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

## INTERIM CONSOLIDATED FINANCIAL INFORMATION
## FOR THE PERIOD ENDED MARCH 31, 2010
## (UNAUDITED)
## WITH REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL INFORMATION

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

# INTERIM CONSOLIDATED FINANCIAL INFORMATION
# FOR THE PERIOD ENDED MARCH 31, 2010
# (UNAUDITED)
# WITH REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL INFORMATION

CONTENTS


| | Pages |
|---|---|
| Report on review of interim consolidated financial information | 2 |
| Interim condensed consolidated statement of financial position (unaudited) | 3 |
| Interim condensed consolidated statement of income (unaudited) | 4 |
| Interim condensed consolidated statement of comprehensive income (unaudited) | 5 |
| Interim condensed consolidated statement of changes in equity (unaudited) | 6 |
| Interim condensed consolidated statement of cash flows (unaudited) | 7–20 |
| Notes to interim consolidated financial information (unaudited) | |

**AL-WAHA**
**AUDITING OFFICE**
**ALI OWAID RUKHAEYES**

**Member of The International Group of Accounting Firms**

P.O. Box 27387 Safat
13134 – State of Kuwait
Telephone: (965) 22423415
Facsimile : (965) 22423417

**RSM Albazie & Co.**

Public Accountants

Kuwait Airways Building, 7th Floor
Shuhada Street, P.O. Box 2115 Safat
13022 – State of Kuwait
T + 965 22410010
T + 965 22961000
F + 965 22412761
www.albazie.com

## Report on review of interim consolidated financial information

The Board of Directors
Bayan Investment Company K.S.C. (Closed)
State of Kuwait

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Bayan Investment Company K.S.C. (Closed) (the Parent Company) and subsidiaries (the Group) as of March 31, 2010 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three months period then ended. The Parent Company's management is responsible for the preparation and presentation of this interim consolidated financial information in accordance with the basis of presentation set out in Note 2. Our responsibility is to express a conclusion on this interim consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial information is not prepared, in all material respects, in accordance with the basis of presentation set out in Note 2.

Report on other Legal and Regulatory Requirements

Furthermore, the interim consolidated financial information is in agreement with the books of account. We further report that, to the best of our knowledge and belief, we have not become aware of any material violations of the Commercial Companies' Law of 1960, as amended, or of the Articles of Association of the Parent Company during the period ended March 31, 2010 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 review, we have not become aware of any material violations of the provisions 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.

Ali Owaid Rukheyes
Licence No. 72-A
Member of the International Group
of Accounting Firms

Dr. Shuaib A. Shuaib
Licence No. 33-A
Albazie & Co.
Member of RSM International.

State of Kuwait
May 17, 2010

**BAYAN INVESTMENT COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES**
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)**
**AS OF MARCH 31, 2010**
(All amounts are in Kuwaiti Dinars)

| | Note | March 31, 2010 | (Audited) December 31, 2009 | March 31, 2009 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and cash equivalents | 3 | **4,134,445** | 4,383,115 | 5,678,964 |
| Investments at fair value through income statement | 4 | **4,942,696** | 4,420,665 | 4,103,258 |
| Accounts receivable and other debit balances | | **873,189** | 1,184,877 | 3,017,170 |
| Loan to an associate | 5, 15 | **2,970,000** | 2,970,000 | - |
| Inventories | | **742,880** | 669,629 | 454,897 |
| Due from related parties | 15 | **52,619** | 43,136 | 642,706 |
| Investments available for sale | 6 | **51,292,973** | 51,628,696 | 48,588,271 |
| Investment in associates | | **19,475,973** | 19,542,784 | 23,727,663 |
| Investment in unconsolidated subsidiaries | | **7,780** | 7,780 | 159,249 |
| Investment properties | | **11,555,000** | 12,814,378 | 14,780,233 |
| Fixed assets | | **2,519,139** | 2,531,867 | 2,572,339 |
| **Total assets** | | **98,566,694** | 100,196,927 | 103,724,750 |
| **LIABILITIES AND EQUITY** | | | | |
| **Liabilities:** | | | | |
| Due to banks | 8 | **43,369,651** | 37,417,851 | 34,002,325 |
| Accounts payable and other credit balances | | **1,605,258** | 1,805,676 | 2,159,747 |
| Murabaha payable | 9 | **703,220** | 837,214 | 853,739 |
| Bonds | | **-** | 10,000,000 | 20,000,000 |
| Provision for end of service indemnity | | **424,645** | 409,801 | 363,032 |
| **Total liabilities** | | **46,102,774** | 50,470,542 | 57,378,843 |
| **Equity:** | | | | |
| Share capital | 10 | **39,266,391** | 39,266,391 | 39,266,391 |
| Treasury shares | 11 | **(7,276,041)** | (7,868,259) | (8,219,859) |
| Statutory reserve | | **12,166,782** | 12,166,782 | 12,166,782 |
| Voluntary reserve | | **11,029,254** | 11,029,254 | 11,029,254 |
| Cumulative changes in fair value | | **862,609** | (3,530,777) | (23,535,604) |
| Foreign currency translation adjustments | | **(59,565)** | (65,918) | 158,294 |
| Treasury shares reserve | | **632,335** | 1,024,735 | 1,201,791 |
| (Accumulated losses) / retained earnings | | **(4,209,894)** | (2,347,890) | 14,223,318 |
| Equity attributable to shareholders of the Parent Company | | **52,411,871** | 49,674,318 | 46,290,367 |
| Non-controlling interests | | **52,049** | 52,067 | 55,540 |
| **Total equity** | | **52,463,920** | 49,726,385 | 46,345,907 |
| **Total liabilities and equity** | | **98,566,694** | 100,196,927 | 103,724,750 |

The accompanying notes from (1) to (22) form an integral part of the interim consolidated financial information.

Faisal Ali Al–Mutawa
Chairman and Managing Director

Adel Essa Al-Yousifi
Vice Chairman

**BAYAN INVESTMENT COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES**
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)**
**FOR THE PERIOD ENDED MARCH 31, 2010**
(All amounts are in Kuwaiti Dinars)

| | Note | Three months ended March 31, 2010 | 2009 |
|---|---|---|---|
| **Revenues:** | | | |
| Net investment income (loss) | 12 | **602,325** | (313,417) |
| Management fees | | **25,976** | 41,131 |
| Net sales revenue | | **161,729** | 205,716 |
| Interest income | | **38,837** | 34,406 |
| Share of results from an associate | 15 | **(63,760)** | (155,678) |
| Other income | | **2,305** | 5,203 |
| | | **767,412** | (182,639) |
| **Expenses and other charges:** | | | |
| Impairment loss on investments available for sale | | **(282,035)** | (344,877) |
| Impairment loss on investment properties | | **(1,259,378)** | (3,588,200) |
| Related party receivable balance written off | | **-** | (515,000) |
| General and administrative expenses | | **(462,013)** | (448,877) |
| Finance charges | | **(613,533)** | (878,458) |
| Foreign exchange loss | | **(12,477)** | (365,896) |
| | | **(2,629,436)** | (6,141,308) |
| **Net loss for the period** | | **(1,862,024)** | (6,323,947) |
| Attributable to: | | | |
| Shareholders of the Parent Company | | **(1,862,004)** | (6,323,971) |
| Non-controlling interests | | **(20)** | 24 |
| **Net loss for the period** | | **(1,862,024)** | (6,323,947) |
| | | **Fils** | Fils |
| Loss per share attributable to shareholders of the Parent Company | 14 | **(5.23)** | (17.86) |

The accompanying notes from (1) to (22) form an integral part of the interim consolidated financial information.

**BAYAN INVESTMENT COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES**
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**
**FOR THE PERIOD ENDED MARCH 31, 2010**
(All amounts are in Kuwaiti Dinars)

| | Three months ended March 31, | |
|---|---|---|
| | **2010** | 2009 |
| Net loss for the period | **(1,862,024)** | (6,323,947) |
| **Other comprehensive income (loss):** | | |
| Investments available for sale: | | |
| Changes in fair value of investments available for sale | **4,363,896** | (9,480,166) |
| Reversal due to sale of investments available for sale | **29,492** | 307,262 |
| | **4,393,388** | (9,172,904) |
| Exchange differences on translating foreign operations | **9,404** | 92,825 |
| Share of other comprehensive income of an associate | **(3,051)** | 66,572 |
| **Other comprehensive income (loss) for the period** | **4,399,741** | (9,013,507) |
| Total comprehensive income (loss) for the period | **2,537,717** | (15,337,454) |
| Attributable to: | | |
| Shareholders of the Parent Company | **2,537,735** | (15,337,478) |
| Non-controlling interests | **(18)** | 24 |
| Total comprehensive income (loss) for the period | **2,537,717** | (15,337,454) |

The accompanying notes from (1) to (22) form an integral part of the interim consolidated financial information.

**BAYAN INVESTMENT COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES**
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**
**FOR THE PERIOD ENDED MARCH 31, 2010**
(All amounts are in Kuwaiti Dinars)

| | Attributable to the 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 | (Accumulated losses) / retained earnings | Sub-total | Non-controlling interests | Total |
| 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 |
| Sale of treasury shares | - | 592,218 | - | - | - | - | (392,400) | - | 199,818 | - | 199,818 |
| Total comprehensive income (loss) for the period | - | - | - | - | 4,393,386 | 6,353 | - | (1,862,004) | 2,537,735 | (18) | 2,537,717 |
| **Balance as at March 31, 2010** | **39,266,391** | **(7,276,041)** | **12,166,782** | **11,029,254** | **862,609** | **(59,565)** | **632,335** | **(4,209,894)** | **52,411,871** | **52,049** | **52,463,920** |
| 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 |
| Purchase of treasury shares | - | (200,086) | - | - | - | - | - | - | (200,086) | - | (200,086) |
| Total comprehensive (loss) income for the period | - | - | - | - | (9,172,904) | 159,397 | - | (6,323,971) | (15,337,478) | 24 | (15,337,454) |
| Balance as at March 31, 2009 | 39,266,391 | (8,219,859) | 12,166,782 | 11,029,254 | (23,535,604) | 158,294 | 1,201,791 | 14,223,318 | 46,290,367 | 55,540 | 46,345,907 |

The accompanying notes from (1) to (22) form an integral part of the interim consolidated financial information.

**BAYAN INVESTMENT COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES**
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)**
**FOR THE PERIOD ENDED MARCH 31, 2010**
(All amounts are in Kuwaiti Dinars)

| | Three months ended March 31, | |
|---|---|---|
| | **2010** | 2009 |
| **Cash flows from operating activities:** | | |
| Net loss for the period | **(1,862,024)** | (6,323,947) |
| Adjustments: | | |
| Net investment (income) loss | **(602,325)** | 313,417 |
| Interest income | **(38,837)** | (34,406) |
| Share of results from an associate | **63,760** | 155,678 |
| Provision for end of service indemnity no longer required | **(655)** | - |
| Gain on sale of fixed assets | **(594)** | - |
| Impairment loss on investments available for sale | **282,035** | 344,877 |
| Impairment loss on investment properties | **1,259,378** | 3,588,200 |
| Related party receivable balance written off | **-** | 515,000 |
| Depreciation | **58,871** | 53,264 |
| Provision for end of service indemnity | **15,499** | 16,996 |
| Finance charges | **613,533** | 878,458 |
| Foreign exchange loss | **12,477** | 365,896 |
| | **(198,882)** | (126,567) |
| Changes in operating assets and liabilities: | | |
| Investments at fair value through income statement | **(300,986)** | 897,423 |
| Accounts receivable and other debit balances | **351,226** | 552,063 |
| Inventories | **(73,251)** | (104,462) |
| Due from related parties | **(9,483)** | 8,634,125 |
| Accounts payable and other credit balances | **47,921** | (515,195) |
| Cash (used in) generated from operations | **(183,455)** | 9,337,387 |
| Paid for end of service indemnity | **-** | (29,860) |
| Net cash (used in) generated from operating activities | **(183,455)** | 9,307,527 |
| **Cash flows from investing activities:** | | |
| Purchase of investments available for sale | **(17,124)** | (80,872) |
| Proceeds from sale of investments available for sale | **4,823,074** | 397,263 |
| Purchase of fixed assets | **(46,491)** | (140,219) |
| Proceeds from sale of fixed assets | **942** | - |
| Dividends received | **21,006** | 23,028 |
| Interest received | **699** | 30,021 |
| Net cash generated from investing activities | **4,782,106** | 229,221 |
| **Cash flows from financing activities:** | | |
| Due to banks | **5,955,550** | (5,581,125) |
| Murabaha payable | **(133,994)** | 138,389 |
| Bonds | **(10,000,000)** | - |
| Purchase of treasury shares | **-** | (200,086) |
| Proceeds from sale of treasury shares | **199,818** | - |
| Dividends paid | **(16,151)** | (7,761) |
| Finance charges paid | **(845,721)** | (1,320,088) |
| Net cash used in financing activities | **(4,840,498)** | (6,970,671) |
| Foreign currency translation adjustments | **9,404** | 92,825 |
| Net (decrease) increase in cash and cash equivalents | **(232,443)** | 2,658,902 |
| Effect of foreign currency translation on cash and cash equivalents | **(16,227)** | 17,854 |
| Cash and cash equivalents at beginning of the period | **4,383,115** | 3,002,208 |
| Cash and cash equivalents at end of the period (Note 3) | **4,134,445** | 5,678,964 |

The accompanying notes from (1) to (22) form an integral part of the interim consolidated financial information.

1. Incorporation and activities

Bayan Investment Company (the Parent Company) is a closed Kuwaiti 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.

These interim consolidated financial information were approved for issue by the Board of Directors on May 17, 2010.

2. Significant accounting policies

The accompanying interim consolidated financial information 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.

a) Basis of presentation

The interim consolidated financial information has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". The accounting policies used in the preparation of the interim consolidated financial information for the period are consistent with those used in the preparation of the annual consolidated financial statements for the year ended December 31, 2009 except for the adoption of the following IASB standards and interpretations that became effective for the year ending December 31, 2010:

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.

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.

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.

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.

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.

The adoption of these standards and interpretations did not have a material impact on the Group's consolidated financial information.

The interim consolidated financial information do not include all of the information and footnotes required for complete financial statements prepared in accordance with International Financial Reporting Standards. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included. Operating results for the period ended March 31, 2010 are not necessarily indicative of the results that may be expected for the year ending December 31, 2010. For further information, refer to the consolidated financial statements and notes thereto for the year ended December 31, 2009.

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

| | | Percentage of Holding | | |
|---|---|---|---|---|
| | Country of incorporation | **March 31, 2010** | (Audited) December 31, 2009 | March 31, 2009 |
| Arkan Holding Company K.S.C. (Holding) and its subsidiaries: | Kuwait | **100%** | 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% | 100% |
| Al-Noor Holding Company K.S.C. (Holding) and its subsidiaries: | Kuwait | **100%** | 100% | 100% |
| Al Noor Skills for Consulting and Training Co. (W.L.L.) | Kuwait | **-** | 100% | 100% |
| Al Noor Method for Projects Management Co. (W.L.L.) | Kuwait | **-** | 100% | 100% |
| Al Noor 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% | 100% |
| Arkan International for Building Materials Co. (K.S.C.C)* | Kuwait | **96.667%** | 96.667% | - |
| Bunyan Real Estate Company (K.S.C.C.) | Kuwait | **100%** | 100% | 100% |
| Sout Al-Ghad for Advertising Co. (W.L.L) | Kuwait | **100%** | 100% | 100% |
| Al Safwa International Consulting Co. (W.L.L.) | Kuwait | **100%** | 100% | 100% |
| Al Derah Al-Oula Co. for General Trading and Contracting (W.L.L.) | Kuwait | **100%** | 100% | 100% |
| Al Ohadiyah Project Management Co. (W.L.L.) | Kuwait | **100%** | 100% | 100% |
| Al Sanabil Real Estate Co. (W.L.L.) | Kuwait | **100%** | 100% | 100% |
| Al Robayah Project Management Co. (W.L.L.) | Kuwait | **100%** | 100% | 100% |
| Al Sodasiyah Project Management Co. (W.L.L.) | Kuwait | **100%** | 100% | 100% |
| Bayan Tech. for Information Technology Co. (W.L.L.) | Kuwait | **-** | 100% | 100% |
| Babel Holding Co. - K.S.C. (Holding) | Kuwait | **96.095%** | 96.095% | 95.929% |

* 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 Noor Skills for Consulting and Training Co. (W.L.L.) | November 15, 2009 | January 27, 2010 |
| Al Noor Method for Projects Management Co. (W.L.L.) | November 15, 2009 | February 8, 2010 |
| Al Noor 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 |

3. Cash and cash equivalents

| | **March 31, 2010** | (Audited) December 31, 2009 | March 31, 2009 |
|---|---|---|---|
| Cash on hand and at banks | **4,083,188** | 4,286,362 | 1,505,763 |
| Cash with financial institutions | **51,257** | 96,753 | 162,680 |
| Short term deposit | **-** | - | 4,010,521 |
| | **4,134,445** | 4,383,115 | 5,678,964 |

The effective interest rate on short term deposit was 2.75% per annum as of March 31, 2009.

4. Investments at fair value through income statement

| | **March 31, 2010** | (Audited) December 31, 2009 | March 31, 2009 |
|---|---|---|---|
| Quoted securities | **2,823,766** | 2,343,056 | 2,775,497 |
| Investment portfolios | **2,024,787** | 1,983,256 | 1,194,183 |
| Futures portfolio | **94,143** | 94,353 | 133,578 |
| | **4,942,696** | 4,420,665 | 4,103,258 |

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

| | **March 31, 2010** | (Audited) December 31, 2009 | March 31, 2009 |
|---|---|---|---|
| Held for trading | **2,823,766** | 2,343,056 | 2,775,497 |
| Designated at fair value | **2,118,930** | 2,077,609 | 1,327,761 |
| | **4,942,696** | 4,420,665 | 4,103,258 |

5. Loan to an associate

| | March 31, 2010 | (Audited) December 31, 2009 | March 31, 2009 |
|---|---|---|---|
| Loan granted to Dar Al Dhabi Holding Co. K.S.C.C. | **3,000,000** | 3,000,000 | - |
| Provision for loan granted | **(30,000)** | (30,000) | - |
| | **2,970,000** | 2,970,000 | - |

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.

6. Investments available for sale

| | March 31, 2010 | (Audited) December 31, 2009 | March 31, 2009 |
|---|---|---|---|
| Quoted securities | **31,630,834** | 30,412,278 | 26,359,652 |
| Unquoted securities | **14,823,653** | 16,323,019 | 16,323,019 |
| Portfolios | **2,700,105** | 2,741,719 | 3,445,627 |
| Funds | **2,138,381** | 2,151,680 | 2,459,973 |
| | **51,292,973** | 51,628,696 | 48,588,271 |

It was not possible to reliably measure the fair value of unquoted securities and portfolios totaling to KD 17,407,186 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 6,669,304.

Quoted securities with a carrying amount of KD 19,579,853 are pledged as collateral against loans granted by a local bank (Note 8).

7. 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. The remaining amount of AED 416,206,800 equivalent to KD 32,694,740 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 in 2009 after eliminating KD 3,028,810 against the investment in the associate. The second installment due on December 31, 2009 was not received and has been rescheduled for July 31, 2010 by the subsidiary.

8. Due to banks

The average effective interest rate for loans and overdraft facilities was 5.195% per annum (December 31, 2009 – 5.216% per annum, March 31, 2009 – 6.081% per annum).

The Group has pledged investment properties, a portion of invetsment in an associate, which is owned by a subsidiary, and quoted securities with a carrying amount of KD 19,579,853 (Note 6) as collaterals against loans granted by a local bank.

9. 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 (December 31, 2009: 13% - 13.5% per annum, March 31, 2009: 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.

10. Share capital

Authorized capital consists of 399,803,251 shares (December 31, 2009: 399,803,251 shares, March 31, 2009: 399,803,251 shares) of 100 fils each.

| | **March 31, 2010** | (Audited) December 31, 2009 | March 31, 2009 |
|---|---|---|---|
| Authorized capital | **39,980,325** | 39,980,325 | 39,980,325 |
| Unpaid capital | **(713,934)** | (713,934) | (713,934) |
| Issued and paid up capital | **39,266,391** | 39,266,391 | 39,266,391 |

11. Treasury shares

| | March 31, 2010 | (Audited) December 31, 2009 | March 31, 2009 |
|---|---|---|---|
| Number of shares | **35,499,385** | 38,379,385 | 39,039,385 |
| Percentage to issued shares | **9.04%** | 9.77% | 9.94% |
| Market value (KD) | **2,413,958** | 2,648,178 | 4,528,569 |
| Cost (KD) | **7,276,041** | 7,868,259 | 8,219,859 |

12. Net Investment income (loss)

| | Three months ended March 31, | |
|---|---|---|
| | **2010** | 2009 |
| Dividend income | **22,406** | 503,684 |
| Unrealized gain (loss) from investments at fair value through income statement | **48,626** | (401,976) |
| Realized gain (loss) on sale of investments at fair value through income statement | **172,419** | (71,003) |
| Realized gain (loss) on sale of investments available for sale | **358,874** | (344,122) |
| | **602,325** | (313,417) |

13. Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST) and Zakat

For the period ended March 31, 2010, contribution to KFAS, NLST and Zakat have not been calculated since there was no profit on which KFAS, NLST and Zakat could be calculated.

14. Loss per share

There are no potential dilutive ordinary shares. Loss per share is computed by dividing the net loss for the period attributable to the shareholders of the Parent Company by the weighted average number of shares outstanding during the period:

| | Three months ended March 31, | |
|---|---|---|
| | **2010** | 2009 |
| Net loss for the period attributable to shareholders of the Parent Company | **(1,862,004)** | (6,323,971) |
| | **Shares** | Shares |
| Number of issued and fully paid-up shares | **392,663,910** | 392,663,910 |
| Less: Weighted average number of treasury shares | **(36,860,718)** | (38,538,941) |
| Weighted average number of shares outstanding | **355,803,192** | 354,124,969 |
| | **Fils** | Fils |
| Loss per share attributable to shareholders of the Parent Company | **(5.23)** | (17.86) |

## 15. Related party 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 consist of the following:

| | Associates | Other related parties | **March 31, 2010** | (Audited) December 31, 2009 | March 31, 2009 |
|---|---|---|---|---|---|
| **Balances included in the interim condensed consolidated statement of financial position:** | | | | | |
| Accounts receivable and other debit balances | 109,562 | - | **109,562** | 71,424 | - |
| Loan to an associate | 2,970,000 | - | **2,970,000** | 2,970,000 | - |
| Due from related parties | 39,188 | 13,431 | **52,619** | 43,136 | 642,706 |
| Investments available for sale | - | 2,138,381 | **2,138,381** | 2,151,680 | 2,459,973 |
| Accounts payables and other credit balances | - | - | **-** | - | 70,000 |

| | | | Three months ended March 31, | |
|---|---|---|---|---|
| | | | **2010** | 2009 |
| **Transactions included in the interim condensed consolidated statement of income:** | | | | |
| Management fees | - | 17,716 | **17,716** | 29,096 |
| Interest income | 38,138 | - | **38,138** | 15,643 |
| Share of results from an associate | (63,760) | - | **(63,760)** | (155,678) |
| Related party receivable balance written off | - | - | **-** | (515,000) |
| Impairment loss on investments available for sale | - | (10,715) | **(10,715)** | - |

| | Three months ended March 31, | |
|---|---|---|
| | **2010** | 2009 |
| **Key management compensation:** | | |
| Salaries and other short term benefits | **73,673** | 63,836 |
| Terminal benefits | **7,876** | 6,103 |
| | **81,549** | 69,939 |

## 16. Capital commitments and contingent liabilities

| | **March 31, 2010** | (Audited) December 31, 2009 | March 31, 2009 |
|---|---|---|---|
| Capital commitments | **798,863** | 682,679 | 389,001 |
| Letters of credit | **74,341** | 87,792 | 79,139 |
| Letters of guarantee | **1,847,035** | 1,847,035 | 4,109,833 |
| | **2,720,239** | 2,617,506 | 4,577,973 |

17. 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:

| | March 31, 2010 | | | | | |
|---|---|---|---|---|---|---|
| | Investment Operations | Asset Management & Advisory Services | Real Estate | Retail | Unallocated items | Total |
| Total revenue | 641,162 | 25,976 | - | 161,729 | | 828,867 |
| Segment results | 12,781 | (10,253) | (1,259,378) | 82,291 | | (1,174,559) |
| Unallocated operating expenses | | | | | (613,533) | (613,533) |
| Loss from operations | | | | | | (1,788,092) |
| Share of results from an associate | | | | | (63,760) | (63,760) |
| Other income | | | | | 2,305 | 2,305 |
| Foreign exchange loss | | | | | (12,477) | (12,477) |
| Net loss for the period | | | | | | (1,862,024) |
| **Other information:** | | | | | | |
| Segment assets | 63,243,133 | - | 11,555,000 | 4,284,808 | - | 79,082,941 |
| Investment in associates | - | - | - | - | 19,475,973 | 19,475,973 |
| Investment in unconsolidated subsidiaries | - | - | - | - | 7,780 | 7,780 |
| Total assets | | | | | | 98,566,694 |
| Segment liabilities | 45,224,114 | - | - | 878,660 | - | 46,102,774 |
| Total liabilities | | | | | | 46,102,774 |
| Depreciation | - | - | - | (58,871) | - | (58,871) |

| | March 31, 2009 | | | | | |
|---|---|---|---|---|---|---|
| | Investment Operations | Asset Management & Advisory Services | Real Estate | Retail | Unallocated items | Total |
| Total revenue | (279,011) | 41,131 | - | 205,716 | - | (32,164) |
| Segment results | (974,537) | 5,690 | (3,588,200) | 142,929 | - | (4,414,118) |
| Unallocated operating expenses | | | | | (878,458) | (878,458) |
| Loss from operations | | | | | | (5,292,576) |
| Share of results from an associate | | | | | (155,678) | (155,678) |
| Other income | | | | | 5,203 | 5,203 |
| Related party receivable balance written off | | | | | (515,000) | (515,000) |
| Foreign exchange loss | | | | | (365,896) | (365,896) |
| Net loss for the period | | | | | | (6,323,947) |
| **Other information:** | | | | | | |
| Segment assets | 60,964,849 | - | 14,780,233 | 4,092,756 | - | 79,837,838 |
| Investment in associates | - | - | - | - | 23,727,663 | 23,727,663 |
| Investment in unconsolidated subsidiaries | - | - | - | - | 159,249 | 159,249 |
| Total assets | | | | | | 103,724,750 |
| Segment liabilities | 56,299,698 | - | - | 1,079,145 | - | 57,378,843 |
| Total liabilities | | | | | | 57,378,843 |
| Depreciation | - | - | - | (53,264) | - | (53,264) |

18. General Assembly

The Shareholders' Annual General Assembly held on May 3, 2010 approved to not to distribute dividends for the year ended December 31, 2009.

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.

19. Fiduciary Assets

| | **March 31, 2010** | (Audited) December 31, 2009 | March 31, 2009 |
|---|---|---|---|
| Customers' portfolios | **15,246,084** | 14,779,734 | 20,443,699 |
| Investment funds | **6,224,058** | 6,110,088 | 6,635,426 |
| | **21,470,142** | 20,889,822 | 27,079,125 |

## 20. Maturity profile of assets and liabilities

The maturity profile of the Group's assets and liabilities as of March 31, 2010 was as follows:

| | Up to 1 month | 1 - 3 months | 3 - 12 months | 1 - 5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|
| Assets: | | | | | | |
| Cash and cash equivalents | 4,134,445 | - | - | - | - | 4,134,445 |
| Investments at fair value through income statement | - | 4,942,696 | - | - | - | 4,942,696 |
| Accounts receivable and other debit balances | 109,562 | - | 763,627 | - | - | 873,189 |
| Loan to an associate | 2,970,000 | - | - | - | - | 2,970,000 |
| Inventories | - | - | 742,880 | - | - | 742,880 |
| Due from related parties | - | - | 52,619 | - | - | 52,619 |
| Investments available for sale | - | - | 31,630,834 | 19,662,139 | - | 51,292,973 |
| Investment in associates | - | - | - | 19,475,973 | - | 19,475,973 |
| Investment in unconsolidated subsidiaries | - | - | - | 7,780 | - | 7,780 |
| Investment properties | - | - | - | - | 11,555,000 | 11,555,000 |
| Fixed assets | - | - | - | - | 2,519,139 | 2,519,139 |
| | 7,214,007 | 4,942,696 | 33,189,960 | 39,145,892 | 14,074,139 | 98,566,694 |
| Liabilities: | | | | | | |
| Due to banks | 287,769 | 1,794,063 | 41,287,819 | - | - | 43,369,651 |
| Accounts payable and other credit balances | 685,056 | - | 920,202 | - | - | 1,605,258 |
| Murabaha payable | - | - | 263,128 | 440,092 | - | 703,220 |
| Provision for end of service indemnity | - | - | - | - | 424,645 | 424,645 |
| | 972,825 | 1,794,063 | 42,471,149 | 440,092 | 424,645 | 46,102,774 |

The analysis of Group's capital commitments and contingent liabilities as of March 31, 2010 by remaining contractual maturities was as follows:

| Capital commitments & contingent liabilities | 3 – 12 months | 1 - 5 years | Total |
|---|---|---|---|
| Capital commitments | 500,000 | 298,863 | 798,863 |
| Letters of credit | - | 74,341 | 74,341 |
| Letters of guarantee | - | 1,847,035 | 1,847,035 |
| | 500,000 | 2,220,239 | 2,720,239 |

21. Reclassification of financial assets

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

The Parent Company elected to apply the amendment effective July 1, 2008 and reclassified certain investments held for trading with a carrying amount of KD 49,747,536 to available for sale investments. The details of reclassification are as follows:

| Particulars | March 31, 2010 | (Audited) December 31, 2009 | March 31, 2009 |
|---|---|---|---|
| Fair value of investments reclassified from investments held for trading to available for sale at the date of statement of financial position | **29,104,111** | 28,392,050 | 22,975,865 |
| Unrealized gain (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 | **3,313,381** | (2,774,052) | (9,583,437) |
| Unrealized gain (loss) on investments reclassified from investments held for trading to available for sale recognized in other comprehensive income for the period from July 1, 2008 till the date of statement of financial position | **484,253** | (2,829,125) | (21,462,450) |
| Impairment loss | **-** | (12,002,166) | (344,877) |

22. Comparative figures

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