BAYAN INVESTMENT COMPANY - K.S.C. (CLOSED) AND SUBSIDIARIES
STATE OF KUWAIT

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
WITH
INDEPENDENT AUDITORS' REPORT

BAYAN INVESTMENT COMPANY - K.S.C. (CLOSED) AND SUBSIDIARIES
STATE OF KUWAIT

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
WITH
INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

The Shareholders
Bayan Investment Company - K.S.C. (Closed)
State of Kuwait

Report on the consolidated financial statements

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

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 as adopted in the State of Kuwait. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free of material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

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

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

Opinion

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

Report on other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of accounts have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Commercial Company's law of 1960, as amended, and by the Parent Company's Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violation of the Commercial Company's Law of 1960, as amended, or of the Parent Company's Articles of Association have occurred during the year ended December 31, 2009 that might have had a material effect on the business of the Group or on its financial position.

We further report that, during the course of our audit, we have not become aware of any material violations of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organization of banking business, and its related regulations, during the year ended December 31, 2009 that might have had a material effect on the business of the Group or on its financial position.

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Member of RSM International

State of Kuwait
April 1, 2010

BAYAN INVESTMENT COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2009
(All amounts are in Kuwaiti Dinars)

ASSETS	Note	2009	2008
Cash and cash equivalents	3	**4,383,115**	3,002,208
Investments at fair value through income statement	4	**4,420,665**	5,561,140
Accounts receivable and other debit balances	5	**1,184,877**	877,401
Loan to an associate	6	**2,970,000**	-
Inventories		**669,629**	350,435
Due from related parties	30	**43,136**	10,870,531
Investments available for sale	7	**51,628,696**	59,894,656
Investment in associates	8	**19,542,784**	23,816,769
Investment in unconsolidated subsidiaries	9	**7,780**	159,249
Investment properties	11	**12,814,378**	18,368,433
Fixed assets	12	**2,531,867**	2,485,384
Total assets		**100,196,927**	125,386,206
LIABILITIES AND EQUITY			
Liabilities:			
Due to banks	13	**37,417,851**	39,199,700
Accounts payable and other credit balances	14	**1,805,676**	3,211,813
Murabaha payable	15	**837,214**	715,350
Bonds	16	**10,000,000**	20,000,000
Provision for end of service indemnity	17	**409,801**	375,896
Total liabilities		**50,470,542**	63,502,759
Equity:			
Share capital	18	**39,266,391**	39,266,391
Treasury shares	19	**(7,868,259)**	(8,019,773)
Statutory reserve	20	**12,166,782**	12,166,782
Voluntary reserve	21	**11,029,254**	11,029,254
Cumulative changes in fair value		**(3,530,777)**	(14,362,700)
Foreign currency translation adjustments		**(65,918)**	(1,103)
Treasury shares reserve		**1,024,735**	1,201,791
(Accumulated losses) / retained earnings		**(2,347,890)**	20,547,289
Equity attributable to shareholders of the Parent Company		**49,674,318**	61,827,931
Non-controlling interests		**52,067**	55,516
Total equity		**49,726,385**	61,883,447
Total liabilities and equity		**100,196,927**	125,386,206

The accompanying notes from (1) to (36) form an integral part of the consolidated financial statements.

Faisal Ali Al-Mutawa
Chairman and Managing Director

Adel Essa Al-Yousifi
Vice Chairman

BAYAN INVESTMENT COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2009
(All amounts are in Kuwaiti Dinars)

	Note	2009	2008
Revenue:			
Net investment income	23	**1,726,507**	1,265,434
Gain on sale of property under development	10, 30	**5,087,190**	27,182,322
Management fees	24	**140,262**	3,280,175
Net sales revenue		**729,512**	682,176
Service income	30	**-**	76,259
Interest income		**123,447**	211,330
Share of results from associates	8, 30	**(158,111)**	(112,184)
Gain on sale of an associate	8(c)	**214,375**	-
Share of results from an unconsolidated subsidiary	9, 30	**(159,249)**	-
Related party payable balance written back	30	**111,629**	-
Other income		**52,150**	31,561
Foreign exchange (loss) gain		**(263,702)**	185,306
		7,604,010	32,802,379
Expenses and other charges:			
Impairment loss on investments available for sale	7	**(15,245,229)**	(10,523,693)
Impairment loss on investment properties	11	**(5,554,055)**	(1,931,567)
Impairment loss on investment in an associate	8(a), 30	**(900,000)**	-
Provision for loan to an associate	6, 30	**(30,000)**	-
Related party receivable balances written off	30	**(510,938)**	-
General and administrative expenses	25	**(1,826,013)**	(3,228,321)
Finance charges		**(2,888,089)**	(5,630,984)
		(26,954,324)	(21,314,565)
(Loss) profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), Zakat, National Labor Support Tax (NLST) and Board of Directors' remuneration		**(19,350,314)**	11,487,814
Contribution to KFAS	26	**-**	-
Zakat	27	**-**	-
NLST	28	**-**	(223,148)
Board of Directors' remuneration		**-**	(70,000)
Net (loss) profit for the year		**(19,350,314)**	11,194,666
Attributable to:			
Shareholders of the Parent Company		**(19,347,728)**	11,187,424
Non-controlling interests		**(2,586)**	7,242
Net (loss) profit for the year		**(19,350,314)**	11,194,666
		Fils	Fils
(Loss) earnings per share	29	**(54.54)**	30.31

The accompanying notes from (1) to (36) form an integral part of the consolidated financial statements.

BAYAN INVESTMENT COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2009
(All amounts are in Kuwaiti Dinars)

	2009	2008
Net (loss) profit for the year	**(19,350,314)**	11,194,666
Other comprehensive income (loss):		
Investments available for sale:		
Changes in fair value of investments available for sale	**(1,463,783)**	(29,111,826)
Reversal due to sale of investments available for sale	**239,375**	4,658,947
Reversal due to impairment of investments available for sale	**12,057,741**	211,375
	10,833,333	(24,241,504)
Exchange differences on translating foreign operations	**122,248**	26,233
Share of other comprehensive loss of an associate	**(187,063)**	-
Other comprehensive income (loss) for the year	**10,768,518**	(24,215,271)
Total comprehensive loss for the year	**(8,581,796)**	(13,020,605)
Attributable to:		
Shareholders of the Parent Company	**(8,580,620)**	(13,026,377)
Non-controlling interests	**(1,176)**	5,772
Total comprehensive loss for the year	**(8,581,796)**	(13,020,605)

The accompanying notes from (1) to (36) form an integral part of the consolidated financial statements.

BAYAN INVESTMENT COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2009
(All amounts are in Kuwaiti Dinars)

	Equity attributable to shareholders of the Parent Company										
	Share capital	Treasury shares	Statutory reserve	Voluntary reserve	Cumulative changes in fair value	Foreign currency translation adjustments	Treasury shares reserve	Retained earnings / (accumulated losses)	Sub-total	Non-controlling interests	Total
Balance as at January 1, 2008	35,696,719	(3,188,057)	11,018,725	9,881,197	9,877,334	(27,336)	836,571	18,607,059	82,702,212	50,324	82,752,536
Bonus shares (2007 – 10%) (Note 22)	3,569,672	-	-	-	-	-	-	(3,569,672)	-	-	-
Cash dividends (2007 – 10 fils) (Note 22)	-	-	-	-	-	-	-	(3,381,408)	(3,381,408)	-	(3,381,408)
Purchase of treasury shares	-	(5,867,618)	-	-	-	-	-	-	(5,867,618)	-	(5,867,618)
Sale of treasury shares	-	1,035,902	-	-	-	-	365,220	-	1,401,122	-	1,401,122
Related to change in percentage of ownership in a subsidiary	-	-	-	-	-	-	-	-	-	(580)	(580)
Total comprehensive (loss) income for the year	-	-	-	-	(24,240,034)	26,233	-	11,187,424	(13,026,377)	5,772	(13,020,605)
Transfer to reserves	-	-	1,148,057	1,148,057	-	-	-	(2,296,114)	-	-	-
Balance as at December 31, 2008	39,266,391	(8,019,773)	12,166,782	11,029,254	(14,362,700)	(1,103)	1,201,791	20,547,289	61,827,931	55,516	61,883,447
Cash dividends (2008 – 10 fils) (Note 22)	-	-	-	-	-	-	-	(3,547,451)	(3,547,451)	-	(3,547,451)
Purchase of treasury shares	-	(455,359)	-	-	-	-	-	-	(455,359)	-	(455,359)
Sale of treasury shares	-	606,873	-	-	-	-	(177,056)	-	429,817	-	429,817
Related to change in percentage of ownership in a subsidiary	-	-	-	-	-	-	-	-	-	(2,273)	(2,273)
Total comprehensive income (loss) for the year	-	-	-	-	10,831,923	(64,815)	-	(19,347,728)	(8,580,620)	(1,176)	(8,581,796)
Balance as at December 31, 2009	**39,266,391**	**(7,868,259)**	**12,166,782**	**11,029,254**	**(3,530,777)**	**(65,918)**	**1,024,735**	**(2,347,890)**	**49,674,318**	**52,067**	**49,726,385**

The accompanying notes from (1) to (36) form an integral part of the consolidated financial statements.

BAYAN INVESTMENT COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009
(All amounts are in Kuwaiti Dinars)

	2009	2008
Cash flows from operating activities:		
(Loss) profit for the year before contribution to KFAS, Zakat, NLST and Board of Directors' remuneration	**(19,350,314)**	11,487,814
Adjustments:		
Net investment income	**(1,726,507)**	(1,265,434)
Gain on sale of property under development	**(5,087,190)**	(27,182,322)
Interest income	**(123,447)**	(211,330)
Share of results from associates	**158,111**	112,184
Gain on sale of an associate	**(214,375)**	-
Share of results from an unconsolidated subsidiary	**159,249**	-
Related party payable balance written back	**(111,629)**	-
Provision for end of service indemnity no longer required	**(14,143)**	(1,044)
Foreign exchange loss (gain)	**263,702**	(185,306)
Impairment loss on investments available for sale	**15,245,229**	10,523,693
Impairment loss on investment properties	**5,554,055**	1,931,567
Impairment loss on investment in an associate	**900,000**	-
Provision for loan to an associate	**30,000**	-
Related party receivable balances written off	**510,938**	-
Depreciation	**217,938**	178,829
Provision for end of service indemnity	**81,145**	183,241
Finance charges	**2,888,089**	5,630,984
	(619,149)	1,202,876
Changes in operating assets and liabilities:		
Paid for purchase of investments at fair value through income statement	**(12,862,703)**	(44,782,895)
Proceeds from sale of investments at fair value through income statement	**14,506,151**	44,190,157
Accounts receivable and other debit balances	**(200,230)**	(884,040)
Inventories	**(298,235)**	(93,593)
Related parties	**10,428,527**	(10,948,186)
Accounts payable and other credit balances	**(1,002,126)**	(736,643)
Cash generated from (used in) operations	**9,952,235**	(12,052,324)
Paid for Board of Directors' remuneration	**(70,000)**	(72,000)
Paid for end of service indemnity	**(33,097)**	(7,586)
Net cash generated from (used in) operating activities	**9,849,138**	(12,131,910)
Cash flows from investing activities:		
Loan to an associate	**(3,000,000)**	-
Purchase of short-term Murabaha	**-**	(1,000,000)
Proceeds from sale of short-term Murabaha	**-**	1,000,000
Purchase of investments available for sale	**(3,584,087)**	(3,598,247)
Proceeds from sale of investments available for sale	**7,999,398**	5,249,690
Investment in associates	**214,376**	(37,859,989)
Net movement in non-controlling interests	**(2,273)**	(580)
Investment in an unconsolidated subsidiary	**(7,780)**	-
Payment for additions to property under development	**-**	(4,136,267)
Proceeds from sale of property under development	**8,116,000**	87,122,569
Purchase of fixed assets	**(158,425)**	(790,178)
Dividend income received	**574,807**	4,777,302
Interest income received	**52,472**	211,330
Net cash generated from investing activities	**10,204,488**	50,975,630

Cash flows from financing activities:		
Due to banks – paid	**(2,053,337)**	(31,295,850)
Murabaha payable	**89,269**	705,141
Paid for redemption of bonds	**(10,000,000)**	-
Purchase of treasury shares	**(455,359)**	(5,867,618)
Proceed from sale of treasury shares	**429,817**	1,401,122
Dividends paid	**(3,419,020)**	(3,422,713)
Finance charges paid	**(3,271,637)**	(5,575,787)
Net cash used in financing activities	**(18,680,267)**	(44,055,705)
Net increase (decrease) in cash and cash equivalents	**1,373,359**	(5,211,985)
Cash and cash equivalents of an associate (formerly a subsidiary)	**-**	(7,162)
Effect of foreign currency translation on cash and cash equivalents	**7,548**	251,370
Cash and cash equivalents at beginning of the year	**3,002,208**	7,969,985
Cash and cash equivalents at end of the year (Note 3)	**4,383,115**	3,002,208

The accompanying notes from (1) to (36) form an integral part of the consolidated financial statements.

1. Incorporation and activities

Bayan Investment Company (the Parent Company) is a Kuwaiti closed shareholding company incorporated by agreement No. 1491/Vol 1 dated July 21, 1997 and the latest amendment on June 2, 2008 and it is listed in the Kuwait Stock Exchange and Dubai Financial Market. The Parent Company's commercial registration number is 70718 dated August 30, 1997 and is registered as an investment Company with the Central Bank of Kuwait.

The principal activities of the Parent Company are to provide investment and portfolio management activities for its own account and for clients and investment in real estate.

The Parent Company's registered office is at Souad Commercial Building, Fahad Al-Salem St., Area 12, Building No. 21, P.O. Box No. 104 Al Dasma 35151, State of Kuwait.

The total number of employees of the Parent Company as at December 31, 2009 is 15 employees (2008: 17 employees).

These consolidated financial statements were approved for issue by the Board of Directors on April 1, 2010. The Shareholders' Annual General Assembly has the authority to amend these consolidated financial statements after issuance.

2. Significant accounting policies

The accompanying consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) except for IAS 39 requirements for collective provision which has been replaced by the Central Bank of Kuwait requirements for a minimum general provision. Significant accounting policies are summarized as follows:

a) Basis of preparation

The consolidated financial statements are presented in Kuwaiti Dinars and are prepared under the historical cost convention, except that, investments at fair value through income statement and certain investments available for sale are stated at their fair value. The accounting policies applied by the Group are consistent with those used in the previous year, except for the changes due to implementation of the following new and amended International Financial Reporting Standards effective January 1, 2009:

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

IFRS 7 "Financial instruments: Disclosures" (amendment)
The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

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

IAS 23 "Borrowing Costs" (Revised)
The Group has applied IAS 23 (Revised), which requires an entity to capitalize borrowing costs attributable to the acquisition, construction or production of a qualifying asset for which the commencement date for capitalization is on or after January 1, 2009 as a part of the cost of that asset and removing an option of expensing these borrowing costs in the consolidated statement of income. It did not have a significant impact on the financial position or performance of the Group.

IFRS 2 Share-based Payment (Revised)
The IASB issued an amendment to IFRS 2 which clarifies the definition of vesting conditions and prescribes the treatment for an award that is cancelled. The Group adopted this amendment as of January 1, 2009. It did not have an impact on the financial position or performance of the Group.

IAS 36 "Impairment of Assets"
When discounted cash flows are used to estimate 'fair value less cost to sell' additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate 'value in use'.

IAS 40 "Investment property"
The amendment is part of the IASB's annual improvements project published in May 2008. The amendment requires properties under construction to be used as investment property on completion to be classified as investment property instead of fixed assets. The amendment did not have an impact on the financial position or performance of the Group.

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

Standards and interpretations issued but not effective

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

Revised IFRS 3 "Business Combinations" (2008)

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

— The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations.

— Contingent consideration will be measured at fair value, with subsequent changes therein recognized in consolidated statement of income.

— Transaction costs, other than share and debt issue costs, will be expensed as incurred.

— Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognized in consolidated statement of income.

— Any non-controlling (minority) interests will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

Amended IAS 27 "Consolidated and Separate Financial Statements" (2008)

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

IFRIC 17 "Distribution of non-cash assets to owners" (effective for annual periods beginning on or after July 1, 2009)

The interpretation is part of the IASB's annual improvements project published in April 2009. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable.

IAS 38 (amendment) "Intangible Assets"

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

IFRS 5 (amendment) "Measurement of non-current assets (or disposal groups) classified as held-for-sale"

The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The Group will apply IFRS 5 (amendment) from January 1, 2010. The amendment will not result in a material impact on the Group's financial statements..

IAS 1 (amendment) "Presentation of financial statements"

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

IFRS 2 (amendments) "Group cash-settled and share-based payment transactions"

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

IAS 7 "Statement of Cash Flows"

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

IFRS 9 "Financial Instruments"

The standard, which will be effective for annual periods beginning on or after January 1, 2013, specifies how an entity should classify and measure its financial assets. It requires all financial assets to be classified entirely based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are measured either at amortized cost or fair value.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of IAS 39. They apply a consistent approach to classifying financial assets and replace the numerous categories of financial assets in IAS 39, each of which had its own classification criteria. They also result in one impairment method, replacing the numerous impairment methods in IAS 39 that arise from the different classification categories.

b) Principles of consolidation

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

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

The consolidated financial statements include the financial statements of Bayan Investment Company - K.S.C. (closed) and the following subsidiaries:

	Country of incorporation	Percentage of Holding %	
		2009	2008
Arkan Holding Company-K.S.C. (Holding) and its subsidiary:	Kuwait	**100%**	100%
Arkan International for Building Materials Co. (K.S.C.C.)*	Kuwait	**-**	100%
Arkan Industrial and Mining Co. (E.S.C.)	Egypt	**100%**	100%
Al-Noor Holding Company (K.S.C.C) and its subsidiaries:	Kuwait	**100%**	100%
Al Nour Skills for Consulting and Training Co. (W.L.L.)	Kuwait	**100%**	100%
Al Nour Method for Projects Management Co. (W.L.L.)	Kuwait	**100%**	100%
Al Nour Search for Consulting and Market Studies (W.L.L.)	Kuwait	**100%**	100%
Al Roudatain for Petroleum and Electricity Services Co. (K.S.C.C.) and its subsidiary:	Kuwait	**100%**	100%
Arkan International for Building Materials Co. (K.S.C.C.)*	Kuwait	**96.667%**	-
Bunyan Real Estate Company (K.S.C.C.)	Kuwait	**100%**	100%
Sout Al-Ghad for Advertising Co. (W.L.L)	Kuwait	**100%**	100%
Al Safwa International Consulting Co. (W.L.L.)	Kuwait	**100%**	100%
Al Derah Al-Oula Co. for General Trade and Contracting (W.L.L.)	Kuwait	**100%**	100%
Al Ohadayah Project Management Co. (W.L.L.)	Kuwait	**100%**	100%
Al Sanabel Real Estate Co - W.L.L. (Previously Al Thonenyah Project Management Co. (W.L.L.))	Kuwait	**100%**	100%
Al Robayah Project Management Co. (W.L.L.)	Kuwait	**100%**	100%
Al Sodasyah Project Management Co. (W.L.L.)	Kuwait	**100%**	100%
Bayan Tech for Information Technology Co. (W.L.L.)	Kuwait	**100%**	100%
Babel Holding Co.- K.S.C. (Holding)	Kuwait	**96.095%**	95.9%

* During the year ended December 31, 2009, Arkan International for Building Materials Co. (K.S.C.C.) was sold by Arkan Holding Co. – K.S.C. (Holding) to Al Roudatain for Petroleum and Electricity Services Co. K.S.C. (Closed) and is 100% consolidated at the Group level.

During the year ended December 31, 2009, the Annual General Assembly of Partners' of the following subsidiaries held in the following dates decided to annul these companies' Articles of Association. The Articles of Association of four of these subsidiaries were annulled by the Ministry of Justice on the following dates:

	Date of AGM	Date of annulment by Ministry of Justice
Al Nour Skills for Consulting and Training Co. (W.L.L.)	November 15, 2009	January 27, 2010
Al Nour Method for Projects Management Co. (W.L.L.)	November 15, 2009	February 8, 2010
Al Nour Search for Consulting and Market Studies (W.L.L.)	November 15, 2009	January 27, 2010
Al Robayah Project Co. (W.L.L.)	November 23, 2009	In process
Bayan Tech. for Information Technology Co. (W.L.L.)	November 9, 2009	January 19, 2010

c) Reclassification of financial assets

On October 13, 2008 the IASB permitted reclassification of some financial instruments from one category to another in rare circumstances (Amendments to IAS 39 and IFRS 7).

The Group has elected to apply the amendment effective July 1, 2008 and has reclassified certain investments held for trading to available for sale investments. The details of reclassification are as follows:

Particulars	2009	2008
Amount reclassified from investments held for trading to available for sale investments on July 1, 2008.	-	49,747,536
Fair value of investments reclassified from investments held for trading to available for sale at the date of statement of financial position.	**28,392,050**	32,807,302
Unrealized gain on investments reclassified from investments held for trading to available for sale that have been already recognized in the consolidated statement of income till June 30, 2008.	-	1,590,979
Unrealized loss on investments reclassified from investments held for trading to available for sale that would have been recognized in the consolidated statement of income if these financial assets had not been reclassified.	**(2,774,052)**	(16,662,484)
Unrealized loss on investments reclassified from investments held for trading to available for sale recognized in the other comprehensive income for the period from July 1, 2008 till the date of statement of financial position.	**(2,829,125)**	(12,447,890)
Impairment loss.	**(12,002,166)**	(4,222,131)

d) Cash and cash equivalents

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

e) Financial assets

The Group classifies its financial assets in the following categories: investments at fair value through income statement, loans and receivables and investments available for sale. The classification depends on the purpose for which the financial assets were acquired and is determined at initial recognition by the management.

(i) Investments at fair value through income statement
This category has two sub-categories: investments held for trading, and those designated at fair value through statement of income at inception.

An investment is classified as held for trading if acquired principally for the purpose of selling in the short term or if it forms part of an identified portfolio of investments that are managed together and has a recent actual pattern of short-term profit making or it is a derivative that is not designated and effective as a hedging instrument.

An investment is designated by the management on initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise or; if they are managed and their performance is evaluated and reported internally on a fair value basis in accordance with a documented risk management or investment strategy.

Investments in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months from the end of reporting period.

(ii) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months from the end of the reporting period. These are classified as non-current assets.

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

Purchases and sales of investments are recognized on trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair

value plus transaction costs for all financial assets not carried at fair value through income statement.

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

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

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

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

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

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

f) Accounts receivable

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

g) Inventories

Inventories are valued at the lower of cost or net realizable value after providing allowances for any obsolete or slow-moving items. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is determined on a weighted average basis except for raw materials and spare parts on a first-in-first-out basis.

Net realizable value is the estimated selling price in the ordinary course of business less the costs of completion and selling expenses.

h) Associates

Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policy decisions. The consolidated financial statements include the Group's share of the results and assets and liabilities of associates under the equity method of accounting from the date that significant influence effectively commences until the date that significant influence effectively ceases, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognized except to the extent that the Group has an obligation or has made payments on behalf of the associate.

Gains or losses arising from transactions with associates are eliminated against the investment in the associate to the extent of the Group's interest in the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment in associates and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in the consolidated statement of income.

i) Investment properties

Investment properties, which are properties, held to earn rentals and/or for capital appreciation, are carried at cost, which includes purchase price and transaction costs less accumulated depreciation and impairment losses. Land on which the investment property is erected is not depreciated. Depreciation is computed on a straight-line basis over the useful life of the buildings.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains or losses arising on the retirement or disposal of an investment property are recognized in the consolidated statement of income.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

j) Properties under development

All projects costs are included in the properties under development till the date of its completion and preparation to be ready for use. Properties under development are classified as investment properties or fixed assets according to the intention of the Group's management.

k) Fixed assets

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

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

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

Assets category	Years
Buildings	20
Machines and equipment	5-10
Vehicles	5
Furniture and computers	3 - 5

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

l) Impairment of assets

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

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

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

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

m) Borrowings

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

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

n) Accounts payable

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

o) Murabaha payable

Murabaha payable represents an agreement whereby the Group takes a certain amount of cash from another party, and invests it according to specific conditions in return for a certain fee (percentage of the amount invested). Costs of Murabaha payable is expensed on a time proportion basis.

p) Provision for end of service indemnity

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

q) Provisions

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event and 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. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. Provisions are not recognized for future operating losses.

r) Treasury shares

Treasury shares consist of the Parent Company's own shares that have been issued, subsequently reacquired by the Group and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under the cost method, the weighted average cost of the shares reacquired is charged to a contra equity account. When the treasury shares are reissued, gains are credited to a separate account in consolidated statement of changes in equity (treasury shares reserve), which is not distributable. Any realized losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings and then reserves.

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

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

s) Operating segments

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

t) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods, investments or services rendered in the ordinary course of the Group's activities. Revenue is shown net of returns, rebates and discounts.

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

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

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

Sale of properties under development

- When the agreement is within the scope of IAS 11 – "construction contracts" and its outcome can be estimated reliably, the Group recognizes the revenue by reference to the stage of completion of the contract activity in accordance with IAS 11 – "construction contracts".

- When the agreement is within the scope of IAS 18 – "Revenue". The Group recognizes revenue at time of completion, when the significant risks and rewards of ownership of real estate are being transferred from Group at a single time.

- If the significant risks and rewards of ownership are transferred as when construction progresses, the Group recognize revenue by reference to the percentage of completion method.

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

Sale of goods
Sales represent the total invoiced value of goods sold during the year. Revenue from sale of goods is recognized when significant risks and rewards of ownership of goods are transferred to the buyer. The Group does not operate any loyalty programs.

Rendering of services
Revenue is recognized when the service is rendered.
Interest income
Interest income is recognized using the effective interest method.

Management fees
Management fees are recognized on accrual basis.

Other income
Fees income and consultancy revenue is recognized at the time the related services are provided.

u) Foreign currencies

Foreign currency transactions are translated into Kuwaiti Dinars at rates of exchange prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currency at the end of reporting period are retranslated into Kuwaiti Dinars at rates of exchange prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the consolidated statement of income for the period. Translation differences on non-monetary items such as equity investments which are classified as investments at fair value through income statement are reported as part of the change in fair value gain or loss. Translation differences on non-monetary items such as equity investments classified as available for sale are included in "cumulative changes in fair value" in other comprehensive income.

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

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

v) Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly are not included in these consolidated financial statements but are disclosed in the notes to the consolidated financial statements.

w) Financial instruments

Financial assets and financial liabilities carried on the statement of financial position include cash and cash equivalents, receivables, investments, loan to an associate, due from related parties, due to banks, accounts payable, Murabaha payable, and bonds. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies found in this Note.

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

x) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

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

y) Contingencies

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

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

z) Significant accounting estimates and judgments

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

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

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

(ii) Classification of investments
On acquisition of an investment, the Group decides whether it should be classified as "at fair value through statement of income" or "available for sale". The Group follows the guidance of IAS 39 on classifying its investments.

The Group classifies investments as "at fair value through statement of income" if they are acquired primarily for the purpose of short term profit making or if they are designated at fair value through statement of income at inception, provided their fair values can be reliably estimated. All other investments are classified as "available for sale".

(iii) Classification of land

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

1) Work in progress

When the intention of the Group is to develop a land in order to occupy it in the future, both the land and the construction costs are classified as work in progress (IAS 16 "Property, Plant and Equipment").

2) Properties held for trading

When the intention of the Group is to sell land in the ordinary course of business, the land are classified as properties held for trading (IAS 2 "Inventories").

3) Investment properties

When the intention of the Group is to earn rentals from land or hold land for capital appreciation or if the intention is not determined for land, the land is classified as investment property (IAS 40 "Investment property").

(iv) Provision for doubtful debts and inventories

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

(v) Impairment of investments

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

Estimates and assumptions

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

(i) Fair value of unquoted equity investments

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

(ii) Provision for doubtful debts and inventories

The extent of provision for doubtful debts and inventories involves estimation process. Provision for doubtful debts is made when there is an objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified. The carrying cost of inventories is written down to their net realizable value when the inventories are damaged or become wholly or partly obsolete or their selling prices have declined. The benchmarks for determining the amount of provision or write-down include ageing analysis, technical assessment and subsequent events. The provisions and write-down of accounts receivable and inventories are subject to management approval.

(iii) Impairment of non-financial assets

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

(iv) Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

3. Cash and cash equivalents

	2009	2008
Cash on hand and at banks	**4,286,362**	2,249,750
Cash with financial institutions	**96,753**	240,639
Short term deposit	**-**	511,819
	4,383,115	3,002,208

The effective interest rate on short term deposit was 5% per annum as at December 31, 2008 and had an average maturity of 31 days.

There is no material difference between the fair value and the carrying value of cash and cash equivalents as at December 31, 2009.

4. Investments at fair value through income statement

	2009	2008
Quoted securities	**2,343,056**	4,166,471
Portfolios	**1,983,256**	1,141,072
Futures portfolio	**94,353**	253,597
	4,420,665	5,561,140

The carrying amounts of the above investments are classified as follows:

	2009	2008
Held for trading	**2,343,056**	4,166,471
Designated at fair value	**2,077,609**	1,394,669
	4,420,665	5,561,140

The fair value of all quoted equity securities and futures portfolio is based on their current bid prices in an active market.

The movement during the year is as follows:

	2009	2008
Balance at the beginning of the year	**5,561,140**	58,976,274
Additions	**12,862,703**	44,782,895
Disposals	**(14,051,690)**	(44,578,601)
Unrealized gain (loss) from investments at fair value through income statement (Note 23)	**48,512**	(3,871,892)
Reclassified to investments available for sale (Note 7)	**-**	(49,747,536)
Balance at the end of the year	**4,420,665**	5,561,140

5. Accounts receivable and other debit balances

	2009	2008
Trade receivables	**920,726**	805,129
Due from Kuwait Clearing Company	**172,465**	84
Accrued interest income	**71,424**	449
Accrued portfolio management fees	**17,907**	68,573
Other receivables	**2,355**	3,166
	1,184,877	877,401

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

6. Loan to an associate

	2009	2008
Loan granted to Dar Al Dhabi Holding Co. K.S.C.C.	**3,000,000**	-
Provision for loan granted	**(30,000)**	-
	2,970,000	-

The loan carries an interest rate of 5.5% per annum and is renewable quarterly.

The policy of the Group for calculation of the impairment provision for the loan granted to an associate complies in all material respects with the specific provision requirements of the Central Bank of Kuwait. In accordance with the Central Bank of Kuwait instructions, a general provision of 1% is made on all cash credit facilities net of certain categories of collateral, to which CBK instructions are applicable and not subject to specific provision.

7. Investments available for sale

	2009	2008
Quoted securities	**30,412,278**	36,448,814
Unquoted securities	**16,323,019**	17,376,109
Portfolios	**2,741,719**	3,439,759
Funds	**2,151,680**	2,629,974
	51,628,696	59,894,656

Quoted securities available for sale include investments reclassified from investments held for trading amounting to KD 49,747,536 (Note 4 and 2(c)). Cumulative changes in fair value related to these investments accounted in other comprehensive income as at December 31, 2009 amounted to KD (2,829,125).

The movement during the year is as follows:

	2009	2008
Balance at the beginning of the year	**59,894,656**	45,815,292
Additions	**3,584,087**	3,598,247
Disposals	**(7,438,151)**	(4,501,222)
Changes in fair value	**10,833,333**	(24,241,504)
Reclassified from investments held for trading (Note 4)	**-**	49,747,536
Impairment loss on investments available for sale	**(15,245,229)**	(10,523,693)
Balance at the end of the year	**51,628,696**	59,894,656

It was not possible to reliably measure the fair value of unquoted securities and portfolios totaling to KD 18,109,715 due to non availability of a reliable method that could be used to determine the fair value of such investments. Accordingly, they were stated at their cost less impairment losses amounting to KD 5,583,801.

Investments available for sale are denominated in the following currencies:

Currency	2009	2008
Kuwaiti Dinar	**44,387,288**	51,955,208
US Dollar	**4,205,821**	4,677,986
Euro	**1,275,013**	1,500,888
UAE Dirhams	**1,760,574**	1,760,574
	51,628,696	59,894,656

8. Investment in associates

Investment in associates is represented by:

Name of the associate	Country of incorporation	Ownership percentage	2009	2008
Future Voice Media Production (K.S.C.C.) (a)	Kuwait	45%	-	900,000
Dar Al Dhabi Holding Co. (K.S.C.C.) (b)	Kuwait	37.319%	**19,542,784**	22,916,768
Idea Marketing Co. Adel Abdul Aziz Al Mukhaizem and Partners W.L.L. (c)	Kuwait	-	-	1
			19,542,784	23,816,769

The Group's interests in its associates as at December 31, 2009 were as follows:

	Assets		Liabilities		Net assets	
Name of the associate	**2009**	2008	**2009**	2008	**2009**	2008
Dar Al Dhabi Holding Co. (K.S.C.C.)	**42,767,212**	47,079,038	**4,011,813**	7,866,407	**38,755,399**	39,212,631
Idea Marketing Co. Adel Abdul Aziz Al Mukhaizem and Partners W.L.L.	-	3,080,000	-	3,141,270	-	(61,270)
	42,767,212	50,159,038	**4,011,813**	11,007,677	**38,755,399**	39,151,361

	Revenues		Results	
Name of the associate	**2009**	2008	**2009**	2008
Dar Al Dhabi Holding Co. (K.S.C.C.)	**125,391**	273,571	**(158,111)**	15,315
Idea Marketing Co. Adel Abdul Aziz Al Mukhaizem and Partners W.L.L.	-	6,705,069	-	(127,499)
	125,391	6,978,640	**(158,111)**	(112,184)

The movement during the year is as follows:

	2009	2008
Balance at the beginning of the year	**23,816,769**	900,000
Additions	**-**	37,859,989
Disposals	**(1)**	-
Transfer from accounts receivable	**-**	127,500
Effect of subsidiary resulting in an associate	**-**	1,225,269
Elimination of gain on sale of property under development (b)	**(3,028,810)**	(16,183,805)
Share of results from associates	**(158,111)**	(112,184)
Impairment loss on investment in an associate (a)	**(900,000)**	-
Share of foreign currency translation adjustments of an associate	**(187,063)**	-
Balance at the end of the year	**19,542,784**	23,816,769

(a) Investment in Future Voice Media Production K.S.C.C. was fully impaired during the year based on management decision as the associate's accumulated losses represented 112% of the associate's capital based on the audited financial statements for the year ended December 31, 2008 and there is material uncertainty as to the associate's ability to continue as going concern.

(b) The Group has equity accounted for its 37.319% in Dar Al Dhabi Holding Co. – K.S.C.C. based on the audited financial statements of the associate for the year ended December 31, 2009. A portion of the investment in the associate, owned by a subsidiary, is pledged as collateral against a loan granted by a local bank (Note 13). The Group's investment in the associate amounting KD 19,542,784 is calculated as follows:

	KD
Group's share in the net assets of the associate	38,755,399
Less: Elimination of gain on sale of property under development *	(19,212,615)
Total	**19,542,784**

* The elimination of gain on sale of property under development is effected as a result of transactions between the Group and the associate as explained in Note 10 and in accordance with IAS 28 that requires eliminating the share of gain attributable to the Group's interest in the associate's equity. The elimination of gain on sale of property under development is calculated as follows:

	KD	% of ownership in the associate	KD
Gain on sale of property under development booked in 2008	43,366,127	37.319%	16,183,805
Gain on sale of property under development booked in 2009	8,116,000	37.319%	3,028,810
Total			**19,212,615**

(c) Investment in Idea Marketing Co. - Adel Abdul Aziz Almukhaizim and Partners W.L.L. was classified as an associate with a 51% equity interest since the Parent Company had only significant influence and no control over the financial and operating policies of the associate. During the year ended December 31, 2009, the Parent Company sold its investment in the associate for a consideration of KD 214,376 realizing a gain of KD 214,375.

9. Investment in unconsolidated subsidiaries

Name of the subsidiary	Country of incorporation	Percentage of ownership	**2009**	2008
Bahry Media Network K.S.C.C.	Kuwait	65%	**650,000**	650,000
Provision for impairment			**(650,000)**	(650,000)
			-	-
First Bunyan for Real Estate Development and Investment Co. W.L.L. (a)	Saudi Arabia	100%	**7,780**	-
Arkan Silicon Carbide Co. (Q.S.C.) (b)	Qatar	100%	**-**	159,249
			7,780	159,249

(a) The Group has not accounted for its share of results in First Bunyan for Real Estate Development and Investment Co. W.L.L. since the subsidiary has not yet commenced any operations till date.

(b) The Group had accounted for KD 159,249 as share of loss from Arkan Silicon Carbide Co. (Q.S.C.) for the year ended December 31, 2009 and had not consolidated the subsidiary since it was not considered material to the accompanying consolidated financial statements.

10. Property under development

During 2008, Bunyan Real Estate Company K.S.C.C. (subsidiary) sold a property under development with a carrying value of KD 43,756,442 to Dar Al Dhabi Real Estate Co. K.S.C.C. (wholly owned subsidiary of Dar Al Dhabi Holding Co. K.S.C.C. - Associate) for a total amount of AED 1,735,815,559 equivalent to KD 119,646,335.

During 2008 and 2009, Bunyan Real Estate Company K.S.C.C received AED 1,319,608,759 equivalent to KD 87,122,569 resulting in a gain of KD 43,366,127. The Group had recognized KD 27,182,322 after the elimination of KD 16,183,805 against the investment in associate for the year ended December 31, 2008 (Note 8(b)). The remaining amount of AED 416,206,800 equivalent to KD 32,523,766 is being received in four installments during the years 2009 and 2010 and accounted as gain on receipt of this amount. During 2009, the first installment of AED 104,051,700 equivalent to KD 8,116,000 was received and accordingly, a gain of KD 5,087,190 was recorded in the consolidated statement of income after eliminating KD 3,028,810 against the investment in the associate (Note 8(b)). The second installment due on December 31, 2009 was not received and has been rescheduled for April 30, 2010 by the subsidiary.

11. Investment properties

	2009	2008
Cost	**20,300,000**	20,300,000
Less: Impairment loss	**(7,485,622)**	(1,931,567)
	12,814,378	18,368,433

Investment properties represent land which is held currently for long term capital appreciation in the books of Bunyan Real Estate Company (K.S.C.C.) (subsidiary).

The investment properties which are owned by the subsidiary are pledged against a loan granted by a local bank (Note 13).

The movement during the year is as follows:

	2009	2008
Balance at the beginning of the year	**18,368,433**	20,300,000
Impairment loss for investment properties	**(5,554,055)**	(1,931,567)
Balance at the end of the year	**12,814,378**	18,368,433

The fair value of the investment properties as of December 31, 2009 has been arrived at based on an average of valuations carried out by three independent valuers.

12. Fixed assets

	Land	Buildings	Machines and equipment	Vehicles	Furniture and computers	Capital work in progress	Total
Cost:							
Balance as of December 31, 2008	108,583	942,656	1,045,478	56,097	57,272	477,386	2,687,472
Additions	-	7,035	10,087	58	6,559	134,686	158,425
Transfers	-	13,174	436,034	10,445	847	(460,500)	-
Foreign currency translation adjustments	4,682	41,042	53,830	2,625	656	14,193	117,028
Balance as of December 31, 2009	**113,265**	**1,003,907**	**1,545,429**	**69,225**	**65,334**	**165,765**	**2,962,925**
Accumulated depreciation:							
Balance as of December 31, 2008	-	44,786	108,105	10,095	39,102	-	202,088
Charge for the year	-	48,926	146,658	12,519	9,835	-	217,938
Foreign currency translation adjustments	-	2,891	7,537	680	(76)	-	11,032
Balance as of December 31, 2009	**-**	**96,603**	**262,300**	**23,294**	**48,861**	**-**	**431,058**
Net book value:							
Balance as of December 31, 2009	**113,265**	**907,304**	**1,283,129**	**45,931**	**16,473**	**165,765**	**2,531,867**
Balance as of December 31, 2008	108,583	897,870	937,373	46,002	18,170	477,386	2,485,384

Depreciation charge has been allocated as follows:

	2009	2008
Net sales revenue	**144,112**	126,034
General and administrative expenses	**73,826**	52,795
	217,938	178,829

13. Due to banks

	2009	2008
Current portion:		
Loans	**33,180,000**	26,000,000
Overdraft facilities	**4,237,851**	6,290,950
	37,417,851	32,290,950
Non-current portion:		
Loans	**-**	6,908,750
	37,417,851	39,199,700
Average effective interest rate	**5.22%**	6.35%

The Group has pledged the investment properties and a portion of investment in an associate, which is owned by a subsidiary, as collaterals against a loan granted by a local bank (Note 8(b) and Note 11).

14. Accounts payable and other credit balances

	2009	2008
Trade payables	**147,916**	233,846
Accrued expenses	**559,478**	1,245,631
Accrued interest expense	**232,188**	615,736
Due to Kuwait Clearing Company	**36**	317,172
Dividends payable	**475,077**	346,646
Accrued staff leave	**106,267**	98,068
Payable to Kuwait Foundation for Advancement of Sciences	**61,566**	61,566
National Labor Support Tax payable	**223,148**	223,148
Board of Directors' remuneration payable	**-**	70,000
	1,805,676	3,211,813

There is no material difference between the fair value and carrying value of accounts payable and other credit balances.

15. Murabaha payable

This represents facilities obtained by Arkan Industrial and Mining (E.S.C.) (wholly owned subsidiary of Arkan Holding Co. K.S.C.C. – subsidiary) carrying an effective cost rate ranging from 13% - 13.5% per annum (2008: 13% - 13.5% per annum) and are secured by first class commercial mortgage on all tangible and intangible components of the commercial shop of the subsidiary.

16. Bonds

This represents five years bonds issued on January 12, 2005, at par carrying a fixed interest rate of 6.5% per annum for the first three years, and a floating interest rate of 1.5% per annum above Central Bank of Kuwait discount rate for the remaining two years. The floating interest rate was increased to 2.25% per annum above the Central Bank of Kuwait discount rate effective February 3, 2009 as per the resolution of bondholders committee meeting held on July 1, 2009. Interest is payable semi-annually in arrears on August 3 and February 3 of every year. The Bonds are set to mature in February 3, 2010. During the year ended December 31, 2009, the Parent Company exercised its right to redeem part of the bonds and redeemed 50% of the bonds amounting to KD 10,000,000 before the maturity date.

Subsequent to the date of statement of financial position, the Parent Company settled the remaining outstanding bonds of KD 10,000,000.

17. Provision for end of service indemnity

	2009	2008
Balance at the beginning of the year	**375,896**	207,177
Charge for the year	**81,145**	183,241
Transfer to related parties	**-**	(5,892)
Provision no longer required	**(14,143)**	(1,044)
Paid during the year	**(33,097)**	(7,586)
Balance at the end of the year	**409,801**	375,896

18. Share capital

Authorized capital consists of 399,803,251 shares (2008: 399,803,251 shares) of 100 fils each.

	2009	2008
Authorized capital	**39,980,325**	39,980,325
Unpaid capital	**(713,934)**	(713,934)
Issued and paid up capital	**39,266,391**	39,266,391

19. Treasury shares

	2009	2008
Number of shares	**38,379,385**	37,219,385
Percentage to issued shares	**9.77%**	9.48%
Market value (KD)	**2,648,178**	4,987,398
Cost (KD)	**7,868,259**	8,019,773

20. Statutory reserve

As required by Commercial Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year attributable to shareholders of the Parent Company before contribution to Kuwait Foundation for Advancement of Sciences, Zakat, National Labor Support Tax and Board of Directors' remuneration is transferred to statutory reserve. Such transfers may be discontinued when the reserve equals 50% of share capital. This reserve is not available for distribution except for in certain cases stipulated by law and the Parent Company's Articles of Association. No transfer was made to the statutory reserve during the year, due to net losses incurred by the Parent Company during the year.

21. Voluntary reserve

As required by the Parent Company's Articles of Association, 10% of profit for the year attributable to shareholders of the Parent Company before contribution to Kuwait Foundation for Advancement of Sciences, Zakat, National Labor Support Tax and Board of Directors' remuneration is transferred to voluntary reserve. Such annual transfers may be discontinued by a resolution of the Shareholders' Annual General Assembly upon recommendation by the Board of Directors. No transfer was made to the voluntary reserve during the year, due to net losses incurred by the Parent Company during the year.

22. General assembly and proposed dividends

The Board of Directors proposed not to distribute dividends for the year ended December 31, 2009. This proposal is subject to the approval of the Shareholders' Annual General Assembly.

The Shareholders' Annual General Assembly held on May 5, 2009 approved the distribution of cash dividends of 10 fils per share for the year ended December 31, 2008.

The Shareholders' Annual General Assembly held on April 20, 2008, approved the distribution of cash dividends of 10 fils per share and bonus shares of 10 shares for every 100 shares held and 2% capital increase as Employee Stock Option Plan (ESOP) for the year ended December 31, 2007.

23. Net investment income

	2009	2008
Dividend income	**574,807**	4,777,302
Unrealized gain (loss) from investments at fair value through income statement (Note 4)	**48,512**	(3,871,892)
Realized gain (loss) on sale of investments at fair value through income statement	**541,941**	(388,444)
Realized gain on sale of investments available for sale	**561,247**	748,468
	1,726,507	1,265,434

24. Management fees

The major part of the management fees recognized during the year 2008 represents the Parent Company's share of the fees obtained for providing financial advisory services as per an investment structure agreement.

25. General and administrative expenses

Staff costs included in general and administrative expenses are as follows:

	2009	2008
Salaries and wages	**847,764**	815,435
End of service indemnity	**81,145**	183,241
Insurance	**58,929**	54,323
Social security	**30,837**	30,659
Bonus	**28,000**	247,843
Other	**73,490**	117,426
	1,120,165	1,448,927

26. Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)

Contribution to KFAS is calculated at 1% of the profit of the Parent Company before contribution to KFAS, Zakat, NLST and Board of Directors' remuneration and after deducting its share of income from shareholding subsidiaries and associates and transfer to statutory reserve. No KFAS has been provided since there was no profit on which KFAS could be calculated.

27. Zakat

Zakat is calculated at 1% of the profit of the Parent Company before contribution to KFAS, Zakat, NLST and Board of Directors' remuneration and after deducting its share of income from shareholding subsidiaries and associates in accordance with Law No. 46/2006 and Ministry of Finance resolution No. 58/2007. No Zakat has been provided since there was no profit on which Zakat could be calculated.

28. National Labor Support Tax (NLST)

National Labor Support Tax is calculated at 2.5% of the profit of the Parent Company before contribution to KFAS, Zakat, NLST and Board of Directors' remuneration and after deducting its share of income from Kuwaiti listed shareholding subsidiaries and associates and dividends from Kuwaiti listed shareholding companies. No NLST has been provided since there was no profit on which NLST could be calculated.

29. (Loss) earnings per share

There are no potential dilutive ordinary shares. (Loss) earnings per share is calculated by dividing the net (loss) profit for the year attributable to shareholders of the Parent Company by the weighted average number of shares outstanding during the year:

	2009	2008
Net (loss) profit for the year attributable to shareholders of the Parent Company	**(19,347,728)**	11,187,424
	Shares	Shares
Number of issued and fully paid-up shares	**392,663,910**	392,663,910
Less: Weighted average number of treasury shares	**(37,901,522)**	(23,611,844)
Weighted average number of shares outstanding	**354,762,388**	369,052,066
	Fils	Fils
(Loss) earnings per share	**(54.54)**	30.31

30. Related parties balances and transactions

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

	Associates	Other related parties	2009	2008
(i) Balances included in the consolidated statement of financial position:				
Accounts receivable and other debit balances	71,424	-	**71,424**	-
Loan to an associate	2,970,000	-	**2,970,000**	-
Due from related parties	42,236	900	**43,136**	10,870,531
Investments available for sale	-	2,151,680	**2,151,680**	2,459,973
Investment in associates	19,542,784	-	**19,542,784**	23,816,769
Accounts payable and other credit balances	-	-	**-**	245,000
(ii) Transactions included in the consolidated statement of income:				
Net investment loss	-	(91,808)	**(91,808)**	-
Gain on sale of property under development	-	5,087,190	**5,087,190**	27,182,322
Management fees	-	88,145	**88,145**	125,022
Service income	-	-	**-**	76,259
Interest income	87,067	-	**87,067**	-
Share of results from associates	(158,111)	-	**(158,111)**	(112,184)
Gain on sale of an associate	214,375	-	**214,375**	-
Share of results from an unconsolidated subsidiary	-	(159,249)	**(159,249)**	-
Related party payable balance written back	-	111,629	**111,629**	-
Impairment loss on investments available for sale	-	(1,475,192)	**(1,475,192)**	-
Impairment loss on investment in an associate	(900,000)	-	**(900,000)**	-
Provision for loan to an associate	(30,000)	-	**(30,000)**	-
Related party receivable balances written off	-	(510,938)	**(510,938)**	-

(iii) Key management compensation:	**2009**	2008
Salaries and other short term benefits	**335,846**	441,158
Termination benefits	**31,022**	133,191
	366,868	574,349

31. Fiduciary assets

	2009	2008
Customers' portfolios	**14,779,734**	21,639,706
Investment funds	**6,110,088**	7,288,612
	20,889,822	28,928,318

32. Capital commitments and contingent liabilities

	2009	2008
Capital commitments	**1,410,437**	1,454,845
Letters of credit	**87,792**	111,388
Letters of guarantee	**1,847,035**	14,932,343
	3,345,264	16,498,576

33. Segment information

For management purposes, the Group is organized into four main business segments based on internal reporting provided to the chief operating decision maker:

- Investment Operations: Investing for the Group's benefit in securities, portfolios and funds.
- Asset Management and Advisory Services: Investing and managing client portfolios and funds, corporate finance, investment advisory and research
- Real Estate: Holding investment properties for capital appreciation and selling other properties.
- Retail: Selling goods and rendering services in the ordinary course of business.

The segment information for the reportable operating segments are as follows:

	December 31, 2009					
	Investment Operations	Asset Management & Advisory Services	Real Estate	Retail	Unallocated items	Total
Total revenue	1,849,954	170,262	5,087,190	729,512	-	7,836,918
Segment results	(15,086,913)	170,262	(466,865)	565,137	-	(14,818,379)
Unallocated operating expenses					(2,888,089)	(2,888,089)
Loss from operations						(17,706,468)
Share of results from associates					(158,111)	(158,111)
Gain on sale of an associate					214,375	214,375
Share of results from an unconsolidated subsidiary					(159,249)	(159,249)
Related party payable balance written back					111,629	111,629
Other income					22,150	22,150
Foreign exchange loss					(263,702)	(263,702)
Impairment loss on investment in an associate					(900,000)	(900,000)
Related party receivable balances written off					(510,938)	(510,938)
Net loss for the year						(19,350,314)
Other information:						
Segment assets	63,490,404	-	12,814,378	4,341,581	-	80,646,363
Investment in associates	-	-	-	-	19,542,784	19,542,784
Investment in unconsolidated subsidiaries	-	-	-	-	7,780	7,780
Total assets						100,196,927
Segment liabilities	49,464,583	-	-	1,005,959	-	50,470,542
Total liabilities						50,470,542
Depreciation	-	-	-	(217,938)	-	(217,938)

	December 31, 2008					
	Investment Operations	Asset Management & Advisory Services	Real Estate	Retail	Unallocated items	Total
Total revenue	1,476,764	3,280,175	27,182,322	758,435		32,697,696
Segment results	(12,122,360)	3,280,175	25,250,755	605,545		17,014,115
Unallocated operating expenses					(5,630,984)	(5,630,984)
Profit from operations						11,383,131
Share of results from associates					(112,184)	(112,184)
Other income					31,561	31,561
Foreign exchange gain					185,306	185,306
NLST					(223,148)	(223,148)
Board of Directors' remuneration					(70,000)	(70,000)
Net profit for the year						11,194,666
Other information:						
Segment assets	79,266,664	-	18,368,433	3,775,091	-	101,410,188
Investment in associates	-	-	-	-	23,816,769	23,816,769
Investment in unconsolidated subsidiaries	-	-	-	-	159,249	159,249
Total assets						125,386,206
Segment liabilities	62,545,462	-	-	957,297	-	63,502,759
Total liabilities						63,502,759
Depreciation	-	-	-	(178,829)	-	(178,829)

34. Financial risk management

In the normal course of business, the Group uses primary financial instruments such as cash and cash equivalents, receivables, investments, loan to an associate, due from related parties, due to banks, payables, Murabaha payable, and bonds and as a result, is exposed to the risks indicated below. The Group currently does not use derivative financial instruments to manage its exposure to these risks.

a) Interest rate risk

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

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

Year	Increase / (Decrease) in interest rate	Balance on December 31	Effect on consolidated statement of income
2009			
KD Loans	**±50 basis points**	**26,000,000**	**±(130,000)**
USD Loan	**±50 basis points**	**7,180,000**	**±(35,900)**
KD Overdrafts	**±50 basis points**	**4,225,474**	**±(21,127)**
EGP Overdraft	**±50 basis points**	**12,377**	**±(62)**
EGP Murabaha payable (Fixed rate)	**±50 basis points**	**837,214**	**-**
KD Bonds	**±50 basis points**	**10,000,000**	**±(50,000)**
2008			
KD Short term deposit (Fixed rate)	±50 basis points	511,819	-
KD Loans	±50 basis points	26,000,000	±(130,000)
USD Loan	±50 basis points	6,908,750	±(34,544)
KD Overdrafts	±50 basis points	6,290,950	±(31,455)
EGP Murabaha payable (Fixed rate)	±50 basis points	715,350	-
KD Bonds	±50 basis points	20,000,000	±(100,000)

b) Credit risk

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

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

c) Foreign currency risk

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

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange between foreign currencies and Kuwaiti Dinar.

Year	Increase / (Decrease) against KD	Effect on consolidated statement of income	Effect on other comprehensive income
2009			
US Dollar	**±5%**	**± (251,994)**	**± 210,291**
EURO	**±5%**	**±13,114**	**± 63,751**
UAE Dirhams	**±5%**	**-**	**± 88,029**
Sterling Pound	**±5%**	**± 2,628**	**-**
Singapore Dollar	**±5%**	**± 342**	**-**
Egyptian Pound	**±5%**	**-**	**± 6,706**
2008			
US Dollar	±5%	± (281,024)	±233,899
Bahraini Dinar	±5%	±1,392	-
EURO	±5%	±13,410	±75,044
UAE Dirhams	±5%	±3,772	±88,029
Sterling Pound	±5%	± 272	-
Singapore Dollar	±5%	± 696	-
Egyptian Pound	±5%	-	±(901)

d) Liquidity risk

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

Liquidity risk management process

The Group's liquidity management process, as carried out within the Group includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring statement of financial position liquidity ratios against internal and regulatory requirements; and
- Managing the concentration and profile of debt maturities.

The maturity profile of assets and liabilities as at December 31, 2009 was as follows:

	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Total
Assets:						
Cash and cash equivalents	4,383,115	-	-	-	-	4,383,115
Investments at fair value through income statement	-	4,420,665	-	-	-	4,420,665
Accounts receivable and other debit balances	-	-	1,184,877	-	-	1,184,877
Loan to an associate	-	-	2,970,000	-	-	2,970,000
Inventories	-	-	669,629	-	-	669,629
Due from related parties	-	-	43,136	-	-	43,136
Investments available for sale	-	-	30,412,278	21,216,418	-	51,628,696
Investment in associates	-	-	-	19,542,784	-	19,542,784
Investment in unconsolidated subsidiaries	-	-	-	7,780	-	7,780
Investment properties	-	-	-	-	12,814,378	12,814,378
Fixed assets	-	-	-	-	2,531,867	2,531,867
	4,383,115	4,420,665	35,279,920	40,766,982	15,346,245	100,196,927
Liabilities:						
Due to banks	4,237,851	-	33,180,000	-	-	37,417,851
Accounts payable and other credit balances	-	-	1,805,676	-	-	1,805,676
Murabaha payable	-	490,473	-	346,741	-	837,214
Bonds	-	10,000,000	-	-	-	10,000,000
Provision for end of service indemnity	-	-	-	-	409,801	409,801
	4,237,851	10,490,473	34,985,676	346,741	409,801	50,470,542

The maturity profile of assets and liabilities as at December 31, 2008 was as follows:

	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Total
Assets:						
Cash and cash equivalents	3,002,208	-	-	-	-	3,002,208
Investments at fair value through income statement	5,561,140	-	-	-	-	5,561,140
Accounts receivable and other debit balances	-	-	877,401	-	-	877,401
Inventories	-	-	350,435	-	-	350,435
Due from related parties	-	1,136,909	8,654,922	1,078,700	-	10,870,531
Investments available for sale	-	-	36,448,814	23,445,842	-	59,894,656
Investment in associates	-	-	-	23,816,769	-	23,816,769
Investment in unconsolidated subsidiaries	-	-	-	159,249	-	159,249
Investment properties	-	-	-	-	18,368,433	18,368,433
Fixed assets	-	-	-	-	2,485,384	2,485,384
	8,563,348	1,136,909	46,331,572	48,500,560	20,853,817	125,386,206
Liabilities:						
Due to banks	-	-	32,290,950	6,908,750	-	39,199,700
Accounts payable and other credit balances	-	1,117,921	2,093,892	-	-	3,211,813
Murabaha payable	-	-	264,782	450,568	-	715,350
Bonds	-	-	-	20,000,000	-	20,000,000
Provision for end of service indemnity	-	-	-	-	375,896	375,896
	-	1,117,921	34,649,624	27,359,318	375,896	63,502,759

Analysis of Group's contingent liabilities and capital commitments by remaining contractual maturities:

December 31, 2009

Capital commitments and contingent liabilities	Less than a year	1 - 5 years	Total
Capital commitments	500,000	910,437	1,410,437
Letters of credit	-	87,792	87,792
Letters of guarantee	-	1,847,035	1,847,035
	500,000	2,845,264	3,345,264

December 31, 2008

Capital commitments and contingent liabilities	Less than a year	1 - 5 years	Total
Capital commitments	-	1,454,845	1,454,845
Letters of credit	-	111,388	111,388
Letters of guarantee	-	14,932,343	14,932,343
	-	16,498,576	16,498,576

e) Equity price risk

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

The following table demonstrates the sensitivity to a reasonably possible change in equity indices as a result of change in the fair value of these investments, to which the Group had significant exposure at December 31:

	2009			2008		
Market index	Change in equity price %	Effect on other comprehensive income	Effect on consolidated statement of income	Change in equity price %	Effect on other comprehensive income	Effect on consolidated statement of income
Kuwait Stock Exchange	±5%	±1,520,614	±117,153	±5%	±1,822,441	±208,324

f) Fair value of financial instruments

Fair value is defined as the amount at which the instrument could be exchanged between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained from current bid prices, discounted cash flow models and other models as appropriate. At December 31, the fair values of financial instruments approximate their carrying amounts, except that it was not possible to reliably measure the fair value of certain available for sale investments as indicated in Note (7).

Effective January 1, 2009, the Group adopted the amendment to IFRS 7 for financial instruments that are measured in the statement of financial position at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the Group's assets that are measured at fair value at December 31, 2009:

Assets	Level 1	Level 2	Total
Investments at fair value through income statement	2,437,409	1,983,256	4,420,665
Investments available for sale	30,412,278	3,106,703	33,518,981
Total	32,849,687	5,089,959	37,939,646

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

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

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

35. Capital Risk Management

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

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital resources. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital resources are calculated as total equity plus net debt.

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

	2009	2008
Due to banks	37,417,851	39,199,700
Murabaha payable	837,214	715,350
Bonds	10,000,000	20,000,000
Less: cash and cash equivalents	(4,383,115)	(3,002,208)
Net debt	43,871,950	56,912,842
Total equity	49,726,385	61,883,447
Total capital resources	93,598,335	118,796,289
Gearing ratio	46.87%	47.91%

36. Comparative figures

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