Consolidated financial statements and independent auditors' report

National Industries Group Holding – SAK and Subsidiaries

Kuwait

31 December 2009

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Independent auditors' report

To the shareholders of
National Industries Group Holding – SAK
Kuwait

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of National Industries Group Holding (A Kuwaiti Shareholding Company) ("the parent company") and subsidiaries (collectively "the group"), which comprise the consolidated statement of financial position as at 31 December 2009, and the related 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

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' 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 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 31 December 2009, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

In our opinion proper books of account have been kept by the parent company and the consolidated financial statements, together with the contents of the report of the parent company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Commercial Companies Law of 1960 and by the parent company's articles of association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Commercial Companies Law or of the articles of association, as amended, have occurred during the year ended 31 December 2009 that might have had a material effect on the business of the group or on its financial position.

Anwar Y. Al-Qatami, F.C.C.A.
(Licence No. 50-A)
of Grant Thornton – Al-Qatami, Al-Aiban & Partners

Abdullatif A.H. Al-Majid
(Licence No. 70-A)
of Allied Accountants - MAZARS

Kuwait
30 March 2010

Consolidated statement of income

	Note	Year ended 31 Dec. 2009 KD '000	Year ended 31 Dec. 2008 KD '000
Sales		**96,191**	112,821
Cost of sales		**(76,865)**	(89,782)
Gross profit		**19,326**	23,039
Income from investments	6	**59,864**	37,088
Profit on disposal of subsidiary	5c	**1,653**	-
Share of results of associates	15	**4,379**	2,451
Income on disposal of associate	15a	**5,753**	-
Changes in fair value of investment properties	16	**3,610**	5,697
Interest and other operating income	7	**13,414**	31,509
Distribution costs		**(4,495)**	(6,612)
General, administrative and other expenses		**(24,212)**	(22,815)
		79,292	70,357
Finance costs	9	**(51,582)**	(67,609)
Impairment in value of available for sale investments	17c	**(43,183)**	(326,305)
Impairment in value of wakala investment	20	**(7,483)**	(2,485)
Loss on foreign currency exchange		**(12,456)**	(11,514)
Loss before taxation		**(35,412)**	(337,556)
Taxation of foreign subsidiaries	10	**(116)**	(314)
Loss for the year	11	**(35,528)**	(337,870)
Attributable to :			
Owners of the parent company		**(23,187)**	(281,963)
Minority interest		**(12,341)**	(55,907)
		(35,528)	(337,870)
Basic and diluted loss per share	12	**(18) Fils**	(224) Fils

Consolidated statement of comprehensive income

	Year ended 31 Dec. 2009	Year ended 31 Dec. 2008
	KD '000	KD '000
Loss for the year	**(35,528)**	(337,870)
Other comprehensive income:		
Exchange differences arising on translation of foreign operations	**1,055**	(3,444)
Adjustment related to acquisition of associate – reversal of changes in fair value	**-**	(43,903)
Adjustment related to acquisition of associate – recognition of share of profits	**-**	2,145
Available for sale investments		
- Net changes in fair value arising during the year	**57,147**	(469,521)
- Transferred to consolidated statement of income on disposals	**(14,556)**	(19,666)
- Transferred to consolidated statement of income on impairment	**43,183**	326,305
Share of other comprehensive income of associates	**(1,101)**	(45,175)
Total other comprehensive income for the year	**85,728**	(253,259)
Total comprehensive income for the year	**50,200**	(591,129)
Total comprehensive income attributable to:		
Owners of the parent company	**44,008**	(496,241)
Minority interests	**6,192**	(94,888)
	50,200	(591,129)

Consolidated statement of financial position

	Note	31 Dec. 2009 KD '000	31 Dec. 2008 KD '000
Assets			
Non-current assets			
Goodwill	13	**8,333**	8,231
Property, plant and equipment	14	**49,421**	40,506
Investment in associates	15	**263,487**	303,079
Investment properties	16	**33,742**	22,645
Available for sale investments	17	**703,807**	634,900
Deferred tax		**-**	108
Total non-current assets		**1,058,790**	1,009,469
Current assets			
Inventories	18	**22,571**	22,992
Available for sale investments	17	**108,406**	178,114
Accounts receivable and other assets	19	**84,918**	89,635
Murabaha and wakala investments	20	**10,201**	29,800
Investments at fair value through profit or loss	21	**128,332**	158,816
Short-term deposits	31	**131,464**	214,999
Bank balances and cash	31	**30,132**	29,325
Total current assets		**516,024**	723,681
Total assets		**1,574,814**	1,733,150
Equity and liabilities			
Equity attributable to owners of the parent company			
Share capital	22	**129,510**	129,510
Share premium	22	**152,691**	152,691
Treasury shares	23	**(28,064)**	(31,998)
Reserves	25a	**59,678**	151,451
Cumulative changes in fair value	25b	**109,872**	43,968
Accumulated losses		**(23,187)**	(97,752)
Equity attributable to owners of the parent company		**400,500**	347,870
Minority interests	25c	**143,828**	137,927
Total equity		**544,328**	485,797
Non-current liabilities			
Bonds and trust certificates	26	**150,773**	158,720
Long-term borrowings	27	**35,145**	177,837
Leasing creditors		**683**	608
Provisions	28	**9,055**	8,369
Total non-current liabilities		**195,656**	345,534
Current liabilities			
Accounts payable and other liabilities	29	**44,440**	80,545
Bonds and trust certificates – current portion	26	**14,306**	14,431
Short-term borrowings	30	**732,481**	767,124
Due to banks	31	**43,603**	39,719
Total current liabilities		**834,830**	901,819
Total liabilities		**1,030,486**	1,247,353
Total equity and liabilities		**1,574,814**	1,733,150

Mr. Sa'ad Mohammed Al-Sa'ad
Chairman & Managing Director

Consolidated statement of changes in equity

	Equity attributable to owners of the parent company								
	Share Capital KD '000	Share premium KD '000	Treasury shares KD '000	Reserves (Note 25) KD '000	Cumulative changes in fair value KD '000	Accumulated losses KD '000	Sub-Total KD '000	Minority interests KD '000	Total KD '000
Balance at 1 January 2009	129,510	152,691	(31,998)	151,451	43,968	(97,752)	347,870	137,927	485,797
Purchase of treasury shares	-	-	(7,015)	-	-	-	(7,015)	-	(7,015)
Disposal of treasury shares	-	-	10,949	-	-	-	10,949	-	10,949
Gain on disposal of treasury shares	-	-	-	4,688	-	-	4,688	-	4,688
Investments made by minority shareholders of subsidiaries	-	-	-	-	-	-	-	1,183	1,183
Dividend paid to minority by the subsidiaries	-	-	-	-	-	-	-	(1,515)	(1,515)
Change in minority interest	-	-	-	-	-	-	-	41	41
Offset of accumulated losses (refer note 22c)	-	-	-	(97,752)	-	97,752	-	-	-
Transactions with owners	-	-	3,934	(93,064)	-	97,752	8,622	(291)	8,331
Loss for the year	-	-	-	-	-	(23,187)	(23,187)	(12,341)	(35,528)
Other comprehensive income for the year (refer note 25)	-	-	-	1,291	65,904	-	67,195	18,533	85,728
Total comprehensive income for the year	-	-	-	1,291	65,904	(23,187)	44,008	6,192	50,200
Balance at 31 December 2009	**129,510**	**152,691**	**(28,064)**	**59,678**	**109,872**	**(23,187)**	**400,500**	**143,828**	**544,328**

The notes set out on pages 10 to 50 form an integral part of the consolidated financial statements.

Consolidated statement of changes in equity (continued)

	Equity attributable to owners of the parent company								
	Share Capital KD '000	Share premium KD '000	Treasury shares KD '000	Reserves (Note 25) KD '000	Cumulative changes in fair value KD '000	Retained earnings/ (accumulated losses) KD '000	Sub-Total KD '000	Minority interests KD '000	Total KD '000
Balance at 1 January 2008 (as previously reported)	117,736	152,691	(27,156)	151,032	215,451	359,741	969,495	196,999	1,166,494
Prior period adjustment on acquisition of associate									
- reversal of changes in fair value	-	-	-	-	-	(65,756)	(65,756)	-	(65,756)
- recognition of share of profits	-	-	-	-	-	29,679	29,679	-	29,679
Balance at 1 January 2008 (as restated)	117,736	152,691	(27,156)	151,032	215,451	323,664	933,418	196,999	1,130,417
Issue of bonus shares	11,774	-	-	-	-	(11,774)	-	-	-
Purchase of treasury shares	-	-	(5,889)	-	-	-	(5,889)	-	(5,889)
Disposal of treasury shares	-	-	1,047	-	-	-	1,047	-	1,047
Gain on disposal of treasury shares	-	-	-	1,484	-	-	1,484	-	1,484
Cash dividend to shareholders of the parent company	-	-	-	-	-	(85,949)	(85,949)	-	(85,949)
Investment made by minority shareholders of subsidiaries	-	-	-	-	-	-	-	52,270	52,270
Dividend paid to minority by the subsidiaries	-	-	-	-	-	-	-	(16,454)	(16,454)
Transactions with owners	11,774	-	(4,842)	1,484	-	(97,723)	(89,307)	35,816	(53,491)
Loss for the year	-	-	-	-	-	(281,963)	(281,963)	(55,907)	(337,870)
Other comprehensive income for the year	-	-	-	(1,065)	(171,483)	(41,730)	(214,278)	(38,981)	(253,259)
Total comprehensive income for the year	-	-	-	(1,065)	(171,483)	(323,693)	(496,241)	(94,888)	(591,129)
Balance at 31 December 2008	129,510	152,691	(31,998)	151,451	43,968	(97,752)	347,870	137,927	485,797

The notes set out on pages 10 to 50 form an integral part of the consolidated financial statements.

Consolidated statement of cash flows

	Year ended 31 Dec. 2009 KD '000	Year ended 31 Dec. 2008 KD '000
OPERATING ACTIVITIES		
Loss before taxation	**(35,412)**	(337,556)
Adjustments:		
Depreciation of property, plant and equipment	**7,949**	4,849
Change in fair value of investment properties	**(3,610)**	(5,697)
Loss/(profit) on disposal of property, plant and equipment	**181**	(9)
Profit on disposal of subsidiary	**(1,653)**	-
Income on disposal of associate	**(5,753)**	-
Share of results of associates	**(4,379)**	(2,451)
Income from murabaha and wakala investments	**(1,649)**	(2,095)
Dividend income from available for sale investments	**(18,228)**	(19,067)
Profit on sale of available for sale investments	**(39,184)**	(32,445)
Unrealised (gain)/loss on interest rate swaps	**(1,217)**	5,260
Impairment in value of available for sale investments and wakala investments	**50,666**	328,790
Net provisions charged/(released)	**686**	(1,189)
Finance costs	**51,582**	67,609
Interest income	**(7,894)**	(12,069)
	(7,915)	(6,070)
Changes in operating assets and liabilities:		
Inventories	**421**	331
Accounts receivable and other assets	**(8,021)**	43,015
Investments at fair value through profit or loss	**29,119**	3,958
Accounts payable and other liabilities	**(26,297)**	14,163
Cash (used in)/from operations	**(12,693)**	55,397
Taxation paid	**(22)**	(496)
KFAS contribution paid	**(52)**	(1,402)
Board of directors' remuneration paid	**-**	(180)
National labour support tax paid	**-**	(4,955)
Net cash (used in)/from operating activities	**(12,767)**	48,364

Consolidated statement of cash flows (continued)

	Note	Year ended 31 Dec. 2009 KD '000	Year ended 31 Dec. 2008 KD '000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(17,750)**	(13,828)
Proceeds from sale of property, plant and equipment		**412**	2,684
Additions to investment properties		**(803)**	(16,948)
Proceeds from disposal of associate		**5,753**	-
Additions to investment in associates		**(3,584)**	(51,438)
Dividend received from associates		**1,403**	9,979
Decrease in wakala investments maturing after three months		**7,616**	9,715
Income received from murabaha and wakala investments		**2,063**	2,095
Decrease/(Increase) in short term deposits maturing after three months		**71,102**	(71,102)
Increase in blocked deposits		**(660)**	(500)
Purchase of available for sale investments		**(94,314)**	(192,435)
Proceeds from sale of available for sale investments		**222,501**	130,095
Dividend income received from available for sale investments		**18,228**	19,067
Interest income received		**12,086**	8,651
Net cash from/(used in) investing activities		**224,053**	(163,965)
FINANCING ACTIVITIES			
Net increase in long-term borrowings, bonds and trust certificates		**15,236**	14,571
Finance lease receipt		**148**	249
Net (decrease)/increase in short-term borrowings		**(200,643)**	195,913
Dividend paid to the owners of the parent		**(475)**	(84,291)
Finance costs paid		**(53,312)**	(66,157)
Purchase of treasury shares		**(7,015)**	(5,889)
Proceeds from sale of treasury shares		**14,221**	-
Change in minority interest		**(291)**	35,816
Net cash from financing activities		**(232,131)**	90,212
Net decrease in cash and cash equivalents		**(20,845)**	(25,389)
Translation difference		**175**	(1,418)
		(20,670)	(26,807)
Cash and cash equivalents at beginning of the year		**145,003**	171,810
Cash and cash equivalents at end of the year	31	**124,333**	145,003

Notes to the consolidated financial statements

31 December 2009

1 Incorporation and activities

National Industries Group Holding – SAK ("the parent company") was incorporated in 1961 as a Kuwaiti shareholding company in accordance with the Commercial Companies Law in the State of Kuwait and in April 2003, its status was transformed to a "Holding Company". The parent company along with its subsidiaries are jointly referred to as "the group". The parent company's shares are traded on the Kuwait Stock Exchange and Dubai Financial Market.

The main objectives of the parent company are as follows:

- Owning stocks and shares in Kuwaiti or non-Kuwaiti shareholding companies and shares in Kuwaiti or non-Kuwaiti limited liability companies and participating in the establishment of, lending to and managing of these companies and acting as a guarantor for these companies.

- Lending money to companies in which it owns 20% or more of the capital of the borrowing company, along with acting as guarantor on behalf of these companies.

- Owning industrial equities such as patents, industrial trade marks, royalties, or any other related rights, and franchising them to other companies or using them within or outside the State of Kuwait.

- Owning real estate and moveable property to conduct its operations within the limits as stipulated by law.

- Employing excess funds available with the group by investing them in investment and real estate portfolios managed by specialised companies.

The address of the parent company's registered office is PO Box 417, Safat 13005, State of Kuwait.

The board of directors of the parent company approved these consolidated financial statements for issuance on 30 March 2010. The general assembly of the parent company's shareholders has the power to amend these consolidated financial statements after issuance.

2 New and revised International Financial Reporting Standards ("IFRS") and Interpretations ("IFRIC")

a). ***Standards and Interpretations affecting amounts reported and/or disclosures made in the current period (and/or prior periods)***

The group has adopted the following new standards, revisions and amendments to IFRS issued by International Accounting Standards Board, which are relevant to and effective for the group's financial statements for the annual period beginning 1 January 2009. Certain other new standards and interpretations have been issued but are not relevant to the group's operations and therefore not expected to have a material impact on the group's financial statements.

2 New and revised International Financial Reporting Standards ("IFRS") and Interpretations ("IFRIC") (continued)

- Amendments to IFRS 7 Financial Instruments: Disclosures
- IFRS 8 Operating Segments
- IAS 1 Presentation of Financial Statements (Revised)

Significant effects on current, prior or future periods arising from the first-time application of these new requirements in respect of presentation, recognition and measurement are described below.

- Amendment to IFRS 7: Financial Instruments: Disclosures

The amendments require additional disclosures for financial instruments that are measured at fair value in the statement of financial position. These fair value measurements are categorised into a three-level fair value hierarchy, which reflects the extent to which they are based on observable market data. A separate quantitative maturity analysis must be presented for derivative financial liabilities that shows the remaining contractual maturities, where these are essential for an understanding of the timing of cash flows. The group has taken advantage of the transitional provisions in the amendments and has not provided comparative information in respect of the new requirements.

- IFRS 8 Operating Segments

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

- IAS 1 Presentation of Financial Statements (Revised)

The adoption of IAS 1 (Revised 2007) makes certain changes to the format and titles of the primary financial statements and to the presentation of some items within these statements. The revised standard also separates owners and non-owner changes in equity. The statement of changes in equity includes only details of transaction with owners, with non-owner changes in equity- presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expenses, either in one single statement or in two linked statements. The group has elected to present two statements (i.e. a statement of income and a statement of comprehensive income).

The revised standard also requires presentation of a comparative statement of financial position as at the beginning of the first comparative period, in some circumstances. Management considers that this is not necessary this year because the 2007 statement of consolidated financial position is the same as that previously published.

- Annual Improvements 2008

The improvements include 35 amendments across 20 different standards that largely clarify the required accounting treatments where previous practice had varied. The Improvements have led to a number of changes in the detail of the group's accounting policies – some of which are changes in terminology only, and some of which are substantive but have had no material effect on amounts reported. The majority of these amendments are effective from 1 January 2009.

b). ***Standards and Interpretations in issue not yet adopted***

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued but are not yet effective, and have not been adopted.

Management anticipates that all of the pronouncements will be adopted in the group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not relevant to the group's operations and therefore not expected to have a material impact on the group's financial statements.

2 New and revised International Financial Reporting Standards ("IFRS") and Interpretations ("IFRIC") (continued)

- IFRS 3 Business Combinations (Revised)
- IFRS 9 Financial Instruments
- IAS 27 Consolidated and Separate Financial Statements (Revised)
- IAS 28 Investments in Associates (Revised)
- IFRIC 17 Distribution of Non Cash Assets to Owners
- Annual Improvements 2009

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

The standard is applicable for business combinations occurring in reporting periods beginning on or after 1 July 2009 and will be applied prospectively. The new standard introduces changes to the accounting requirements for business combinations, but still requires use of the purchase method, and will have a significant effect on business combinations occurring in future reporting periods.

- IFRS 9 Financial Instruments (effective from 1 January 2013)

The IASB aims to replace IAS 39 *Financial Instruments: Recognition and Measurement* in its entirety by the end of 2010, with the replacement standard to be effective for annual periods beginning 1 January 2013. IFRS 9 is the first part of Phase 1 of this project. The main phases are:

- Phase 1: Classification and Measurement
- Phase 2: Impairment methodology
- Phase 3: Hedge accounting

In addition, a separate project is dealing with derecognition.

Although early application of this standard is permitted, the Technical Committee of the Ministry of Commerce and Industry of Kuwait decided during December 2009, to postpone this allowed early application until further notice.

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

The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The changes in IAS 27 will affect future acquisitions or loss of control and transactions with minority interests.

- IAS 28 Investments in Associates (Revised) (effective for annual periods beginning on or after 1 July 2009)

The revised standard introduces changes to the accounting requirements for the loss of significant influence of an associate and for changes in the group's interest in associates. These changes will be applicable for future acquisitions and disposals.

- IFRIC 17 Distribution of Non-Cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009)

The Interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders.

- Annual Improvements 2009

The IASB has issued *Improvements for International Financial Reporting Standards 2009* which will lead to a number of changes in the detail of the group's accounting policies in the future – some of which are changes in terminology only, and some of which are substantive but will have no material effect on amounts reported. Most of these amendments become effective in annual periods beginning on or after 1 July 2009 or 1 January 2010.

3 Significant accounting policies

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2008 except as noted in note 2 above. The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below:

Basis of preparation

The consolidated financial statements of the group have been prepared in accordance with International Financial Reporting Standards (IFRS).

The consolidated financial statements are prepared under the historical cost convention modified to include the revaluation of freehold and leasehold properties, the measurement at fair of investments at fair value through profit or loss, available for sale investments and investment properties.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the parent company for the year ended 31 December 2009, and the financial statements of its subsidiaries prepared to that date, or to a date not earlier than three months of the parent company's year end using consistent accounting policies.

Necessary adjustments are made for the effects of significant transactions or other events that occur between the reporting date of the subsidiaries and 31 December 2009, the reporting date of the parent company. The details of the significant consolidated subsidiary companies are set out in Note 5 to the consolidated financial statements.

Subsidiaries are those enterprises controlled by the group and are fully consolidated from the date on which control is transferred to the group. Control is achieved where the group has the power to govern the financial and operating policies of an entity 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.

The financial statements of the subsidiaries are consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Any significant intra-group balances and transactions, and any unrealised gains or losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Minority interest represents the portion of profit or loss and net assets not held by the group and are presented separately in the consolidated statement of income and within equity in the consolidated statement of financial position, separately from the equity attributable to the shareholders of the parent company. The group applies a policy of treating transactions with minority interests as transactions with parties external to the group. Disposals to non-controlling interests result in gains and losses for the group that are recorded in the consolidated statement of income. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

Business combinations

Acquisition of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, plus any costs directly attributable to the business combination. The acquirer's identifiable assets, liabilities and contingent liabilities are recognised at their fair values at the acquisition date. Goodwill represents the excess of acquisition cost over the fair value of the group's share of the identifiable net assets of the acquirer at the date of the acquisition. Any excess, at the date of acquisition, of the group's share in the fair value of the identifiable net assets acquired over the acquisition cost is recognised as negative goodwill in the consolidated statement of income.

3 Significant accounting policies (continued)

Goodwill
Goodwill arising on the acquisition of a subsidiary is recognised as a separate asset in the consolidated statement of financial position. Goodwill arising on the acquisition of an associate is included within the carrying amount of the investment. Goodwill, which represents the excess of the cost of an acquisition over the fair value of the net identifiable assets acquired at the date of acquisition, is measured at cost less impairment losses. Goodwill is tested for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill is allocated to cash generating units.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of profit or loss on disposal.

Income recognition
Income is recognised to the extent that it is probable that the economic benefits will flow to the group and the income can be reliably measured. The following specific recognition criteria must also be met before income is recognised.

Sales
Sales represent the value of goods and services supplied during the year excluding value added tax or other sales taxes.

Dividend income
Dividend income is recognised when the group's right to receive payment is established.

Interest and similar income
Interest and similar income is recognised using the effective interest rate method.

Fee income
Management fees relating to portfolio management services and other fee income are recognised as income as the services are provided.

Finance costs
Finance costs are calculated and recognised on a time proportionate basis taking into account the principal loan balance outstanding and the interest rate applicable.

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

Development costs
Expenditure on development activities which are not expected to generate future economic benefits are written off as incurred. Development costs are carried forward only if specific criteria are met. Such development costs carried forward are amortised over their estimated useful lives on a straight line basis and are subject to regular impairment review.

Share-based Payment
Certain employees of the parent company receive remuneration in the form of share-based payment transactions, whereby the employees render services in exchange for shares ("equity settled transactions").

3 Significant accounting policies (continued)

Equity-settled transactions
The cost of equity-settled transactions with employees is measured under the intrinsic value method. Under this method, the cost is determined by comparing the period end market value of the parent company's shares with the issue price. The cost of equity settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the shares vest.

Property, plant and equipment and depreciation
Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses. Depreciation is calculated to write off the cost or valuation, less the estimated residual value of property, plant and equipment, on a straight-line basis over their estimated useful lives as follows:

Freehold buildings	Lower of 50 years or remaining useful life
Long leasehold property	Lower of 50 years or remaining lease term
Short leasehold property	Lease term
Property on leasehold land	4 to 20 years
Plant and machinery	1 to 15 years
Motor vehicles	2 to 10 years
Furniture and equipment	4 to 10 years

Any increase arising on revaluation is credited directly to other comprehensive income as "revaluation reserve" except to the extent where the increase reverses a revaluation decrease related to the same asset for which a decrease in valuation has previously been recognised as an expense, it is credited to the consolidated statement of income. Any decrease in the net carrying amount arising on revaluation is charged directly to the consolidated statement of income, or charged to the revaluation reserve to the extent that the decrease is related to an increase for the same asset which was previously recorded as a credit to the revaluation surplus.

Depreciation on the re-valued properties is charged to the consolidated statement of income over their remaining estimated useful lives and an amount equivalent to the excess depreciation charge relating to the increase in carrying amount is transferred each year from the revaluation reserve to retained earnings.

No depreciation is provided on freehold land. Properties in the course of construction for production or administrative purposes are carried at cost, less any recognised impairment loss. Depreciation of these assets, which is on the same basis as other property assets, commences when the assets are ready for their intended use.

Investment in associates
An associate is a company over which the group has significant influence usually evidenced by holding of 20% to 50% of the voting power of the investee company. The consolidated financial statements include the group's share of the associates' results using the equity method of accounting.

Under the equity method, investment in an associate is initially recognised at cost and adjusted thereafter for the post-acquisition change in the group's share of net assets of the investee. The group recognises in the consolidated statement of income its share of the total recognised profit or loss of the associates from the date the influence or ownership effectively commenced until the date that it effectively ceases. Distributions received from an associate reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the group's share in the associate, arising from changes in the associates' equity that have not been recognised in the associate's statement of income. The group's share of those changes is recognised directly in equity. The financial statements of the associates are prepared either to the reporting date of the parent company or to a date not earlier than three months of the parent company's reporting date, using consistent accounting policies.

3 Significant accounting policies (continued)

Investment in associates (continued)
Unrealised gains on transactions with associates are eliminated to the extent of the group's share in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred. An assessment for impairment of investments in associates is performed when there is an indication that the asset has been impaired, or that impairment losses recognised in prior years no longer exist.

Investment properties
Investment properties are initially recorded at cost, being the purchase price and any directly attributable expenditure for a purchased investment property and cost at the date when construction or development is complete for a self-constructed investment property. Subsequent to initial recognition, investment properties are re-measured at fair value on an individual basis based on a valuation by an independent real estate valuer. Changes in fair value are taken to the consolidated statement of income.

Investment properties are de-recognised 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. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of income in the year of retirement or disposal.

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

Financial instruments
Classification
The group classifies financial assets upon initial recognition into the following categories:

i. Investments at fair value through profit or loss
ii. Loans and receivables
iii. Available for sale

Except for derivatives, all other financial liabilities are classified as "non trading financial liabilities". The group's financial liabilities are classified under "bonds and trust certificates", "long term and short term borrowings", "lease creditors", "accounts payable and other liabilities" and "due to banks" in the consolidated statement of financial position.

Investments at fair value through profit or loss are either "held for trading" or "designated" as such on initial recognition.

The group classifies investments as trading if they are acquired principally for the purpose of selling or are a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking.

Investments are classified as designated at fair value through profit or loss at inception if they have readily available reliable fair values and the changes in fair values are reported as part of the profit or loss in the management accounts, according to a documented investment strategy.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The groups loans and receivables are classified under "accounts receivables and other assets", "murabaha and wakala investments", "short term deposits" and "bank balances and cash" in the consolidated statement of financial position.

Financial assets which are not classified as above are classified as available for sale investments.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of these financial instruments at initial recognition.

3 Significant accounting policies (continued)

Measurement

Investments at fair value through profit or loss
Investments at fair value through profit or loss are initially recognised at cost, being the fair value of the consideration given, excluding transaction costs.

Subsequent to initial recognition, investments at fair value through profit or loss are re-measured at fair value and changes in fair value are recognised in the consolidated statement of income.

Loans and receivables
Loans and receivables are stated at amortised cost using the effective interest rate method.

Available for sale investments
Available for sale investments are initially recognised at cost, being the fair value of the consideration given, plus transaction costs that are directly attributable to the acquisition.

Subsequent to initial recognition, available for sale investments are re-measured at fair value unless fair value cannot be reliably measured, in which case they are measured at cost less impairment, if any.

Changes in fair value of available for sale investments are recognised as a separate component in other comprehensive income under "cumulative changes in fair value" account until the investment is either derecognised or determined to be impaired. On derecognition or impairment, the cumulative gain or loss previously recognised in other comprehensive income is recognised in the consolidated statement of income.

Financial liabilities
Non-trading financial liabilities are stated at amortised cost using the effective interest method.

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

For investments where there is no quoted market price, a reasonable estimate of fair value is determined by using valuation techniques. The group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used include the use of comparable recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants.

The determination of fair value is done for each investment individually.

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

Recognition and de-recognition of financial assets and liabilities
A financial asset or a financial liability is recognised when the group becomes a party to the contractual provisions of the instrument. A financial asset (or where applicable a part of a financial asset or a part of group of financial assets) is de-recognised either when the rights to receive cash flows from the asset have expired;

The group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or

3 Significant accounting policies (continued)

Recognition and de-recognition of financial assets and liabilities (continued)
The group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in consolidated statement of income.

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

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

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

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

With the exception of impairment in respect of goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the group makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

3 Significant accounting policies (continued)

Impairment of non-financial assets (continued)
Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount of the cash-generating units to which goodwill has been allocated, an impairment loss is recognised immediately in consolidated statement of income. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods. The group performs its annual impairment test of goodwill as at 31 December.

Taxation
Taxation of foreign subsidiaries
Income taxes for foreign subsidiaries are calculated based on tax adopted in the countries in which the subsidiaries are incorporated.

Deferred taxation is provided in respect of all temporary differences. Deferred tax assets are recognised in respect of unutilised tax losses when it is probable that the loss will be used against future profits.

Inventories
Inventories are valued at the lower of cost and net realisable value. In respect of finished goods and work-in-progress, cost includes all direct costs of production and an appropriate proportion of production overheads. Cost of raw materials, consumables and spare parts is calculated using the weighted average cost method and provision is taken for slow moving and obsolete items.

Murabaha and wakala investments
These investments are financial assets which are treated as loans and receivables and are stated at amortised cost.

Treasury shares
Treasury shares are stated at cost as a deduction within equity and they are not entitled to cash dividends. The issue of bonus shares increase the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

Gains or losses resulting from the sale of treasury shares are recognised directly to equity under "Gain on sale of treasury shares reserve". Should the reserve fall short of any losses from the sale of treasury shares, the difference is charged to retained earnings then reserves, subsequent to this, should profits arise from sale of treasury shares an amount is transferred to reserves then retained earnings equal to the loss previously charged to these accounts.

Bonds and trust certificates
Bonds and trust certificates (Mudarabaha and Musharaka sukuk) are stated on the consolidated statement of financial position at their principal amount, net of directly related costs of issuing the bonds/certificates to the extent that such costs have not been amortised. These costs are amortised through the consolidated statement of income over the life of the bonds/certificates using the effective interest rate method.

Finance cost is charged as an expense as it accrues, with unpaid amounts included in other liabilities.

Leasing and hire purchase
Assets acquired under finance leases and hire purchase arrangements are capitalised and the related liabilities, excluding finance charges, are included in liabilities. Finance charges in respect of such liabilities are charged to the consolidated statement of income as incurred. Operating lease rentals are written off on a straight-line basis over the lease period.

Wakala payables
Wakala payables represent Islamic financing arrangements, whereby the group receives funds for the purpose of financing its investment activities and are stated at amortised cost.

3 Significant accounting policies (continued)

Provisions
Provisions are recognised when the group has a present obligation (legal or constructive) resulting from a past event and the costs to settle the obligation are both probable and reliably measurable.

Provision for end of service indemnity
For the parent company and the local subsidiaries, the provision for staff indemnity is computed based on employees' accumulated periods of service at the reporting date in accordance with the Kuwait labour law for the private sector.

Provisions for land fill expenses
Provision for land fill expenses is calculated based on the expected cost which is required to restore the leased sites, used by the group for extracting raw materials for its operations, to its original condition.

Pensions (Related to the foreign subsidiaries)
Contributions are paid to both defined benefit and defined contribution pension schemes in accordance with the recommendations of independent actuaries and advisers.

Defined contribution schemes
Contributions to defined contribution schemes are charged to the consolidated statement of income on an accrual basis.

Defined benefit schemes
In respect of defined benefit schemes a defined benefit liability (or asset) is recognised in the consolidated statement of financial position and it is calculated as the present value of the defined benefit obligation using the projected unit credit method plus any unrecognised actuarial gains or losses less any past service cost not recognised less the market value of the plan assets.

Pension expense is charged to the consolidated statement of income and is calculated as the aggregate of current service cost (using the projected unit credit method), an interest cost on the discounted defined benefit obligation net of the expected return on plan assets, recognised actuarial gains and losses, recognised past service costs and the effect of curtailments or settlements.

Actuarial gains or losses are recognised as income or expense if the net cumulative unrecognised actuarial gains or losses at the end of the previous reporting period exceeded the greater of:

- 10% of the present value of the defined benefit obligations; and
- 10% of the fair value of plan assets.

The portion of actuarial gains and losses to be recognised is the excess determined above, divided by the expected average remaining service lives of participating employees.

Fiduciary assets
Assets held in a trust or fiduciary capacity are not treated as assets of the group and, accordingly, they are not included in these consolidated financial statements.

Foreign currencies
Functional and presentation currency
The consolidated financial statements are presented in Kuwaiti Dinars, which is the parent company's functional and presentational currency. Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

3 Significant accounting policies (continued)

Foreign currencies (continued)

Transactions and balances
Transactions in foreign currencies are initially recorded in the functional currency rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to "foreign exchange gain/loss" in the consolidated statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation difference on non-monetary asset classified as, "fair value through profit or loss" is reported as part of the fair value gain or loss in the consolidated statement of income and "available for sale" are reported as part of the cumulative change in fair value reserve within other comprehensive income.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at closing rate.

Group companies
At the reporting date, the assets and liabilities of foreign subsidiaries, and the carrying values of foreign associates, are translated into the parent group's presentation currency (the Kuwaiti Dinar) at the rate of exchange ruling at the reporting date, and their statements of income are translated at the average exchange rates for the year. Exchange differences arising on translation are taken directly to foreign exchange translation reserve in other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to the particular foreign operation is recognised in the consolidated statement of income.

Derivative financial instruments
The group uses derivative financial instruments, such as interest rate swaps to mitigate its risks associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at cost, being the fair value on the date on which a derivative contract is entered into, and are subsequently re-measured at fair value. The fair value of a derivative is the equivalent of the unrealised gain or loss from marking to market the derivative using valuation quotes provided by financial institutions, based on prevailing market information. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The group does not adopt hedge accounting, and any realised and unrealised (from changes in fair value) gain or losses are recognised directly in the consolidated statement of income.

Cash and cash equivalents
For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and bank balances, short-term deposits, murabaha and wakala investments and short term highly liquid investments maturing within three months from the date of inception less due to banks and block balances.

3 Significant accounting policies (continued)

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

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

4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the group's accounting polices which are described in note 3, the management is required to make judgements, estimates and assumption about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

Classification of financial assets
Management decides on acquisition of a financial asset whether it should be classified as fair value through profit or loss, loans and receivables or available for sale. In making that judgement the group considers the primary purpose for which it is acquired and how it intends to manage and report its performance. Such judgement determines whether it is subsequently measured at cost, amortised cost or at fair value and if the changes in fair value of instruments are reported in the statement of income or other comprehensive income.

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

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

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

Impairment of available for sale equity investments
The group treats available for sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgement. In addition, the group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities. During the year ended 31 December 2009 impairment loss of KD43,183 thousand was recognised for available for sale investments (2008: KD326,305 thousand).

4 Critical accounting judgements and key sources of estimation uncertainty (continued)

Impairment of loans and receivables
The group's management reviews periodically items classified as loans and receivables (including wakala investments) to assess whether a provision for impairment should be recorded in the consolidated statement of income. In particular, considerable judgement by management is required in the estimation of amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgement and uncertainty. During the year ended 31 December 2009 impairment losses of KD7,483 thousand (2008: KD2,485 thousand) have been recognised against wakala investments.

Estimation uncertainty
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, 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:

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

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

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

Impairment of goodwill
The group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash generating units to which the goodwill is allocated. Estimating the value in use requires the group to make an estimate of the expected future cash flows from the cash generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Estimation of impairment of property, plant and equipment and their useful lives
The group's management tests annually whether property plant and equipment have suffered impairment in accordance with the accounting policies stated within note 3 above. The recoverable amounts of the assets are determined based on value-in-use method. This method uses estimated cash flow projections over the estimated useful life of the asset discounted using market rates.

The group's management determines the useful lives of property, plant and equipment and the related depreciation charge. The depreciation charge for the year will change significantly if actual life is different from the estimated useful life of the asset.

Pension liabilities/asset
Pension assumptions are detailed in Note 33 and the pension expense for the year is sensitive to such assumptions and to the basis and period of spreading the actuarial deficit.

5 Subsidiary companies

The significant consolidated subsidiaries as at 31 December 2009 and 2008 are as follows:

	Country of registration	Percentage ownership	
		2009	2008
		%	%
NI Group (Bahrain) EC	Bahrain	**100**	100
NIC Holdings (Guernsey) Limited	Guernsey	**100**	100
NIG (Guernsey) Limited	Guernsey	**100**	100
NIC Holdings (UK) Plc	United Kingdom	**100**	100
BI Group Plc	United Kingdom	**100**	100
National Land Transport Company – SAK (Closed)	Kuwait	**100**	100
National Combined Health Services Co. – KSC (Closed)	Kuwait	**100**	100
National Industries Company for Combined Energy – KSC (Closed)	Kuwait	**100**	100
Al Durra National Real Estate – KSC (Closed)	Kuwait	**100**	100
Eagle Proprietary Investments Limited	UAE	**100**	100
Denham Investment LTD	Cayman Islands	**85**	85
Ikarus Petroleum Industries Company – SAK (Closed)	Kuwait	**72**	72
National Industries Company KSC(Closed)	Kuwait	**51**	51
Noor Financial Investment Company – KSC (Closed)	Kuwait	**51**	51
Gas & Oil Field Services Co. – WLL	Kuwait	**-**	100

a. NIG (Guernsey) Limited is the ultimate European holding company of the UK trading group and owns 100% of NIC Holdings (UK) Plc which in turn owns 100% of BI Group Plc.

b. Certain minority shareholdings in the above subsidiary companies are held on behalf of the parent company by third party nominees.

c. During the year, the group disposed its fully owned subsidiary, Gas and Oil Fields Services Company – KSC to an associate company for a consideration of KD9,472 thousand resulting in a profit of KD1,653 thousand.

The carrying value of the disposed assets, transferred liabilities and related goodwill (net of impairment) of the subsidiary at the date of disposal were as follows:

	KD '000
Total assets	**6,415**
Total liabilities	**(417)**
Goodwill	**1,185**
	7,183
Sale proceeds	**9,472**
Profit on disposal	**2,289**
Less:	
Elimination of proportionate profit on disposal to the extent of the groups shareholding in the associate	**(636)**
Net profit recognised in the consolidated statement of income	**1,653**

The above proceeds on the disposal of the subsidiary has been set off against the loan due to the same associate as of the date of disposal (refer note 35).

6 Income from investments

	2009 KD '000	2008 KD '000
Dividend income:		
- From investments at fair value through profit or loss	**472**	18,146
- From available for sale investments	**18,228**	19,067
Profit on sale of available for sale investments	**39,184**	32,445
Realised gain on investments at fair value through profit or loss	**4,539**	2,805
Unrealised loss on investments at fair value through profit or loss	**(2,559)**	(35,375)
	59,864	37,088

7 Interest and other operating income

	2009 KD '000	2008 KD '000
Management and placement fees	**2,372**	8,246
Realised gain on dealing in foreign currencies	**700**	-
Interest income on bank balances and short term deposits	**7,894**	12,069
Net loss from dealing in interest rate swaps	**(4,102)**	(2,713)
Income from murabaha and wakala investments	**1,649**	2,095
Income from financing of future trade by customers	**108**	8,210
Other income	**4,793**	3,602
	13,414	31,509

Net loss on interest rate swaps represents realised loss of KD5,319 thousand (2008: realised gain of KD2,547 thousand) and unrealised gain of KD1,217 thousand (2008: unrealised loss of KD5,260 thousand) (refer note 38).

8 Net gain or (loss) on financial assets

Net gain or (loss) on financial assets, analysed by category, is as follows:

	2009 KD '000	2008 KD '000
Loans and receivables		
- bank balances and short term deposits	**7,894**	12,069
- realised gain on dealing in foreign currencies	**700**	-
- murabaha and wakala investments (net of impairment losses of KD7,483 thousand (2008: KD 2,485 thousand)	**(5,834)**	(390)
- account receivable and other assets (income from financing of future trades by customers)	**108**	8,210
Investments at fair value through profit or loss		
- held for trading	**(615)**	44,317
- designated as such on initial recognition	**3,067**	(58,741)
Available for sale investments		
- recognised in other comprehensive income (including minority share)	**85,774**	(162,882)
- recycled from other comprehensive income to consolidated statement of income		
• On impairment	**(43,183)**	(326,305)
• On disposal	**14,556**	19,666
- recognised directly in consolidated statement of income	**42,856**	31,846
	105,323	(432,210)
Net gain/(loss) recognised in the consolidated statement of income	**19,549**	(269,328)
Net gain/(loss) recognised in the other comprehensive income	**85,774**	(162,882)
	105,323	(432,210)

9 Finance costs

Finance costs relate to due to banks, short and long term borrowings, bonds and trust certificates, due to related parties and lease creditors. All these financial liabilities are stated at amortised cost.

10 Taxation of foreign subsidiaries

	2009 KD '000	2008 KD '000
Current tax expense		
Current year reversal/(charge)	**56**	(314)
Deferred tax expense		
Current year charge	**(172)**	-
	(116)	(314)

The above tax is calculated based on the tax law adopted in United Kingdom.

11 Loss for the year

Loss for the year is stated after charging:

	2009 KD '000	2008 KD '000
Staff costs	**27,898**	30,242
Depreciation	**7,949**	4,849

12 Basic and diluted loss per share

Loss per share is calculated by dividing the loss for the year attributable to the owners of the parent by the weighted average number of shares outstanding during the year as follows:

	2009	2008
Loss for the year attributable to the owners of the parent (KD '000)	**(23,187)**	(281,963)
Weighted average number of shares outstanding during the year (excluding treasury shares) – shares	**1,260,536,478**	1,258,921,693
Basic and diluted loss per share	**(18) Fils**	(224) Fils

The staff bonus shares scheme has no effect on the diluted loss per share and accordingly such information has not been presented.

13 Goodwill

	2009 KD '000	2008 KD '000
Balance at 1 January	**8,231**	10,697
Additions	**216**	-
Disposals and other adjustments (refer note 5)	**(1,185)**	66
Foreign exchange adjustment	**1,071**	(2,532)
	8,333	8,231

14 Property, plant and equipment

Year ended 31 December 2009

	Freehold property KD '000	Leasehold property KD '000	Property on leasehold land KD '000	Plant and machinery KD '000	Motor vehicles KD '000	Furniture and equipment KD '000	Leased plant, machinery & vehicles KD '000	Property under construction KD '000	Total KD '000
Cost or valuation									
At 1 January 2009	4,237	626	33,488	58,329	9,098	7,707	2,011	11,104	**126,600**
Foreign exchange adjustments	976	106	-	4,047	5	-	315	-	**5,449**
Additions	31	-	931	9,313	340	5,100	159	1,876	**17,750**
Disposals	(943)	-	-	(2,563)	(82)	(80)	(430)	-	**(4,098)**
Adjustment related to disposal of subsidiary	-	-	-	(2,455)	-	-	-	-	**(2,455)**
At 31 December 2009	**4,301**	**732**	**34,419**	**66,671**	**9,361**	**12,727**	**2,055**	**12,980**	**143,246**
Accumulated depreciation and impairment losses									
At 1 January 2009	1,098	562	27,455	42,646	7,197	6,017	1,119	-	**86,094**
Foreign exchange adjustments	297	90	-	2,680	-	-	179	-	**3,246**
Charge for the year	101	79	338	5,412	640	1,211	168	-	**7,949**
Relating to disposals	(766)	-	-	(2,281)	(36)	(67)	(314)	-	**(3,464)**
At 31 December 2009	**730**	**731**	**27,793**	**48,457**	**7,801**	**7,161**	**1,152**	**-**	**93,825**
Net book value									
At 31 December 2009	**3,571**	**1**	**6,626**	**18,214**	**1,560**	**5,566**	**903**	**12,980**	**49,421**

A full independent valuation of all freehold properties held by NIC Holding (Guernsey) and NIG (Guernsey) Limited was obtained as at 1 January 1999 and the valuation was incorporated into the consolidated financial statements. The management of the group considers that there has been no significant change in the market value since the last valuation of these properties.

Property on leasehold land, plant and machinery with a net book value of KD1,306 thousand (2008: KD1,164 thousand) are secured against the trust certificates (Musharaka sukuk) (refer Note 26).

Properties on lease hold land, are on lands which have been leased from the government of Kuwait through renewable lease contracts.

Property under construction represents the cost incurred on the expansion of one of the subsidiaries existing factories and the construction of a new office building for the same subsidiary. These amounts will be transferred to the appropriate asset categories when the assets are ready for their intended use.

14 Property, plant and equipment (continued)

Year ended 31 December 2008

	Freehold property KD '000	Leasehold property KD '000	Property on leasehold land KD '000	Plant and machinery KD '000	Motor vehicles KD '000	Furniture and equipment KD '000	Leased plant, machinery & vehicles KD '000	Property under construction KD '000	Total KD '000
Cost or valuation									
At 1 January 2008	5,135	1,013	32,455	60,138	8,415	6,841	1,509	6,014	121,520
Foreign exchange adjustments	(901)	(261)	-	(5,257)	(7)	-	(399)	-	(6,825)
Additions	59	-	1,033	5,516	769	866	495	5,090	13,828
Disposals	(56)	(126)	-	(1,662)	(79)	-	-	-	(1,923)
Reclassification	-	-	-	(406)	-	-	406	-	-
At 31 December 2008	4,237	626	33,488	58,329	9,098	7,707	2,011	11,104	126,600
Accumulated depreciation and impairment losses									
At 1 January 2008	1,213	773	27,215	44,524	6,660	5,637	1,194	-	87,216
Foreign exchange adjustments	(186)	(215)	-	(3,477)	(7)	-	(333)	-	(4,218)
Charge for the year	107	40	240	3,399	600	380	83	-	4,849
Relating to disposals	(36)	(36)	-	(1,625)	(56)	-	-	-	(1,753)
Reclassification	-	-	-	(175)	-	-	175	-	-
At 31 December 2008	1,098	562	27,455	42,646	7,197	6,017	1,119	-	86,094
Net book value									
At 31 December 2008	3,139	64	6,033	15,683	1,901	1,690	892	11,104	40,506

15 Investment in associates

The significant associates of the group as at 31 December 2009 and 2008 are as follows:

	Percentage ownership	
	2009	2008
Kuwait Rocks Company – SAK (Closed)	**38**	38
KES Power Ltd. (refer note 15a)	**-**	40
Privatization Holding Company – KSC (Closed) [Formerly: Kuwait Privatization Project Holding Company – SAK (Closed)] – (Quoted)	**31**	28
Kuwait Cement Company – SAK (Closed) - (Quoted)	**25**	25
Al Raya International Real Estate – KSC (Closed)	**23**	23
Marsa Alam Holding Company – KSC (Closed)	**20**	20
Eastern United Petroleum Services Company – KSC (Closed)	**20**	20
Mabanee Company SAK (Closed) - (Quoted)	**20**	20
Meezan Bank Ltd – (Quoted)	**46**	46
Noor Telecommunication Company – KSC (Closed)	**40**	40

a) In relation to one of the group's associate, KES Power Ltd., the group and the other investors in the associate agreed and executed a contract to introduce a new investor who will own a stake of 50% in KES Power Ltd, by way of a capital increase in the investee company. As result of the group's shareholding diluting from 40% to 20% the new investor paid an amount of KD5,753 thousand to the group which has been recognised as income in the consolidated statement of income under the heading "income on disposal of associate". Although the group owns 20% of KES Power Ltd., based on the revised new management structure of the investee the group does not exercise significant influence over the investee and accordingly, the group's management has reclassified the carrying value of the investment amounting to KD57,699 thousand to available for sale investments.

b) All of the above associates are incorporated in Kuwait with the exception of KES Power Ltd and Meezan Bank Ltd, which are registered in the Cayman Islands and Pakistan respectively.

Aggregate share of associates' assets and liabilities:

	2009 KD '000	2008 KD '000
Assets	**519,640**	480,519
Liabilities	**289,767**	201,358

Aggregated share of associates' revenue and profit:

	2009 KD '000	2008 KD '000
Revenue	**46,332**	41,032
Profit (recognised in the consolidated statement of income)	**4,379**	2,451

c) Investment in quoted associates with a carrying value of KD158,310 thousand (2008: KD179,090 thousand) have a market value of KD178,844 thousand (2008: KD162,140 thousand).

d) The group's share of associates' contingent liabilities amounted to KD27,226 thousand (2008: KD21,170 thousand). This includes the group's share of contingent liabilities related to a foreign bank (Meezan Bank Ltd.) which amounted to KD25,948 thousand (2008: KD20,970 thousand) and the group's share of total assets and liabilities of this associate amounted to KD 194,664 thousand and KD 179,297 thousand respectively.

16 Investment properties

The movement in investment properties is as follows:

	2009 KD '000	2008 KD '000
Balance at 1 January	**22,645**	-
Additions during the year	**7,487**	16,948
Change in fair value	**3,610**	5,697
Balance at 31 December	**33,742**	22,645

Investment properties comprise of land and buildings as follows:

	2009 KD '000	2008 KD '000
Kuwait	**7,350**	10,000
Saudi Arabia	**25,974**	12,645
Jordan	**418**	-
Total	**33,742**	22,645

Previously, the group made advance payments to acquire a property in Saudi Arabia for a total consideration of KD6,684 thousand and the advance payments were classified under accounts receivable and other assets at 31 December 2008. During the year, upon completion of legal formalities the advances have been reclassified as investment properties.

The property in Saudi Arabia is held through a special purpose entity (SPE) created specifically for this purpose and co-owned by the group with joint owners. The registered owner of the property has issued a letter confirming the co-ownership.

As at 31 December 2009, the group re valued its local and foreign properties based on valuation provided by independent valuers which resulted in a gain of KD3,610 thousand (2008: gain of KD5,697 thousand) being recorded in the consolidated statement of income.

17 Available for sale investments

	2009 KD '000	2008 KD '000
Non Current		
Managed funds	**186,089**	232,975
Unquoted equity participations	**226,382**	171,514
Quoted shares	**291,336**	230,411
	703,807	634,900
Current		
Quoted shares (refer note 17a)	**108,406**	178,114
	812,213	813,014

a) The quoted shares classified as current at 31 December represents the remaining investments from those which were transferred from investments at fair value through profit or loss as of 1 July 2008 (refer note 21a).

b) Managed funds include investments in private equity funds with a carrying value of KD61,645 thousand (2008: KD106,051 thousand). Information for these investments is limited to periodic financial reports provided by the investment managers. These investments are carried at net asset values reported by the investment managers. Due to the nature of these investments, the net asset values reported by the investment managers represent the best estimate of fair values available for these investments.

17 Available for sale investments (continued)

c) At the end of the year, the group recognised an impairment loss of KD37,504 thousand (2008 : KD290,623 thousand) for certain local and foreign quoted shares, as the market value of these shares at reporting dates declined significantly below their costs. Further the group also recognised an impairment loss of KD5,679 thousand (2008: KD35,682 thousand) against certain unquoted shares, local and foreign funds based on estimates made by management as per information available to them and the net assets values reported by the investment managers at the reporting date.

d) Unquoted investments of KD67,630 thousand (2008: KD93,318 thousand) are carried at cost less impairment in value if any, since their fair value cannot be reliably determined. The group's management is not aware of any circumstance that would indicate further impairment in value of these investments.

e) Quoted shares held by a local subsidiary, with a fair value of KD13,931 thousand (31 December 2008: KD17,305 thousand) are secured against a bank loan (refer note 30).

f) During the year ended 31 December 2009, the group transferred an unquoted foreign investment amounting to KD57,699 thousand from investments in associate to available for sale investments (refer note 15a).

g) During the year, the group disposed certain unquoted available for sale investments which were carried at cost, for a consideration of KD16,673 thousand to a associate company resulting in a gain of KD6,175 thousand.

18 Inventories

	2009 KD '000	2008 KD '000
Finished goods and work-in-progress	**13,084**	12,818
Raw materials and consumables	**8,042**	8,189
Spare parts and others	**2,754**	2,718
Goods in transit	**1,359**	1,089
	25,239	24,814
Provision for obsolete and slow moving inventories	**(2,668)**	(1,822)
	22,571	22,992

19 Accounts receivable and other assets

	2009 KD '000	2008 KD '000
Financial assets		
Trade receivables – gross	**22,484**	16,666
Less: Provision for impairment of trade receivables	**(1,155)**	(1,155)
Net trade receivables	**21,329**	15,511
Amounts due on sale of investments	**3,140**	4,238
Due from associates	**15,301**	27,484
Due from other related parties	**361**	2,765
Due from key management personnel	**313**	313
Advance payments to acquire investments	**11,554**	5,166
Due from Kuwait Clearing Company	**3,133**	3,244
Due from investment brokerage companies	**2,760**	1,528
Interest and other accrued income	**4,299**	8,065
Other financial assets	**9,134**	10,343
	71,324	78,657
Non-financial assets		
Advance payments to acquire property, plant and equipment	**11,394**	-
Advance payments to acquire properties	**-**	6,684
Other assets	**2,200**	4,294
	13,594	10,978
	84,918	89,635

19 Accounts receivable and other assets (continued)

Trade receivables are non-interest bearing and generally on 30 to 90 days terms

As at 31 December the aging analysis of trade receivables is as follows:

	2009 KD '000	2008 KD '000
Neither past due nor impaired	**14,785**	10,940
Past due but not impaired		
- less than 3 months	**3,834**	2,785
- 3 – 6 months	**2,710**	1,673
Past due and partially impaired		
- over 6 months	**1,155**	1,268
Total trade receivables	**22,484**	16,666

Trade receivables that are less than six months past due, are not considered impaired since they relate customers for whom there is no recent history of default.

20 Murabaha and wakala investments

	2009 KD '000	2008 KD '000
Murabaha and wakala investments	**20,169**	32,285
Provision for impairment in value	**(9,968)**	(2,485)
	10,201	29,800

The above investments include a wakala placement of KD9,968 thousand (2008: KD8,285 thousand) made by a local subsidiary company with a local Islamic investment company which matured on 17 October 2008. The local investee company has defaulted on settlement of this balance on the maturity date.

Accordingly, the local subsidiary has filed a case against the investment company and recognised full provision against this wakala investment based on information available to management as of 31 December 2009 and in accordance with the Central Bank of Kuwait credit provisioning rules. This resulted in an impairment provision of KD7,483 thousand (2008: KD2,485 thousand) in the consolidated statement of income for the year ended 31 December 2009.

The murabaha and wakala investments carry effective profit rates ranging from 7.75% to 8% (2008: 8.25% to 8.5%) per annum.

21 Investments at fair value through profit or loss

	2009 KD '000	2008 KD '000
Held for trading :		
Quoted shares	**65,310**	70,184
Designated on initial recognition :		
Local funds	**41,121**	70,492
International managed portfolios and funds	**21,901**	18,140
	63,022	88,632
	128,332	158,816

21 Investments at fair value through profit or loss (continued)

a). **Effect of reclassification due to adoption of amendment to IAS 39.**
During the previous year, as a result of significant developments in the global financial markets, the Group adopted amendments to IAS 39 and IFRS 7 with effect from 1 July 2008 and reclassified investments with a fair value of KD380,755 thousand as at 1 July 2008 from "fair value through profit or loss" category to "available for sale" category. The fair value of remaining reclassified investments as of 31 December 2009 is KD108,406 thousand (2008: KD178,114 thousand).

b). During October 2008, a local money market funds, in which the group has investments totaling to KD2,244 thousand as at 31 December 2009 (2008: KD3,225 thousand), suspended redemption requests. Management has been informed by the managers of the funds that redemptions will be made depending on availability of liquid funds. The group's management considers this to be a situation arising from the current crisis in the global financial market and its impact on the local market. The investment has been fair valued based on the unaudited net asset value reported by the fund manager as of 31 December 2009. The group's management expects to realise these investments at not less than its carrying value.

c). Quoted shares, held by local subsidiary, with a fair value of KD16,770 thousand (2008: KD6,251 thousand) are secured against short term borrowings (refer note 30a).

22 Share capital and share premium

a) As of 31 December 2009, the issued and fully paid share capital of the parent company comprised of 1,295,098,167 shares of 100 Fils each (2008: 1,295,098,167 shares).

b) At the extraordinary general assembly held on 5 May 2008, the shareholders of the parent company approved to increase the share capital by 25% by way of an issue of shares during the year 2008, at par value of 100 Fils per share and premium of 800 Fils per share. However due to the decline in the major stocks indices throughout the world including Kuwait and the consequent decline in the parent company's share price, the parent company's board of directors in its meeting dated 21 October 2008, has proposed to cancel the increase in share capital.

Subsequently at the extraordinary general assembly held on 21 May 2009, the shareholders of the parent company approved to cancel the above share capital increase and then approved to increase the share capital by 25% by way of issuing shares at par value of 100 Fils per share and premium of 350 Fils per share.

c) Further the shareholders of the parent company approved at the shareholders general assembly held on 21 May 2009 to offset the accumulated losses as at 31 December 2008 amounting to KD97,752 thousand against general reserve and then statutory reserve.

d) Share premium is not available for distribution.

23 Treasury shares

	2009	2008
Number of shares	**25,009,123**	41,178,605
Percentage of issued shares	**1.93%**	3.18%
Market value (KD '000)	**7,503**	17,089
Cost (KD'000)	**28,064**	31,998

Reserves of the parent company equivalent to the cost of the treasury shares have been earmarked as non-distributable.

As at 31 December 2009, one of the associate companies of the group held 115,582,837 (2008: 112,702,839 shares) shares of the parent company's shares equivalent to 8.9% (2008: 8.7%) of the parent company's shares issued.

24 Staff shares

During the year the parent company issued 3,279,246 (2008: 1,543,002 shares) shares to its senior management as bonus shares by utilizing its treasury shares. The carrying amount and market value of these shares issued amounted to KD2,023 thousand and KD1,416 thousand (2008: KD1,047 thousand and KD2,531 thousand) respectively and the resultant loss of KD607 thousand (2008: gain of KD1,484 thousand) was taken to the gain on sale of treasury shares reserve. The market value of the shares has been charged to the consolidated statement of income as cost of share based payments.

25 Reserves, cumulative changes in fair value and minority interests

a) Reserves

	Statutory reserve KD '000	General reserve KD '000	Revaluation reserve KD '000	Gain on Sale of treasury shares reserve KD '000	Foreign currency translation reserve KD '000	Total KD '000
Balances at 31 December 2007	110,459	28,708	28	12,825	(988)	151,032
Gain on sale of treasury shares	-	-	-	1,484	-	1,484
Other comprehensive income:						
Currency translation differences	-	-	-		(1,037)	(1,037)
Transfer of excess depreciation	-	-	(28)	-	-	(28)
Balances at 31 December 2008	110,459	28,708	-	14,309	(2,025)	151,451
Gain on disposal of treasury shares	-	-	-	4,688	-	4,688
Offset of accumulated losses (refer note 22 c)	(69,044)	(28,708)	-	-	-	(97,752)
Other comprehensive income:						
Currency translation differences	-	-	-	-	1,291	1,291
Balances at 31 December 2009	**41,415**	**-**	**-**	**18,997**	**(734)**	**59,678**

Statutory reserve

In accordance with the Commercial Companies Law and the parent company's articles of association, 10% of the profit for the year before KFAS, NLST, Zakat and directors remuneration but after minority interest is to be transferred to statutory reserve. The parent company may resolve to discontinue such annual transfer when the reserve totals 50% of the paid up share capital. Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of paid-up share capital to be made in years when retained earnings are not sufficient for the distribution of a dividend of that amount. No transfer is required in a year in which the group has incurred a loss or where accumulated losses exist.

b) Cumulative change in fair value

	2009 KD '000	2008 KD '000
Balance at 1 January	**43,968**	215,451
Other comprehensive income:		
Net change in fair value of available for sale investments	**46,025**	(386,329)
Transferred to consolidated statement of income on disposal of available for sale of investments	**(13,663)**	(18,353)
Transferred to consolidated statement of income on impairment in value of available for sale investments	**36,481**	278,374
Share of fair value adjustment in associates	**(2,939)**	(45,175)
Other comprehensive income for the year	**65,904**	(171,483)
Balance at 31 December	**109,872**	43,968

25 Reserves, cumulative changes in fair value and minority interests (continued)

c) Minority interests

	2009 KD '000	2008 KD '000
Balance at 1 January	**137,927**	196,999
Investment made by minority shareholders of subsidiaries	**1,183**	52,270
Dividend paid to minority by the subsidiaries	**(1,515)**	(16,454)
Other changes in minority interests	**41**	-
Transactions with minority shareholders	**(291)**	35,816
Loss for the year	**(12,341)**	(55,907)
Other comprehensive income :		
Exchange differences arising on translation of foreign operations	**(236)**	(2,407)
Net change in fair value of available for sale investments	**11,122**	(83,192)
Transferred to consolidated statement of income on disposal of available for sale investments	**(893)**	(1,313)
Transferred to consolidated statement of income on impairment in value of available for sale investments	**6,702**	47,931
Share of other comprehensive income of associates	**1,838**	-
Total other comprehensive income for the year	**18,533**	(38,981)
Total comprehensive income for the year	**6,192**	(94,888)
Balance at 31 December	**143,828**	137,927

26 Bonds and trust certificates

	2009 KD '000	2008 KD '000
Trust certificates		
- Murdaraba sukuk	**136,467**	131,314
- Musharaka sukuk	**28,612**	27,406
Bonds issued	**-**	14,431
	165,079	173,151
Less : Due within one year	**(14,306)**	(14,431)
	150,773	158,720

Trust certificates – Mudaraba sukuk:
During August 2007 the parent company entered into an Islamic financing arrangement whereby the parent company issued through a special purpose vehicle Trust certificates (Mudaraba Sukuk) of US Dollars 475,000 thousand at an issue price of 100% of their principal amount which are due at the end of 5 years from the date of issue. The certificate holders are entitled to a quarterly profit distribution at the rate of 3 months LIBOR plus 1.05% per annum.

Trust certificates - Musharaka sukuk:
During October 2006 the subsidiary, National Industries Company entered into an Islamic financing arrangement whereby the subsidiary, through a special purpose vehicle, issued secured trust certificates (Musharaka sukuk) of US Dollars 100,000 thousand at an issue price of 100% of their principal amount which are due in 4 equal semi-annual instalments commencing from April 2010 and ending in October 2011. The certificate holders are entitled to a semi-annual profit distribution at the rate of 6 months LIBOR plus 1% per annum. The Islamic financing arrangement is secured by four of the subsidiary's factories (refer note 14).

Bonds
On 6 May 2004, the parent company issued unsecured floating rate bonds of U.S. Dollar 60,000 thousand at face value. After completion of three years, the bonds carried a one time call option for early redemption in the year 2007 and accordingly certain investors' holding bonds with a face value of US Dollars 7,800 thousand exercised their right in the year 2007. The remaining bonds with a face value of US Dollars 52,200 thousand were fully settled on the maturity date of 7 May 2009.

27 Long-term borrowings

Currency	Effective Interest rate	Security	2009 KD '000	2008 KD '000
Kuwaiti Dinars	5.5%	Unsecured	**192,000**	171,000
US Dollars	3.2%	Unsecured	**5,819**	59,437
Euro	2.4%-4.8%	Secured	**3,757**	2,839
			201,576	233,276
Less : Due within one year			**(166,431)**	(55,439)
			35,145	177,837

During the year, the group has reclassified a Kuwaiti Dinar denominated loan amounting to KD20,000 thousand to long term borrowings from short term borrowings as this was rescheduled to mature in 2011.

The Euro loans are secured against property, plant and equipment with a book value of KD1,402 thousand (2008: KD378 thousand).

28 Provisions

	2009 KD '000	2008 KD '000
Provision for staff indemnity	**5,740**	5,309
Provision for land-fill expenses	**630**	598
Provision for rental property	**4,071**	3,689
Provision for deferred tax	**41**	-
	10,482	9,596
Less: Provision for rental property – amount due in less than one year	**(1,427)**	(1,227)
	9,055	8,369

The provision for rental property relates to onerous property rental costs (net of estimated rent receivable) and dilapidations obligations which are payable over various periods upto 2017.

29 Accounts payable and other liabilities

	2009 KD '000	2008 KD '000
Financial liabilities		
Trade payables	**13,075**	12,676
Accrued interest	**3,643**	5,373
Dividend payable	**3,388**	3,863
Leasing creditors - amount due in less than one year	**261**	188
Provision for rental property – amount due in less than one year	**1,427**	1,227
National labour support tax	**3,727**	3,727
Kuwait Foundation for the Advancement of Sciences	**2,993**	3,045
Other accruals	**3,275**	5,024
Donations payable	**-**	8,475
Due to associates (refer note 35)	**423**	24,897
Unrealised loss on interest rate swaps (refer note 38)	**4,043**	5,260
Other liabilities	**6,395**	4,289
	42,650	78,044
Non-financial liabilities		
Other creditors	**952**	927
Accruals	**838**	1,574
	1,790	2,501
	44,440	80,545

30 Short-term borrowings

Currency	Effective Interest rate	Security	2009 KD '000	2008 KD '000
Conventional loans				
Kuwaiti Dinars (refer note 30a)	4.75%-5.5%	Unsecured/ secured	**224,900**	319,185
US Dollars	1.5%-3%	Unsecured	**213,448**	255,667
Sterling	2.13%-3.16%	Unsecured	**13,987**	13,544
			452,335	588,396
Long term borrowings due within one year			**166,431**	55,439
			618,766	643,835
Islamic financing arrangements				
Murabaha/wakala payables	3.5%-8.5%	Unsecured	**113,715**	123,289
			113,715	123,289
Total			**732,481**	767,124

a. A Kuwaiti Dinar loan amounting to KD23,700 thousand (2008: KD20,000 thousand) of a local subsidiary, is secured by certain investments at fair value through profit or loss (refer note 21), and available for sale investments (refer note 17).

31 Cash and cash equivalents

	2009 KD '000	2008 KD '000
Murabaha and wakala investments – maturing within three months	**7,500**	12,000
Short term deposits	**131,464**	214,999
Bank balance and cash	**30,132**	29,325
Due to banks	**(43,603)**	(39,719)
	125,493	216,605
Less: Short term deposits maturing after 3 months	**-**	(71,102)
: Blocked balances	**(1,160)**	(500)
Cash and cash equivalents for the purpose of consolidated cash flow statement	**124,333**	145,003

Short term deposits yield an average interest rate of 1.5% per annum (2008: 5% per annum).

Bank balance and cash include call accounts which yield interest rate of 1.5% per annum (2008: 1.5% to 2% per annum).

Due to banks are subject to interest rates ranging from 5% to 6% per annum (2008: 5% to 6% per annum).

Due to banks amounting to KD5,430 thousand (2008: Nil) of a foreign subsidiary are secured by property, plant and equipment of that subsidiary which amount to KD3,889 thousand.

32 Dividend distribution

The board of directors of the parent company do not propose any dividend for the year ended 31 December 2009.

The board of directors of the parent company did not propose any dividend for the year ended 31 December 2008 and this was approved by the shareholders of the parent company at the general assembly held on 21 May 2009.

33 Defined benefit pensions schemes

The group has defined benefit pension schemes for the employees of certain subsidiaries in the United Kingdom. The following disclosures cover all the schemes on an aggregated basis. The schemes are closed to new members and are not accruing further benefits. Actuarial calculations have been made in order to determine pension liabilities and pension expenses in connection with the group's defined benefit pension schemes. The following assumptions have been used in calculating the liabilities and expenses incurred:

	2009	2008
Discount rate	**5.8%**	7.1%
Expected return on plan assets	**5.42%**	6.02%
Future salary increases	**N/A**	N/A
Future pension increases	**3.25%**	2.6%

Consolidated statement of income

	2009 KD '000	2008 KD '000
Interest cost	**1,358**	1,593
Expected return on assets	**(1,039)**	(1,433)
Actuarial loss	**123**	191
Net annual charge included in general and administrative expenses	**442**	351

The actuarial loss of the schemes in excess of 10% of the present value of the defined benefit obligations are being charged as an expense over periods up to 13 years.

A reconciliation of the movement in the liability for defined benefit pension scheme is as follows:

Consolidated statement of financial position

	2009 KD '000	2008 KD '000
Brought forward liability	**-**	-
Consolidated statement of income (net)	**442**	351
Contributions	**(435)**	(361)
Increase in unrecognised asset	**(7)**	10
Carried forward liability	**-**	-

Reconciliation of consolidated statement of financial position liability

	2009 KD '000	2008 KD '000
Present value of obligations	**26,642**	17,894
Fair value of plan assets	**(21,011)**	(15,975)
Net plan deficit	**5,631**	1,919
Unrecognised actuarial losses	**(5,927)**	(2,182)
Unrecognised asset	**296**	263
Net liability recognised in the consolidated statement of financial position	**-**	-

Changes in the present value of the defined benefit obligation

	2009 KD '000	2008 KD '000
Opening defined benefit obligation	**17,894**	29,314
Interest cost	**1,358**	1,593
Actuarial losses/(gain)	**5,644**	(4,906)
Benefits paid	**(1,215)**	(1,180)
Foreign exchange adjustment	**2,961**	(6,927)
Closing defined benefit obligation	**26,642**	17,894

33 Defined benefit pensions schemes (continued)

Changes in the fair value of the plan assets

	2009 KD '000	2008 KD '000
Opening fair value of plan assets	**15,975**	26,405
Expected return	**1,039**	1,435
Actuarial gain/(losses)	**2,243**	(4,841)
Contributions by employer	**435**	361
Benefits paid	**(1,215)**	(1,180)
Foreign exchange adjustment	**2,534**	(6,205)
Closing fair value of plan assets	**21,011**	15,975

The groups expects to contribute KD419 thousand to its defined benefits plans during 2010.

The fair value of the plan assets, by category is as follows:

	2009 KD '000	2008 KD '000
Plan assets:		
Equities	**10,063**	7,507
Bonds	**10,539**	8,187
Other assets	**409**	281
	21,011	15,975

34 Segmental analysis

The group has adopted IFRS 8 Operating Segments with effect from 1 January 2009. Under IFRS 8, reported segment profits are based on internal management reporting information that is regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance, and is reconciled to group profit or loss. In contrast, the predecessor Standard (IAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical). However, following the adoption of IFRS 8, the identification of the group's reportable segments has not changed. The measurement policies the group uses for segment reporting under IFRS 8 are the same as those used in its consolidated financial statements.

The group activities are concentrated in three main segments: investment, building material and specialist engineering. The segments' results are reported to the higher management in the group. In addition, the segments results, assets and liabilities are reported based on the geographic locations which the group operates in.

34 Segmental analysis (Continued)

The following is the segments information, which conforms with the internal reporting presented to management:

	Investment		Building materials		Specialist engineering		Total	
	2009 KD '000	2008 KD '000	**2009 KD '000**	2008 KD '000	**2009 KD '000**	2008 KD '000	**2009 KD '000**	2008 KD '000
Segment revenue	**88,673**	76,745	**38,359**	35,777	**54,205**	71,314	**181,237**	183,836
Less:								
Income from investments							**(59,864)**	(37,088)
Profit on disposal of subsidiary							**(1,653)**	-
Share of result of associates							**(4,379)**	(2,451)
Income on disposal of associate							**(5,753)**	-
Change in fair value of investment properties							**(3,610)**	(5,697)
Interest and other operating income							**(13,414)**	(31,509)
Unallocated sales							**3,627**	5,730
Sales, per consolidated statement of income							**96,191**	112,821
Segment (loss)/profit	**18,997**	(266,922)	**9,982**	7,787	**278**	821	**29,257**	(258,314)
Less:								
Finance costs							**(51,582)**	(67,609)
Other unallocated expenses							**(13,087)**	(11,633)
Loss before taxation, per consolidated statement of income							**(35,412)**	(337,556)
Segment assets	**1,452,148**	1,622,290	**47,464**	48,353	**74,234**	60,522	**1,573,846**	1,731,165
Segment liabilities	**(17,861)**	(63,263)	**(10,415)**	(11,337)	**(25,643)**	(14,391)	**(53,919)**	(88,991)
Segment net assets	**1,434,287**	1,559,027	**37,049**	37,016	**48,591**	46,131	**1,519,927**	1,642,174
Unallocated assets							**968**	1,985
Bonds and trust certificates							**(165,079)**	(173,151)
Borrowings, due to banks and other unallocated liabilities							**(811,488)**	(985,211)
Total equity, per consolidated statement of financial position							**544,328**	485,797

34 Segmental analysis (Continued)

Property, plant and equipment of the group are primarily utilised by the building materials segment and the specialist engineering segment. The additions and depreciation relating to property, plant and equipment along with impairment in values by each segment, in which the assets are used, are as follows:

	Investment KD '000	Building materials KD '000	Specialist engineering KD '000	Unallocated KD '000	Total KD '000
At 31 December 2009					
Additions to property, plant and equipment	**5,017**	**5,489**	**7,229**	**15**	**17,750**
Depreciation	**1,136**	**2,127**	**4,542**	**144**	**7,949**
Impairment in value of available for sale investments and wakala investment	**50,666**	**-**	**-**	**-**	**50,666**
At 31 December 2008					
Additions to property, plant and equipment	1,361	7,205	5,222	40	13,828
Depreciation	220	1,989	2,475	165	4,849
Impairment in value of available for sale investments and wakala investment	328,790	-	-	-	328,790

Geographical segments

The geographical analysis is as follows;

	Assets		Sales	
	2009 KD '000	2008 KD '000	**2009 KD '000**	2008 KD '000
Kuwait	**856,297**	1,041,889	**41,986**	41,507
Outside Kuwait	**718,517**	691,261	**54,205**	71,314
	1,574,814	1,733,150	**96,191**	112,821

35 Related party transactions

Related parties represent associates, directors and key management personnel of the group, and other related parties such as major shareholders and companies in which directors and key management personnel of the group are principal owners or over which they are able to exercise significant influence or joint control. Pricing policies and terms of these transactions are approved by the group's management.

Details of significant related party transactions and balances are as follows:

	2009 KD '000	2008 KD '000
Balance included in the consolidated statement of financial position		
Due from related parties (refer note 19)	**15,975**	30,562
Due to related parties (refer note 29) *	**423**	24,897

* Due to related parties as at 31 December 2008, represented a short term loan of KD24,897 thousand availed by the parent company from an associate with an effective interest rate of 5.25% per annum with no specific repayment terms. During the year 2009, the group disposed one of its subsidiary to the same associate and the sale proceeds due on the disposal amounting to KD9,472 thousand was set off against the above short term loan (refer note 5) and subsequently the parent company has fully settled the remaining balance.

35 Related party transactions (continued)

	Year ended 31 Dec. 2009 KD '000	Year ended 31 Dec. 2008 KD '000
Transaction included in the consolidated statement of income		
Realised gain on sale of available for sale investments to an associate	**6,175**	12,657
Realised loss on sale of investment at fair value through profit or loss to an associate	**(188)**	-
Realised profit on disposal of a subsidiary to an associate	**1,653**	-
Purchase of raw materials – from associates	**8,699**	8,279
Finance costs – charged by associate company	**833**	1,960
Compensation of key management personnel of the group		
Short term employee benefits	**2,658**	2,126
End of service benefits	**255**	604
Cost of share based payments	**1,240**	1,170
	4,153	3,900

36 Summary of financial assets and liabilities by category

36.1 Categories of financial assets and liabilities

The carrying amounts of the group's financial assets and liabilities as stated in the consolidated statement of financial position may also be categorized as follows:

	2009 KD '000	2008 KD '000
Financial assets:		
Loans and receivables:		
• Accounts receivable and other financial assets (refer note 19)	**71,324**	78,657
• Murabaha and wakala investments	**10,201**	29,800
• Short term deposits	**131,464**	214,999
• Bank balance and cash	**30,132**	29,325
Investment at fair value through profit or loss:		
• Held for trading	**65,310**	70,184
• Designated on initial recognition	**63,022**	88,632
Available for sale investments (refer note 17)	**812,213**	813,014
	1,183,666	1,324,611
Financial liabilities:		
at amortised cost		
• Bonds and trust certificates (refer note 26)	**165,079**	173,151
• Long term borrowings	**35,145**	177,837
• Leasing creditors	**683**	608
• Accounts payable and other financial liabilities (refer note 29)	**38,607**	72,784
• Short term borrowings	**732,481**	767,124
• Due to banks	**43,603**	39,719
at fair value		
• Unrealised loss on interest rate swaps	**4,043**	5,260
	1,019,641	1,236,483

Fair value represents amounts at which an asset could be exchanged or a liability settled on an arm's length basis. In the opinion of the group's management, except for certain available for sale investments which are carried at cost for reasons specified in Note 17 to the consolidated financial statements the carrying amounts of financial assets and liabilities as at 31 December 2009 and 2008 approximate their fair values.

36 Summary of financial assets and liabilities by category (continued)

36.2 Fair value hierarchy for financial instruments measured at fair value

The group adopted the amendments to IFRS 7 *Improving Disclosures about Financial Instruments* effective from 1 January 2009. These amendments require the group to present certain information about financial instruments measured at fair value in the consolidated statement of financial position. In the first year of application comparative information need not be presented for the disclosures required by the amendment. Accordingly, the disclosure for the fair value hierarchy is only presented for the 31 December 2009 year end.

The following table presents the financial assets and liabilities which are measured at fair value in the consolidated statement of financial position in accordance with the fair value hierarchy.

This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- 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 (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The financial assets and liabilities measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows

	Note	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total Balance KD'000
Assets at fair value					
Available for sale investments					
-Managed funds					
Private equity funds	a	-	-	61,645	61,645
Other managed portfolio	a	-	-	124,444	124,444
-Unquoted equity participations	b	-	-	158,752	158,752
-Quoted shares	c	399,742	-	-	399,742
Investment at fair value through profit or loss					
-Quoted shares	c	65,310	-	-	65,310
-Local funds	d	-	41,121	-	41,121
-International managed portfolios and funds	e	-	-	21,901	21,901
Total assets		465,052	41,121	366,742	872,915
Liabilities at fair value					
-Fair value of interest rate swap	f	-	4,043	-	4,043

36 Summary of financial assets and liabilities by category (continued)

Measurement at fair value
The methods and valuation techniques used for the purpose of measuring fair value are as follows:

a) Managed funds
Private equity funds
The underlying investments in these private equity funds mainly represent foreign quoted and unquoted securities. Information for these investments is limited to periodic financial reports provided by the investment managers. These investments are carried at net asset values reported by the investment managers. Due to the nature of these investments, the net asset values reported by the investment managers represent the best estimate of fair values available for these investments.

Other managed portfolios
The underlying investments of other managed portfolios represent foreign quoted and unquoted securities managed by specialized portfolio managers. They are valued based on periodic reports received from the portfolio managers.

b) Unquoted equity participations
The consolidated financial statements include holdings in unlisted securities which are measured at fair value. Fair value is estimated using discounted cash flow model or other valuation techniques which include some assumptions that are not supportable by observable market prices or rates.

c) Quoted shares
Quoted shares represent all listed equity securities which are publicly traded in stock exchanges. Fair values have been determined by reference to their quoted bid prices at the reporting date.

d) Local funds
The underlying investments of these funds mainly comprise of local quoted shares and money market instruments and the fair value of the investment has been determined based on net asset values reported by the fund manager as of the reporting date.

e) International managed portfolios and funds
The underlying investments of international managed portfolios and funds represent quoted and unquoted securities. They are valued based on fund managers' report.

f) Interest rate swaps
The fair value of the derivative is the equivalent of the unrealised gain or loss from marking to market the derivative using valuation quotes provided by financial institutions based on prevailing market information.

37 Risk management objectives and policies
The group's financial liabilities comprise due to banks, short term and long term borrowings, bonds issued and trust certificates, leasing creditors and accounts payable and other liabilities. The main purpose of these financial liabilities is to raise finance for group operations. The group has various financial assets such as accounts receivable and other assets, bank balance and cash, murabaha and wakala investments, short term deposits and investment securities which arise directly from operations.

The group's activities expose it to variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The board of directors sets out policies for reducing each of the risks discussed below.

The group also enters into derivative transactions, primarily interest rate swaps. The purpose is to manage the interest rate risks arising from the group's sources of finance. The group's policy is not to trade in derivative financial instruments.

37 Risk management objectives and policies (continued)

The most significant financial risks to which the group is exposed to are described below.

37.1 Market risk

a) Foreign currency risk

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

The group mainly operates in the Middle East, USA and United Kingdom and is exposed to foreign currency risk arising, primarily from US Dollar and GBP. The consolidated statement of financial position can be significantly affected by the movement in these currencies. To mitigate the group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored.

Generally, the group's risk management procedures distinguish short-term foreign currency cash flows (due within twelve months) from longer-term cash flows. Foreign currency risk is managed on the basis of limits determined by the parent company's board of directors and a continuous assessment of the consolidated open positions.

The group's significant net exposure to foreign currency denominated monetary assets less monetary liabilities at the porting date, translated into Kuwaiti Dinars at the closing rates are as follows:

	2009 ***Equivalent*** **KD '000**	2008 *Equivalent* KD '000
US Dollars	**(319,898)**	(366,260)
GBP	**(8,834)**	(10,181)

The parent company's management estimates that a reasonable possible change in the above exchange rate would be 5%.

If the Kuwaiti Dinar had strengthened against the foreign currencies assuming the above sensitivity (5%), then this would have the following impact on the loss for the year. There is no impact on the group's other comprehensive income.

	Decrease in loss	
	2009 **KD '000**	2008 KD '000
US Dollars	**15,995**	18,313
GBP	**442**	509
	16,437	18,822

If the Kuwaiti Dinar had weakened against the foreign currencies assuming the above sensitivity (5%), then there would be an equal and opposite impact on the loss for the year, and the balances shown above would be negative.

Exposures to foreign exchange rates vary during the year depending on the volume and nature of the transactions. Nonetheless, the analysis above is considered to be representative of the group's exposure to the foreign currency risk.

b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The group is exposed to interest rate risk on its short term deposits (refer note 31), bonds and trust certificates (refer note 26), short and long term borrowings (refer note 27 and 30) and due to banks which are both at fixed and floating interest rates. The risk is managed by the group by managing an appropriate mix between fixed and floating rate, short term deposits and borrowings.

37 Risk management objectives and policies (continued)

37.1 Market risk (continued)

b) Interest rate risk (continued)

Positions are monitored regular to ensure positions are maintained within established limits.

The following table illustrates the sensitivity of the loss for the year to reasonable possible change of interest rate of +25 (0.25%) and -75 (0.75%) basis points with effect from the beginning of the year. The calculation is based on the group's financial instruments held at each reporting date. All other variables are held constant. There is no impact on group's other comprehensive income.

	Increase in interest rates		Decrease in interest rates	
	2009	2008	**2009**	2008
	KD '000	KD '000	**KD '000**	KD '000
(Negative)/positive impact on loss for the year	**(2,011)**	(2,209)	**6,033**	6,627

c) Equity price risk

This is a risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to individual instrument or its issuer or factors affecting all instruments, traded in the market. The group is exposed to equity price risk with respect to its listed equity investments which are primarily located in Kuwait, Jordan, Bahrain, Abu Dhabi, Saudi Arabia and USA. Equity investments are classified either as "investments at fair value through profit or loss or "available for sale investments".

To manage its price risk arising from investments in equity securities, the group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits determined by the group.

The equity price risk sensitivity is determined on the exposure to equity price risks at the reporting date. If equity prices had been 10% higher/lower, the effect on the loss for the year and other comprehensive income for the year ended 31 December would have been as follows:

A positive number below indicates an decrease in loss and other comprehensive income where the equity prices increase by 10%. All other variables are held constant.

	Loss for the year		Other comprehensive income	
	2009	2008	**2009**	2008
	KD '000	KD '000	**KD '000**	KD '000
Investments at fair value through profit or loss	**10,643**	14,068	**-**	-
Available for sale investments	**-**	34,481	**39,974**	6,371
	10,643	48,549	**39,974**	6,371

For a 10% decrease in the equity prices there would be an equal and opposite impact on the losses for the years and other comprehensive income and the amounts shown above would be negative.

37.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The group credit policy and exposure to credit risk is monitored on an ongoing basis. The group seeks to avoid undue concentrations of risks with individuals or groups of customers in specific locations or business through diversification of its activities.

37 Risk management objectives and policies (continued)

37.2 Credit risk (continued)

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

	2009 KD '000	2008 KD '000
Available for sale investments	**812,213**	813,014
Accounts receivable and other assets (refer note 19)	**71,324**	78,657
Murabaha and wakala investments	**10,201**	29,800
Investments at fair value through profit or loss	**128,332**	158,816
Short term deposits	**131,464**	214,999
Bank balances	**30,132**	29,325
	1,183,666	1,324,611

The group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The group's policy is to deal only with creditworthy counterparties. None of the above financial assets are past due nor impaired except for certain wakala investments referred to in note 20, certain available for sale investments and account receivable and other asset referred to in note 17 and 19 respectively. The group's management considers that all the above financial assets that are neither past due nor impaired for each of the reporting dates under review are of good credit quality.

None of the group's financial assets are secured by collateral or other credit enhancements.

In respect of receivables, the group is not exposed to any significant credit risk exposure to any single counterparty. The credit risk for bank balances and short term deposits is considered negligible, since the counterparties are reputable financial institution with high credit quality. Information on other significant concentrations of credit risk is set out in note 37.3.

37.3 Concentration of assets

The distribution of financial assets by geographic region was as follows:

	Kuwait KD '000	**Other Middle Eastern Countries** KD '000	**Asia & Africa** KD '000	**UK & Europe** KD '000	**USA** KD '000	**Total** KD '000
At 31 December 2009						
Geographic region:						
Available for sale investments	**247,113**	**302,691**	**101,981**	**46,452**	**113,976**	**812,213**
Accounts receivable and other assets	**43,353**	**14,902**	**1,597**	**11,114**	**358**	**71,324**
Murabaha and wakala investments	**10,201**	**-**	**-**	**-**	**-**	**10,201**
Investments at fair value through profit or loss	**91,179**	**11,168**	**3,355**	**931**	**21,699**	**128,332**
Short-term deposits	**99,805**	**5,134**	**-**	**2,873**	**23,652**	**131,464**
Bank balances and cash	**24,608**	**1,803**	**196**	**3,296**	**229**	**30,132**
	516,259	**335,698**	**107,129**	**64,666**	**159,914**	**1,183,666**
At 31 December 2008						
Geographic region:						
Available for sale investments	353,299	248,823	23,943	35,521	151,428	813,014
Accounts receivable and other assets	51,905	15,198	1,266	9,429	859	78,657
Murabaha and wakala investments	29,800	-	-	-	-	29,800
Investments at fair value through profit or loss	126,982	8,507	3,707	929	18,691	158,816
Short-term deposits	190,290	2,765	-	504	21,440	214,999
Bank balances and cash	23,455	6	162	5,446	256	29,325
	775,731	275,299	29,078	51,829	192,674	1,324,611

37 Risk management objectives and policies (continued)

37.4 Liquidity risk

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

The contractual maturities of financial liabilities based on undiscounted cash flows are as follows:

	Up to 1 month KD '000	**1-3 months** KD '000	**3-12 months** KD '000	**1-5 Years** KD '000	**Total** KD '000
31 December 2009					
Financial liabilities (undiscounted)					
Bonds and trust certificates	**-**	**373**	**15,769**	**153,250**	**169,392**
Long-term borrowings	**-**	**334**	**1,053**	**36,943**	**38,330**
Leasing creditors	**9**	**27**	**61**	**735**	**832**
Accounts payable and other liabilities	**17,501**	**10,342**	**14,597**	**210**	**42,650**
Short-term borrowings	**202,712**	**188,114**	**346,904**	**-**	**737,730**
Due to banks	**43,603**	**-**	**-**	**-**	**43,603**
	263,825	**199,190**	**378,384**	**191,138**	**1,032,537**
31 December 2008					
Financial liabilities (undiscounted)					
Bonds and trust certificates	-	1,185	19,303	173,030	193,518
Long-term borrowings	12	431	7,253	190,179	197,875
Leasing creditors	-	-	-	660	660
Accounts payable and other liabilities	28,854	7,791	41,399	-	78,044
Short-term borrowings	242,638	345,566	186,987	-	775,191
Due to banks	39,719	-	-	-	39,719
	311,223	354,973	254,942	363,869	1,285,007

The group's short term borrowings principally represent revolving facilities with local and foreign banks and financial institutions. The group's management has successfully renewed all short term facilities which were classified as falling due within one month and one to three months.

38 Derivative financial instruments

A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instrument, reference rate or index. Derivative financial instruments of the group represent interest rate swaps.

The notional amounts and the fair value of the interest rates swaps at the reporting date based on the contractual maturity days are as follows:

	31 Dec. 2009 Notional amount KD '000	31 Dec. 2008 Notional amount KD '000	**31 Dec. 2009 Negative fair value** KD '000	31 Dec. 2008 Negative fair value KD '000
Interest rate swaps (denominated in US Dollars)	**172,380**	497,340	**(4,043)**	(5,260)

The above interest rate swaps represent range accrual interest rates swap contracts with local and foreign banks and are based on 3 months or 6 months LIBOR and mature in 2012 and 2013.

The negative fair value of the interest rate swaps as at 31 December 2009 amounted to KD4,043 thousand (2008: KD5,260 thousand) and the changes in fair values are recognised in the consolidated statement of income and the corresponding liability under "other liabilities" (refer note 29).

38 Derivative financial instruments (continued)

The negative fair value of the derivative financial instrument is equivalent to the market value and the notional amount is the amount of a derivative's underlying asset, and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions and are not indicative of credit risk.

Credit risk with respect to derivative financial instruments arises from the potential for a counterparty to default on its contractual obligations and is limited to the positive fair value of derivatives that are favourable to the group.

39 Capital risk management

The group's capital management objectives are to ensure that the group maintains a strong credit rating and healthy ratios in order to support its business and maximise shareholder value.

The group manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, buy back shares, issue new shares or sell assets to reduce debt.

The capital structure for the group consists of the following:

	2009 **KD '000**	2008 KD '000
Bonds and trust certificates (refer note 26)	**165,079**	173,151
Long term borrowings (refer note 27)	**35,145**	177,837
Short term borrowings (refer note 30)	**732,481**	767,124
Due to banks	**43,603**	39,719
	976,308	1,157,831
Less :		
Murabaha and wakala investments	**(10,201)**	(29,800)
Short - term deposits	**(131,464)**	(214,999)
Bank balances and cash	**(30,132)**	(29,325)
Net debt	**804,511**	883,707
Total equity	**544,328**	485,797

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 the total equity as follows:

	2009 **%**	2008 %
Net debt to equity ratio	**148**	182

40 Contingent liabilities

At 31 December 2009, the group had contingent liabilities in respect of outstanding bank guarantees amounting to KD8,443 thousand (2008: KD7,051 thousand).

41 Fiduciary assets

One of the subsidiaries of the group manages mutual funds, portfolios on behalf of related and third parties, and maintains securities in fiduciary accounts which are not reflected in the consolidated statement of financial position. Assets under management at 31 December 2009 amounted to KD224,357 thousand (2008: KD201,226 thousand) of which assets managed on behalf of related parties amounted to KD178,051 thousand (2008: KD97,193 thousand).

42 Capital commitments

At the reporting date the group had commitments for the purchase of investments and the acquisition of property, plant and equipment totalling KD70,740 thousand (2008: KD55,033 thousand).

At the reporting date, the group had commitment to pay lease rentals amounting to KD2,404 thousand (2008: KD2,400 thousand).

43 Comparative information

Certain comparative information has been reclassified to conform to the presentation in the current year. Such reclassification does not affect previously reported net assets, net equity and net results for the year or net decrease in cash and cash equivalents.