as follows:

	Ownership Percentage (%)	2009 KD	2008 KD
Morocco North Africa Holding Company Limited , Morocco	100%	4,033	17,178
Al Sham Gulf Company Limited , Syria	100%	-	4,033
Al Sham Gulf Holding Company, Syria	100%	-	2,333,980
Sidar Gulf North Africa Holding Co. , Bahrain	60%	13,104	13,104
SARL El Awras El Khalijia Promotion Immo, Algeria	100%	23,052	23,052
North Africa Studies and Consultation Co, Tunisia	100%	1,454	-
		41,643	2,391,347

9 Investments available for sale

It represents investment in unquoted securities. These are stated at cost less impairment losses.

10 Investment in associate

This represents 20% investment in share capital of Libya General Trading Company W.L.L., Kuwait. The movement during the year is as follows:

	2009 KD	2008 KD
Balance at beginning of the year	1,127,064	150,000
Additions during the year	-	960,000
Share in income of the associate	(45,784)	17,064
Balance at end of the year	1,081,280	1,127,064

11 Share capital

The Company's share capital comprises 150,000,000 authorized, issued and paid-up shares of 100 fils each.

12 Statutory reserve

In accordance with the Commercial Companies Law of 1960, as amended, and the Company's Articles of Association, 10% of the net profit for the year, before contribution to KFAS, is required to be transferred to the statutory reserve until the reserve totals 50% of the paid up share capital.

This reserve is not available for distribution except for payment of a dividend of 5% of paid up share capital in years when the profit is not sufficient for the payment of such dividend.

13 Voluntary reserve

In accordance with the company's Articles of Association, 10% of the net profit for the year, is required to be transferred to the voluntary reserve. Such annual transfers can be discontinued by a resolution of the shareholders in the annual general assembly meeting upon recommendation by the board of directors. There are no restriction on the distribution of this reserve.

14. Accounts payable and other credit balances

	2009 KD	2008 KD
Accounts payable	68,425	677,418
Related party payables	325,933	2,465,447
Accrued expenses	212,563	248,223
Staff leave provision	35,538	46,291
Dividend payable	-	750
Payable to KFAS	11,260	22,462
Zakat payables	12,575	25,180
	<u>666,294</u>	<u>3,485,771</u>

15 Service revenue

It represents income earned for rendering services in the form of marketing, placement, arrangement and identifying investment opportunities.

16 Administrative expenses

	2009	2008
	KD	KD
Staff cost	504,147	600,755
Rent	60,932	41,632
Other expenses	101,943	183,221
	667,022	825,608

17 Earnings per share

Earnings per share is calculated by dividing the profit for the year attributable to the shareholders of the parent company by the weighted average number of shares outstanding during the year as follows:

	2009	2008
	KD	KD
Net profit for the year	1,200,273	2,409,116
Weighted average number of shares outstanding	150,000,000	150,000,000
Earnings per share (fils)	8.00	16.06

18 Dividends

The board of directors have not proposed any dividend for the year ended 31 December 2009 (2008: 10%).

The shareholders assembly meeting of the company held during the period approved the payment of dividend of 10 % over the paid up capital for the year ended 31 December 2008 (2007: 7.5%).

19 Related party transactions

These represent transactions with certain parties (shareholders and enterprises that are under common control) entered into by the group in the ordinary course of business. Terms of these transactions are approved by the management.

Balances of transactions with related parties included in the Statement of Financial Position are as follows:-

	2009	2008
	KD	KD
Current assets:		
Trade and other receivable	1,903,760	149,558
Current liabilities		
Trade and other payable	325,933	2,465,447

Transactions with related parties included in the Statement of Income are as follows:-

	2009	2008
	KD	KD
Service income	1,775,818	1,683,920
Realized profit on sale of investment property	-	431,107

20 Segmental analysis

The group primarily operates in one business segment: investments. Although management of the group is based primarily on one business segment, the group operates in two geographical segments: Domestic and International. The geographical analysis of segment information is as follows:

	Domestic KD	International KD	Total KD
Year ended 31 December 2009			
Income	186,824	1,744,050	1,930,874
(Loss)/profit before KFAS & Zakat	(492,942)	1,744,050	1,251,108
Total assets	7,427,648	12,599,522	20,027,170
Total liabilities	582,563	132,507	715,070
Net assets	6,845,085	12,467,015	19,312,100
Year ended 31 December 2008			
Income	797,935	2,535,461	3,333,396
Profit before KFAS & Zakat	(39,703)	2,535,461	2,495,758
Total assets	11,777,966	11,360,734	23,138,700
Total liabilities	1,312,076	2,216,031	3,528,107
Net assets	10,465,890	9,144,703	19,610,593

21 Fair Value of financial instruments

The 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 other than in a forced liquidation or sale. Fair values are obtained from quoted market prices, discounted cash flow models and other appropriate methods. At the statement of financial position date, the fair value of financial instruments approximated their carrying amounts.

22 Capital Management

The group's capital management objectives are to ensure the group's ability to continue as a going concern in order to provide an adequate return to shareholders and maintain an optimal capital structure to reduce the cost of capital.

23 Risk Management

Risk is inherent in the group's activities but it is managed through a process of on going identification, measurement and monitoring, subject to risk limits and other controls. The group is exposed to credit risk, liquidity risk and market risk.

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

23.1 Credit Risk

Credit risk is the risk that one party to a financial statement will fail to discharge an obligation and cause the other party to incur a financial loss. The group's credit policy and exposure to credit risk is monitored on an ongoing basis. The group seeks to avoid undue concentration of risks with individuals or group's customers in specific locations or business through diversification of its activities. It also obtains security when appropriate. It is the group's policy to deal only with creditworthy counterparties.

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

	2009	2008
	KD	KD
Bank balances	2,616,708	8,164,368
Murabaha investment	2,529,821	800,043
Accounts and other receivables	1,950,951	464,566
Total credit exposure	7,097,480	9,428,977

The group considers all the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality.

In respect of trade and other receivables, the group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit rating.

23.2 Liquidity risk

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

The maturity profile of the assets, equity and liabilities at 31 December 2009

	Up to 1 Month KD	1-3 Months KD	3-12 Months KD	Over One year KD	Total KD
Assets					
Cash and bank balances	5,147,190	-	-	-	5,147,190
Accounts and other receivables	60,415	9,368	1,903,760	-	1,973,543
Investment carried at fair value	-	-	2,681,221	-	2,681,221
Investment available for sale	-	-	-	9,036,859	9,036,859
Investment in subsidiaries	-	-	-	41,643	41,643
Investment in associate	-	-	-	1,081,280	1,081,280
Property, plant and equipment	-	-	-	65,434	65,434
Total assets	5,207,605	9,368	4,584,981	10,225,216	20,027,170
Liabilities					
End of service benefits	-	-	-	48,776	48,776
Accounts and other payables	68,425	223,823	374,046	-	666,294
Equity	-	-	-	19,312,100	19,312,100
Total liabilities	68,425	223,823	374,046	19,360,876	20,027,170

The maturity profile of the assets, equity and liabilities at 31 December 2008

	Up to 1 Month KD	1-3 Months KD	3-12 Months KD	Over One year KD	Total KD
Assets					
Cash and bank balances	8,967,009	-	-	-	8,967,009
Trade and other receivables	75,792	163,184	246,531	-	485,507
Investment carried at fair value	-	-	2,998,351	-	2,998,351
Investment available for sale	-	-	-	7,155,647	7,155,647
Investments in subsidiaries	-	-	-	2,391,347	2,391,347
Investments in associates	-	-	-	1,127,064	1,127,064
Property, plant and equipment	-	-	-	13,775	13,775
Total assets	9,042,801	163,184	3,244,882	10,687,833	23,138,700
Liabilities					
End of service benefits	-	-	-	42,336	42,336
Accounts and other payables	677,418	271,435	2,536,918	-	3,485,771
Equity	-	-	-	19,610,593	19,610,593
Total liabilities	677,418	271,435	2,536,918	19,652,929	23,138,700

23.3 Market risk

Market risk is the risk that the value of an asset will fluctuate as a result of changes in the market variables such as interest rates, foreign exchange rate, and equity price, whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all investments traded in the market.

Market risk is managed on the basis of pre-determined asset allocation across various asset categories, diversification of assets, a continuous appraisal of market conditions and trends and the management estimate of long term and short term changes in fair value.

24 Previous year figures

Previous year figures have been reclassified wherever necessary, to conform to the current year presentation.