Gulf Petroleum Investment Company - K.S.C.C.
And its subsidiaries
State of Kuwait

Consolidated Financial Statements and Independent Auditors' Report
Year ended 31 December 2009

PRICEWATERHOUSECOOPERS

AL-AHLI BUREAU
Certified Accountants

Gulf Petroleum Investment Company - K.S.C.C.
And its subsidiaries
State of Kuwait

Consolidated Financial Statements and Independent Auditors' Report
Year ended 31 December 2009

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Gulf Petroleum Investment Company – K.S.C. (Closed)
State of Kuwait

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of 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 financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the 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 consolidated financial position of the Group as of 31 December 2009, and of its consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion mentioned above, we draw attention to Note (3.1) to the consolidated financial statements as the Group's current liabilities exceeded its current assets as of 31 December 2009. The Group's ability to settle its liabilities depends on its success of implementing the plans that have been established to provide liquidity.

PRICEWATERHOUSECOOPERS

AL- AHLI BUREAU
Certified Accountants

Gulf Petroleum Investment Company – K.S.C. (Closed)
State of Kuwait

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS (Continued).

Report on other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Company and the consolidated financial statements, together with the contents of the report of the Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we 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, as amended, and by the Company's Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no material violations of the Commercial Companies Law of 1960, as amended, or the Company's Articles of Association 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 consolidated financial position, except for :

- We refer to note (7.4) to these consolidated financial statements, as the Company invested directly in shares, and not through investment portfolios managed by specialized companies.

- We refer to note (13.6) to these consolidated financial statements, as the Company obtained conventional terms loans and bank facilities which are not Islamic Sharia compliant.

These are in contravention to the Parent Company's approved activities.

Bader A. Al-Wazzan
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Kuwait
29 March 2010

Gulf Petroleum Investment Company - K.S.C.C.
And its subsidiaries

Consolidated Statement of Financial Position as of 31 December 2009

(Kuwaiti Dinars)

	Note	2009	2008
Assets			
Non-current assets			
Property, plant and equipment	5	35,196,339	25,239,638
Intangible assets	6	14,041,608	12,235,260
Available for sale investments	7	-	1,799,995
Investments in associate		17,353	-
		49,255,300	39,274,893
Current assets			
Inventories		1,351,961	-
Due from related parties	22	1,912,498	12,658,412
Receivable and other debit balances	8	4,455,706	4,855,543
Investments at fair value through profit or loss		-	273,375
Cash and cash equivalent	9	706,416	1,799,879
		8,426,581	19,587,209
Total assets		57,681,881	58,862,102
Equity and liabilities			
Equity attributable to shareholders of the Parent Company			
Share capital	10	21,871,012	21,871,012
Share premium		10,650,519	10,650,519
Statutory reserve	11	1,875,323	1,875,323
Voluntary reserve	12	1,875,323	1,875,323
Foreign currency translation reserve		174,010	(465,376)
Accumulated losses		(13,249,849)	(4,269,421)
		23,196,338	31,537,380
Non controlling interest		660,844	-
Total equity		23,857,182	31,537,380
Non-current liabilities			
End of service indemnity		633,096	375,191
Due to banks	13	19,064,920	16,995,524
		19,698,016	17,370,715
Current liabilities			
Payable and other credit balances	14	7,947,438	3,265,752
Due to related parties	22	2,906,472	762,167
Due to banks	13	3,272,773	5,926,088
		14,126,683	9,954,007
Total equity and liabilities		57,681,881	58,862,102

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

Ghassan Fahed Sultan Essa
Chairman

Gulf Petroleum Investment Company - K.S.C.C.
And its subsidiaries

Consolidated Statement of Income for the year ended 31 December 2009

(Kuwaiti Dinars)

	Note	2009	2008
Operating revenues	15	11,515,889	20,243,354
Operating costs	16	(9,244,380)	(11,700,750)
Gross profit		2,271,509	8,542,604
Other operating income		123,690	49,143
Other operating expenses	16.1	(3,630,423)	-
General and administrative expenses		(1,400,005)	(1,742,937)
Loss from foreign currency differences		(704,681)	(96,469)
Finance cost		(706,490)	(1,401,374)
Loss from the revocation of selling subsidiaries	18.2	(251,174)	-
Gain from selling subsidiaries	18.2	-	342,290
Gains / (losses) from investments at fair value through profit or loss	17	211,705	(1,160,325)
Loss from selling available for sale investments	7.2	(1,255,812)	-
Impairment in available for sale investments	7.3	(460,855)	(5,204,189)
Provision for doubtful debts	22	(2,948,963)	-
Impairment in projects under construction	5	-	(4,526,975)
Net loss before income tax		(8,751,499)	(5,198,232)
Income tax on subsidiaries	19	(37,268)	(202,413)
Net loss for the year		(8,788,767)	(5,400,645)
Attributable to:			
Shareholders of the Parent Company		(8,788,767)	(5,402,129)
Non-controlling interest		-	1,484
		(8,788,767)	(5,400,645)
Loss per share (fils)	20	(40.18)	(30.28)

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

Gulf Petroleum Investment Company - K.S.C.C.
And its subsidiaries

Consolidated Statement of Comprehensive Income for the year ended 31 December 2009
(Kuwaiti Dinars)

	2009	2008
Net loss for the year	(8,788,767)	(5,400,645)
Other comprehensive revenues:		
Change in fair value for available for sale investments	-	(5,204,189)
Impairment of available for sale investments	-	5,204,189
Foreign currency translation	865,599	170,145
Total other comprehensive income	865,599	170,145
Total comprehensive loss for the year	(7,923,168)	(5,230,500)
Attributable to:		
Shareholders of the Parent Company	(7,923,168)	(5,217,987)
Non-controlling interest	-	(12,513)
	(7,923,168)	(5,230,500)

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

Gulf Petroleum Investment Company - K.S.C.C.
And its subsidiaries

Consolidated Statement of Changes in Equity for the year ended 31 December 2009

(Kuwaiti Dinars)

	Note	Equity attributable to shareholders of the Parent Company							Non controlling interest	Total equity
		Share capital	Share premium	Statutory reserve	Voluntary reserve	Foreign Currency translation reserve	Retained earnings / (losses)	Total		
Balance at 1 January 2008		14,640,000	2,000,000	1,875,323	1,875,323	(1,179,099)	8,452,708	27,664,255	508,602	28,172,857
Total comprehensive income / (loss) for the year		-	-	-	-	184,142	(5,402,129)	(5,217,987)	(12,513)	(5,230,500)
Disposal of non-controlling interest resulted from selling subsidiaries	18.3	-	-	-	-	529,581	-	529,581	(496,089)	33,492
Proceeds from capital increase-cash		5,767,012	8,650,519	-	-	-	-	14,417,531	-	14,417,531
Bonus share	23	1,464,000	-			-	(1,464,000)	-	-	-
Cash dividends	23	-	-	-	-	-	(5,856,000)	(5,856,000)	-	(5,856,000)
Balance at 31 December 2008		21,871,012	10,650,519	1,875,323	1,875,323	(465,376)	(4,269,421)	31,537,380	-	31,537,380
Balance at 1 January 2009		21,871,012	10,650,519	1,875,323	1,875,323	(465,376)	(4,269,421)	31,537,380	-	31,537,380
The effect from the revocation of selling subsidiaries	18.2	-	-	-	-	(226,213)	(191,661)	(417,874)	660,844	242,970
		21,871,012	10,650,519	1,875,323	1,875,323	(691,589)	(4,461,082)	31,119,506	660,844	31,780,350
Total comprehensive income / (loss) for the year		-	-	-	-	865,599	(8,788,767)	(7,923,168)	-	(7,923,168)
Balance at 31 December 2009		21,871,012	10,650,519	1,875,323	1,875,323	174,010	(13,249,849)	23,196,338	660,844	23,857,182

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

Gulf Petroleum Investment Company - K.S.C.C.
And its subsidiaries

Consolidated Statement of Cash Flow for the year ended 31 December 2009

(Kuwaiti Dinars)

	Note	2009	2008
Cash flows from operating activities			
Net loss for the year		(8,788,767)	(5,400,645)
Adjustments:			
Depreciation and amortization		2,380,916	2,043,100
Impairment of projects under construction		-	4,526,975
(Gains) / losses from investments at fair value through profit or loss		(211,705)	1,160,325
Loss from selling available for sale investments		1,255,812	-
Loss from impairment of available for sale investments		460,855	5,204,189
Provision for doubtful debts		2,953,027	-
Gain from selling subsidiaries		-	(342,290)
Losses from the revocation of selling subsidiaries		251,174	-
Finance cost		706,490	1,401,374
End of service indemnity		8,823	61,681
Operating (loss) / profit before changes in working capital		(983,375)	8,654,709
Inventories		-	(38,509)
Due from/ to related parties		1,412,046	(778,973)
Investment at fair value through profit or loss		485,080	-
Receivables and other debit balances		1,789,067	(1,807,839)
Payables and other credit balances		774,707	(1,486,072)
Net cash generated from operating activities		3,477,525	4,543,316
Cash flows from investing activities			
Cash generated from the revocation of selling subsidiaries	18.3	521,856	-
Cash at subsidiaries as of the disposal date	18.3	-	(312,484)
Payment for purchase of property, plant and equipment		(1,698,446)	(13,028,281)
Net cash used in investing activities		(1,176,590)	(13,340,765)
Cash flows from financing activities			
Proceeds from capital and share premium		-	14,417,531
Cash dividends paid		(29,290)	(2,809,035)
Paid to banks		(2,375,985)	(1,227,261)
Finance cost paid		(989,123)	(1,730,962)
Net cash (used in) / generated from financing activities		(3,394,398)	8,650,273
Net change in cash and cash equivalents		(1,093,463)	(147,176)
Cash and cash equivalents at beginning of the year		1,799,879	1,947,055
Cash and cash equivalents at end of the year	9	706,416	1,799,879

The accompanying notes are an integral part of these consolidated financial statements.

1. Overview of the group

Gulf Petroleum Investment Company K.S.C.C (the Parent Company) was incorporated in 1998 under Kuwait's Law of Commercial Companies. The Parent Company operates in accordance with Noble Islamic Shariaa principles.

The main activities of the Parent Company and its subsidiaries (together referred to as the Group) are as follows:

Providing consulting, economic, technical and specialized services to governments and to oil and petrochemical companies in the field of marketing, refining, production, investment, financial aspects, planning, overseas transportation, organizing, training and other fields related to oil and petrochemicals. Rummage of petrol outside state of Kuwait, Owning and managing gas stations and providing related services inside and outside the State of Kuwait. Utilizing surplus funds available through investments in portfolios managed by specialized companies.

The Parent Company's registered office is Salhya, Ali Al – Salem Street, Block 11 Al, Mabanee Building 1, First floor – P.O. Box 14214 Fiha, 72853 Kuwait

The International Investment Group (K.S.C.C) owns 27.99 % of the Parent Company's shares as of 31 December 2009.

The Consolidated Financial Statements were authorized for issuance by the Board of Directors on 29 March 2010 and are subject to the approval of shareholders at the General Assembly Meeting.

2. Basis of preparation and significant accounting policies

The principle accounting policies applied in the preparation of these consolidated financial statements are set out below. These accounting policies have been consistently applied to all the years presented in this financial statement unless otherwise stated.

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS), and under the historical cost convention, as modified by the revaluation of investments at fair value through profit or loss and investments available for sale.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies for the Group. The areas involving a higher degree of judgment, or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note (4).

2.1.1 Changes in accounting policy and disclosures

(a). The Company has adopted the following new standards and amendments as of 1 January 2009.

- IFRS 7 Financial instruments – Disclosures (amendment)- effective 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk.
- IAS 1 (revised). "Presentation of financial statements" – effective 1 January 2009. The revised standard prohibits the presentation of items of income and expenses (that is, "non- owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity in a statement of comprehensive income. . Comparative information has been re-presented so that it also is in conformity with the revised standard.
- IFRS 8 Operating segments'. IFRS replaces IAS, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes.

(b). ***Standards, amendments and interpretation to existing standards that are not yet effective and have not been early adopted by the Group.***

- IFRIC 17, "Distribution of non- cash assets to owners' (effective on or after 1 July 2009). This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders.

  IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present IFRIC 17 from 1 January 2010.

- IAS 27 (revised), "Consolidated and separate financial statements" , (effective from 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 recognized in profit or loss. The group will apply IAS 27 (revised) prospectively to transactions with non-controlling interests from 1 January 2010.

- IFRS 3 (revised), "Business combination" (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes.

  All acquisition- related costs will be expensed. The group will apply IFRS 3 (revised) prospectively to all business combinations from 1 January 2010.

- IAS 38 (amendment), "Intangible Assets". The group and company will apply IAS 38 (amendment) from the date IFRS 3 (revised) is adopted .The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a "business combination".

- IFRS 5 (amendment), 'Measurement of non-current assets (or disposal groups) classified as held-for-sale'. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations.

- IAS 1 (amendment), 'Presentation of financial statements'. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as a current or non current. The group will apply IAS 1 (amendment) from 1 January 2010.

- IFRS 9 'Financial Instruments". The standard was issued in November 2009 and becomes effective for financial years beginning on or after 1 January 2013. IFRS 9 establishes principles for the classification and measurement of financial assets that will present relevant and useful information to users of the financial statements for their assessment of the amounts, timing and uncertainty of the entity's future cash flows.

  These Interpretations and amendments to existing standards that are not yet effective and it is not expected to have a material impact on the consolidation financial statements of the Group.

2.2 Consolidation

A) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than 50% of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the statement of income.

Inter-Group transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. 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 subsidiaries.

B) Associates

Associate companies are entities over which the Group has significant influence but not control, generally, accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in equity.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising from investments in associates are recognized in the income statement.

2.3 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Cost comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been placed into preparation, such as repairs, maintenance and overhead costs, are normally charged to the consolidated statement of income in the period in which the cost are incurred.

The current cost of major rig maintenance occurring at regular intervals (dry-dock) is capitalized as an inherent component of the related rig. This component is treated as a separate asset from the original cost of the rig, as its useful life is different from that of the rig. All other expenditure is expensed when incurred.

Inherent components related to the major rig maintenance are depreciated over 24 – 60 months.

Property, plant and equipment except land are depreciated on a straight-line basis over the estimated useful lives of the assets as follows:

	Years
Plant and machinery	2 – 12
Bennevis Rig	20 – 25
Tools and equipment	4
Vehicles	3 – 12
Furniture, Fixtures & decoration	1 – 4

Property and equipment are recorded to its recoverable amount if the recoverable amount is less than its carrying amount.

The estimated useful lives of property, plant and equipment are reviewed periodically to make sure that the method and the depreciation period are compatible with the economic benefits which is expected from property, plant and equipments' items. If its useful lives changes so these useful lives will change from the beginning of the financial year without retroactive effect.

Gain or loss resulting from the selling of property, plant and equipment is included in the consolidated statement of income by the difference between the selling price and net book value of these assets.

Projects under construction are included in property, plant and equipment item till its completion and preparation to be valid for use, and by this date it has been reclassified with its similarities assets, and from this date it starts to count depreciation for it.

2.4 Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/ associate at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and loss on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Exploitation right

Exploitation right is stated at cost less accumulated amortization and any accumulated losses resulted from impairment in value. The exploitation right is amortized on a straight line basis over the expected useful lives estimated at 14 years which is the period of exploitation right contracts.

2.5 Impairment of non financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount, the recoverable amount is an asset's fair value less the higher of selling cost or value in use. Impairment losses are recognized in the consolidated income statement for the year in which they arise. As of the consolidated balance sheet date, the non-financial assets except the Goodwill are reviewed for which the impairment has been recorded before to study the reverse if the impairment.

2.6 Financial assets

Classification

The Group classifies its financial assets upon initial recognition based on the purpose of acquiring these financial assets. The Group classifies its financial assets as "at fair value through profit or loss", "loans and receivables" and "available for sale investments".

(A) Financial assets at fair value through profit or loss

This classification is divided into two sub categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. Financial assets held for trading are those assets acquired principally for the purpose of selling in the short term. The financial assets designated at fair value through profit or loss at inception are classified in this category, if they are managed and their performance is evaluated and internally reported on a fair value basis in accordance with risk management approved by the management or investment strategy.

(B) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivable in the group comprise trade and other receivables and cash and cash equivalent in the consolidated balance sheet.

(C) Available for sale assets

These are non-derivative financial assets not included in any of the above classifications and principally acquired to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in profit rates.

Recognition and de-recognition

Financial assets are recognised when the Company becomes a party in a contractual agreement of financial instrument. Purchase and sale of financial assets are recognised at trade date, the date on which the Company commits to sell or purchase the assets. Financial assets are de-recognised when the rights to receive cash flows from the assets have expired or when the right in receiving cash flow of these assets and when either (a) the Company transfer all risks and rewards or ownership to other party or (b) the Company transferred or hold all risks and rewards but lost control on the asset.

Measurement

Financial assets are initially recognised at fair value (plus transaction costs for all assets not carried at fair value through profit or loss). Subsequently financial assets at fair value through profit or loss and available for sale investments are re-measured at fair value. Loans and receivables are carried at amortized cost using the effective yield method less any provision for impairment.

Realized and unrealized gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss are included in the income statement for the year in which they arise. Changes in fair value of financial assets classified as available for sale are recognised in the statement of comprehensive income. When available-for sale financial assets are sold or impaired, the accumulated changes in fair value recognised in equity are included in the income statement.

Available for sale investments that their market values can not be determined are recorded at cost less impairment in value.

Fair values

Fair values of financial instruments which are quoted are determined based on quoted latest bid price. The fair value of investments in mutual funds, unit trusts or similar investment pools are based on the last published net asset value. The fair value of unquoted financial instruments is determined by reference to the market value of a similar investment, valuation techniques as earning ratios or the expected discounted cash flows, brokers' quotes, or other appropriate valuation models.

Impairment in value

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset or a group of similar financial assets may be impaired as a result of one or more events that occurred after the initial recognition of those assets and that event has an impact on the estimated future cash flows of the financial asset or group of financial assets, that can be reliably measured. If such evidence exists, any impairment loss is recognised in the statement of income.

Impairment is determined as follows:

b) For financial assets with fixed rates of return, carried at amortized cost, impairment is the difference between the carrying value and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the original effective profit rate; and for financial assets with variable profit rates, carried at amortized cost, discounted at the current effective rate of return;

c) For financial assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the statement of income;

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

Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased and the decrease can be related objectively to an event occurring after the impairment was recognized. Reversal of impairment loss is recorded in the income statement to the extent that the book value does not exceed the amortized cost at the date of reverse the loss. For investments in equity instruments classified as available for sale, the significant or prolonged decline in the fair value is considered an objective evidence of an impairment, impairment losses on equity instruments classified as available for sale are not reversed through the statement of income as the effect of any increase of fair value is recorded subsequently after the impairment was recognized in the statement of comprehensive income.

2.7 Inventories

Inventories are valued at the lower of cost or net realizable value. Raw materials cost is determined on a weighted average cost basis. Net realizable value is the estimated selling prices less the estimated cost of completion and selling the inventory.

2.8 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the income statement.

2.9 Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash held at banks and time deposits maturing within three months from the date of placement.

2.10 Loans

Loans are recognized initially at fair value net off incurred transaction cost. Subsequently the differences are measured at amortize cost. Any differences between proceeds "net off transaction cost" and repayment amount are recognized in the Consolidated Statement of Income during the borrowing period using effective interest rate.

Loans are classified as current obligations otherwise the Group has unconditional right to postponed the obligations payment for a period not less than 12 months after balance sheet date.

2.11 End of service's indemnity

The Group is liable under Kuwaiti Labor Law to make payments to the employees for past employment benefits through defined benefits plan. Such payment is made on a lump sum basis at the end of an employee service. As for the employees in other countries, the end of service indemnity is calculated as per the law of these countries. This liability, which is unfunded, and has been calculated as the amount payable as a result of involuntary termination of employees on the balance sheet date. This method is considered to be an appropriate estimation of the present value of the obligation.

2.12 Payables

Trade payables are recognized initially at fair value for the inventors and the received services either with receiving receipt or not and subsequently measured at amortized cost using effective interest method.

2.13 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) arising from past events and the cost to settle the obligation are both probable and can be reliably measured, and an outflow of the Group economic resources will be required to settle this obligation. Provision are measured at the present value of the expenditures excepted to be required to settle the obligation using a rate that reflect current market assessment of the time value of money and the risks specific to the obligation.

2.14 Accounting for Leases

Leases of assets under which the lessor effectively retains all the risks and benefits of ownership are classified as operating leases.

Where the Group is lessor

The Group leases some of its assets to others under operating lease contracts. Leased assets are recognized as property, plant and equipment in the consolidated balance sheet and depreciated over their estimated useful lives on basis consistent with similar assets. Income from operating leases is recognized on a straight-line basis over the term of the lease contracts.

Where the Group is lessee

Payments for leased assets by the Group under operating lease are charged to the consolidated statement of income on straight-line basis over the lease contracts period.

2.15 Deferred taxes

Deferred income tax of the net operating results is calculated using the liability method based on all temporary differences between the tax base of assets and liabilities and their carrying amounts at the balance sheet date for financial reporting purposes. Deferred tax provisions depend on whether the timing of the reversal of the temporary difference can be controlled and whether it is probable that the temporary difference will reverse in the foreseeable future.

Deferred tax assets and liabilities are measured based on the tax rates that are expected to apply to the period when the asset is recognized or the liability is settled, based on tax rates (and tax laws) that have been enacted or subsequently enacted at the consolidated balance sheet date.

Deferred tax assets are recognized for all temporary differences, including carrying forward unused tax losses, to the extent that it is probable that taxable profit will be available against which the temporary difference can be utilized. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

2.16 Revenue recognition

- Services revenues are recognized when the service is rendered.
- Dividends income is recognized when the right to receive is established.
- Other revenues and expenses are recognized on an accrual basis.

2.17 Foreign currencies

Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in 'Kuwaiti Dinars' (KD), which is the Company's functional and the group's presentation currency.

Transactions and balances

Foreign currency transactions are translated into Kuwaiti Dinars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of income.

Group companies

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at average exchange rates; and
- All resulting exchange differences are recognised as a separate component of equity.

2.18 Finance cost

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset is capitalized as part of the cost of that asset. Capitalization of borrowing costs is suspended during extended periods in which active development is interrupted. Capitalization of borrowing costs is ceased when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed. Other finance costs are recognised as expenditure in the period in which they are incurred.

2.19 Proposed dividends

The dividends attributable to shareholders of the Parent Company is recognized as liabilities in the consolidated financial statements in the period in which the adoption of such dividends from shareholders of the Parent Company.

2.20 Zakat

Amount subject to Zakat is calculated using net assets method. The Group's shareholders pay the required Zakat on their share in the Group in addition to the required Zakat on the dividends which they receive from the Group.

3. Financial risk management

3.1 Financial risk

The activities of the Group expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk, and price risk), in addition to credit risk and liquidity risks.

To manage these financial risks, the group is concentrating in continues evaluation of market conditions and trends and assessment of long and short-term changes in market factors.

(A) Market Risk

- *Foreign exchange risk*

The Group is exposed to the risk of foreign currency resulting primarily from dealing in financial instruments with US$ and UAE Dirham. The risk of foreign exchange resulting from the derivative assets and liabilities with different currency other than the functional currency.

The Group has set policies to manage foreign currency risks representing in close monitoring of changes in currency rates in addition to the effect of such changes on the financial position of the group.

The following is the value of net position of USD Dollar and UAE Dirham as of the date of the consolidated financial statement:

	2009	2008
U.S Dollar	(24,893,155)	(16,564,801)
UAE Dirham	1,219,725	-

If the US$,UAE Dirham had changed against the Kuwaiti Dinar by 5%, the net profit of the group would have been increase / decrease by KD 1,087,268 for the year ended 31December 2009 (KD 897,925 - 2008).

- *Price risks*

The Group is exposed to the price risk through its investments classified in consolidated financial statement as available for sale investment or investments at fair value through profit or loss.

To manage this risk, the group diversifies its portfolio, in addition to the continuous monitoring of market prices and management estimates of changes in fair value. Also the group keeps part of its investments at specialized investments companies to manage these investments. The Group monitors the performance of the investment portfolios thought reviewing the monthly reports provided by the managers of these portfolios and takes the necessary action when required to minimize the fair value risk of the investments.

There are no significant investments quoted as of 31 December 2009. The group has made a study for impairment for the unquoted shares taking into consideration the current financial crisis.

- *Cash Flow and fair value interest risk*

The Group is exposed to the cash flow risk arising from change in interest rate risk through its financial liabilities "loans" which bear variable interest rate. The Group manages this risk in dynamic basis by making different scenarios of change in interest rate and assesses the impact of each scenario on the group's net profit. These scenarios are simulated taking into consideration refinancing and renewal of the outstanding facilities.

The Group is not exposed to the fluctuation risk in cash flows from Wakalaa payable since those payable been fixed rates of return, accordingly, the Group is not exposed to re-pricing risk of Wakala payable.

As of 31 December 2009, in case of an increase in the interest rates by 0.5 , net profit for the year would have been decreased by KD 86,414 (KD 93,082: 2008).

(B) Credit Risks

The credit risk is the risk that the one party will incur a loss because of its customers, counterparties failure to discharge their contractual obligation. The credit risk is highly concentrated in trade receivable and cash and cash equivalents. The group manages the credit risk through the following:

- Dealing with customers who have well reputation and strong financial positions and with governmental bodies.
- Diversification the customer base and avoiding centralization of credit.
- Evaluating the credit quality for each customer taking in consideration many factors such as the financial position of the customer, previous experience and any other important factors.
- Dealing with financial institutions with high credit rating.

(C) Liquidity Risks

The liquidity risk is the risk that the Group becomes unable to settle its liabilities when due, to minimize this risk, the management securing different financing resources and monitoring the liquidity of assets on regular basis.

The ultimate responsibility of managing the liquidity risk is kept with the board of director which put an appropriate framework to manage the liquidity of the Group. The Group manages the liquidity by keeping appropriate reserves of cash and obtains credit facilities. In addition to continues monitoring of expected and actual cash flows and comparison of maturity dates of financial assets and liabilities.

The table below shows the analyses of the financial liabilities into represent monitoring groupings based on the remaining period at the balance sheet to the contractual maturity date.

Balance due within 12 months equal their carrying value as the effect of discounting is not significant.

The following are the maturity dates of the financial liabilities of the Group as of 31 December:

	2009			
	During 1 month	From 1 to 3 Months	From 3 months to 1 year	From 1 to 5 years
Liabilities				
Payables and other credit balances	-	2,610,988	5,336,450	-
Due to related parties	-	-	2,906,472	-
Due to banks	788,441	861,465	1,177,653	19,957,096

	2008			
	During 1 month	From 1 to 3 Months	From 3 months to 1 year	From 1 to 5 years
Liabilities				
Payables and other credit balances	2,668,740	-	597,012	-
Due to related parties	-	-	762,167	-
Due to banks	332,406	2,823,832	2,856,068	19,345,155

During the year ended 31 December 2009, the current liabilities exceeded the current assets with an amount of KD 5,700,102. In order to solve this issue, the Group negotiates with a financial institutions in order to obtain long term Islamic finance as well as the Group negotiates with the creditors in order to reschedule its debts.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. For maintaining or adjusting capital structure, the Group may adjust dividends paid to shareholders, repay the capital to shareholders, issue a new share capital or sell its assets to pay the debts taking into consideration others in the same field.

The Group monitors capital on the basis of gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity (as shown in the consolidated balance sheet) plus net debt.

The Gearing ratios as at 31 December 2009 and 2008 are as follows:

	2009	2008
Due to banks	22,337,693	22,921,612
Less : cash and cash equivalent	(706,416)	(1,799,879)
Net debt	21,631,277	21,121,733
Total equity	23,857,182	31,537,380
Total capital	45,488,459	52,659,113
Gearing ratio (%)	47.55	40.11

3.3 Fair value estimation

The fair value of financial instruments traded in active markets such as (available for sale investments and investments at fair value through profit or loss) is based on the last bid price.

The fair value of financial instruments that are not traded in an active market 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 balance sheet date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The carrying value less impairment provision of receivables and trade payables are assumed to approximate their fair values due to their short-term.

The fair value of financial liabilities for disclosures purposes is estimated by discounting the future contractual cash flows at the current market yield rate that is available to the Group for similar financial liabilities.

4. Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will by definition, seldom equal the related actual results. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

4.1 Critical accounting estimates and assumptions

Fair value of unquoted equity investments

Valuation techniques for unquoted equity investments in which estimates are used representing the expected cash flows discount rates, return rates, credit risks and other valuation techniques used by market participants. The Group calibrates the valuation techniques periodically and tests it for validity using either prices from observable current market transactions in the same instrument or other available observable market data.

Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note (2.4). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. Based on the studies prepared, there is no indicator on impairment of value of the goodwill as of 31 December 2009.

Based on the studies prepared, there is no indication of the impairment with goodwill as of 31 December 2009.

Impairment of fixed assets and inventory

The Group reviews the fixed assets and inventories on a continuous basis to determine whether a provision for impairment should be recorded in the consolidated statement of income. In particular, considerable judgment by management is required in the estimation of the 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 judgment and uncertainty, and actual results may differ resulting in future changes to such provisions.

4.2 Critical Judgments in applying the accounting policies

Impairment of available for sale investment

The Group follows the guidance of IAS (39) to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment from management. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational.

5. Property, plant and equipment

	2009					
	Plant and machinery	Petroleum rigs	Tools, equipment & vehicles	Furniture, fixtures & decoration	Project in progress	Total
Cost						
As at 1 January 2009	-	21,550,842	126,918	39,643	5,991,529	27,708,932
Additions	-	4,651,000	-	-	-	4,651,000
The effect from the revocation of selling subsidiaries (Note 18)	9,611,202	-	926,316	171,917	52,950	10,762,385
Transfers	-	5,906,878	-	-	(5,906,878)	-
Foreign currencies translation differences	-	818,831	4,208	-	227,650	1,050,689
As at 31 December 2009	9,611,202	32,927,551	1,057,442	211,560	365,251	44,173,006
Accumulated depreciation						
As of 1 January 2009	-	2,342,054	87,597	39,643	-	2,469,294
Charged during the year	-	1,261,863	11,873	-	-	1,273,736
The effect from the revocation of selling subsidiaries (Note 18)	4,348,851	-	650,941	142,144	-	5,141,936
Foreign currencies translation differences	-	88,987	2,714	-	-	91,701
As at 31 December 2009	4,348,851	3,692,904	753,125	181,787	-	8,976,667
Net book value:						
As at 31 December 2009	5,262,351	29,234,647	304,317	29,773	365,251	35,196,339

Petroleum rigs include (1) offshore rig, (5) onshore rigs working in Egypt, Syria and Kurdistan. The lease contract of the offshore rig will be ended on 30 November 2012, the lease contracts of the onshore rigs will be ended in 2010, 2012 respectively.

- The addition to the property, plant and equipment include an amount of KD 4,396,311 which represent the cost of purchasing onshore Rig, the unpaid from the purchase price amounted to KD 2,952,554 are posted to the creditors (Note 14). This transaction has been eliminated from the statement of cash flows as it is non-cash transaction.

- The additions to the property, plant and equipment item includes finance costs capitalized with an amount of KD 254,689 during the year ended 31 December 2009 (KD 140,738 - 2008).

	2008					
	Plant and machinery	Petroleum rigs	Tools, equipment & vehicles	Furniture, fixtures and decoration	Project in progress	Total
Cost						
As at 1 January 2008	5,568,445	8,680,671	623,919	194,403	11,428,028	26,495,466
Additions	-	-	25,046	-	13,003,235	13,028,281
Selling of subsidiaries (Note 18)	(5,568,445)	-	(522,931)	(154,760)	(390,091)	(6,636,227)
Impairment of projects in progress	-	-	-	-	(4,526,975)	(4,526,975)
Transfers	-	12,779,715	-	-	(13,637,971)	(858,256)
Foreign currencies translation differences	-	90,456	884	-	115,303	206,643
As at 31 December 2008	-	21,550,842	126,918	39,643	5,991,529	27,708,932
Accumulated depreciation						
As at 1 January 2008	3,019,502	1,408,607	535,627	172,435	-	5,136,171
Charged during the year	-	918,770	13,574	3,574	-	935,918
Selling of subsidiaries (Note 18)	(3,019,502)	-	(462,232)	(136,366)	-	(3,618,100)
Foreign currencies translation differences	-	14,677	628	-	-	15,305
As at 31 December 2008	-	2,342,054	87,597	39,643	-	2,469,294
Net book value:						
As at of 31 December 2008	-	19,208,788	39,321	-	5,991,529	25,239,638

6. Intangible assets

	Note	2009			
		Goodwill	Exploitation right	Other intangible assets	Total
Cost:					
As at 31 December 2008		36,243	14,272,723	20,000	14,328,966
Effect from the revocation of selling subsidiaries	18	2,913,528	-	-	2,913,528
As at 31 December 2009		2,949,771	14,272,723	20,000	17,242,494
Accumulated depreciation					
As at 31 December 2008		-	2,093,706	-	2,093,706
Charged during the year		-	1,107,180	-	1,107,180
As at 31 December 2009		-	3,200,886	-	3,200,886
Net book value:					
As at 31 December 2009		2,949,771	11,071,837	20,000	14,041,608

Exploitation right represents 16.5% of oil field in Seram Islands - Indonesia as per sharing contract with the Kuwaiti Petroleum Exploitation Company (KUFPEC) - Indonesia, for a total amount of US$ 49,783,368 over a period of 14 years starting from 1 January 2006 till 31 October 2019.

	Note	2008 Goodwill	Exploitation right	Other intangible assets	Total
Cost:					
As at 31 December 2007		2,949,771	14,272,723	20,000	17,242,494
Revocation of subsidiaries	18	(2,913,528)	-	-	(2,913,528)
At 31 December 2008		36,243	14,272,723	20,000	14,328,966
Amortization:					
As at 31 December 2007		-	986,524	-	986,524
Charged during the year		-	1,107,182	-	1,107,182
As at 31 December 2008		-	2,093,706	-	2,093,706
Net book value:					
As at 31 December 2008		36,243	12,179,017	20,000	12,235,260

7. Investments available for sale

7.1 During the year, the Group acquired investment in local unquoted shares amounted to KD 253,981 from a related party and the settlement will be against the amount due from that party. This transaction has been eliminated from the statement of cash flows as it is non-cash transaction.

7.2 During the year ended 31 December 2009, the Group sold one of the unquoted investments to a related party, an amount of KD 337,307, this transaction resulted losses of KD 1,255,812 recognized in the statement of income for the year ended 31 December 2009. The selling price was settled against the amount due to a related party. This transaction has been eliminated from the statement of cash flows as it is non-cash transaction.

7.3 As of 31 December 2009, the Group recorded impairment loss of KD 460,855 (KD 5,204,189 - 2008) for unquoted available for sale investments taking into consideration the significant decline of the fair value of the investments due to the global economic circumstances, as there is no other technique valuation methods.

7.4 The available for sale investments are held directly. The Parent Company activities do not include direct investment, currently the corrective action is under process.

8. Receivable and other debit balances

	2009	2008
Trade receivables	2,415,260	3,053,593
Accrued income	1,073,386	250,000
Doubtful debts	(361,008)	(356,944)
	3,127,638	2,946,649
Advances to purchase property, plant and equipment	-	858,256
Prepaid expenses	452,323	863,831
Refundable deposits	589,725	2,475
Other receivables	286,020	184,332
	4,455,706	4,855,543

8.1 The carrying amount of the trade and other receivable balance are approximately equal to its fair value.

8.2 The Group has set a credit period for the customers by maximum 60 days. Receivables of KD 3,127,638 as of 31 December 2009 (2008: KD 2,946,649) are not past due.

8.3 The trade receivables that are impaired amounted to KD 361,008 as of 31 December 2009 and a provision of KD 361,008 as of 31 December 2009 has been provided for these receivables (KD 356,944 – 2008).

8.4 According to the Group's policy, a doubtful debts provision for debts that are past due for more than three months is provided. A percentage of doubtful debts for each customer is determined individually taking into consideration, the past experience, financial position and any other information that affect the collectability.

8.5 The Group has credit concentration as of 31 December 2009 amounting to KD 4,738,114 due from 16 clients. The Group's management believes that no losses will be resulted from this concentration, taking into consideration the available information from dealing with those clients.

8.6 Trade and other receivables are denominated in the following currencies as at 31 December:

	2009	2008
Kuwait Dinars	1,737,118	33,951
US Dollar	2,502,651	4,821,592
UAE Dirham	215,937	-
	4,455,706	4,855,543

8.7 The following is the movement over the provision of the doubtful debts:

	2009	2008
Balance as at 1 January	356,944	355,841
Foreign currency translation differences	4,064	1,103
Balance as at 31 December	361,008	356,944

8.8 Other classes of trade and other receivables are not impaired. The maximum balance exposed to credit risks as at the reporting date is the fair value of each class of the receivable classes mentioned above.

9. Cash and cash equivalent

	2009	2008
Cash on hand and current accounts at banks	696,416	1,789,879
Cash at investment portfolios	10,000	10,000
	706,416	1,799,879

10. Share capital

The issued and paid up capital is KD 21,871,012 as of 31 December 2009 (KD 21,871,012 as of 31 December 2008) comprises on 218,710,123 shares of 100 fils each (218,710,123 share - 2008).

11. Statutory reserve

In accordance with the Commercial Companies Law and the Parent Company's articles of association, 10% of the net profit for the year before Board of Directors remuneration and Kuwait Foundation for Advancement of Science share, National Labor Support Tax and Zakat has been transferred to statutory reserve. The General Assembly may resolve to discontinue such annual transfers when the statutory reserve reaches 50% of the Parent Company's share capital. Distribution of the balance of the statuory reserve is limited to the amount required to enable payment of a dividend of 5% of paid up capital to be mode in years when accumulated profits are not sufficient for that. It is not allowed t use the statutory reserve except for other than that can only be utilized for purposes set out in the Law of Commercial Companies.

12. Voluntary reserve

In accordance to the Parent Company's articles of association, a portion of the net income for the year proposed by the Board of Directors and approved by the general assembly must be transferred to voluntary reserve. The general assembly may resolve to discontinue such transfer based on a proposal by the Board of Directors.

13. Due to Banks

	2009	2008
Current		
Loans	3,272,773	5,596,088
Wakala payable	-	330,000
	3,272,773	5,926,088
Non current		
Loans	19,064,920	16,995,524
Total due to banks	22,337,693	22,921,612

13.1 The effective interest rate for the amount due to banks is 4.51% as of 31 December 2009 (7.44% as of 31 December 2008) bearing variable interest rates.

13.2 Loans granted against the rig, projects under construction and the Parent Company's investment in Pyramid Drilling International Company Limited (Subsidiary) and the assignment of the rig's revenues to the bank.

13.3 The fair value of the amount due to bank equals its carrying value.

13.4 Borrowing are denominated in the following currency:

	2009	2008
Kuwait Dinars	-	330,000
US Dollar	20,545,627	22,591,612
UAE Dirham	1,792,066	-
	22,337,693	22,921,612

13.5 Following is the maturity dates of these loans:

	2009	2008
Within one year	3,272,773	5,926,088
From one year to five years	19,064,920	16,995,524
	22,337,693	22,921,612

13.6 The Group borrows from a traditional bank, and currently the Group is in the process to convert such borrowing to comply with Islamic Shariaa.

14 Payables and other credit balances

	2009	2008
Trade payables	1,102,824	238,401
Creditors from purchase of rigs(Note 5)	2,952,554	-
Accrued expenses	1,678,140	555,553
Accrued interest	197,350	479,983
Accrued dividends	662,962	692,252
Income tax payable of subsidiaries	735,498	597,012
Kuwait Foundation for the Advancement of Science	61,410	61,410
National Labor Support Tax	350,391	350,391
Zakat payable	4,126	4,126
Others credit balances	202,183	286,624
	7,947,438	3,265,752

15 Operating revenues

	2009	2008
Rig lease revenue	8,692,343	15,577,169
Oil field Service revenue	-	907,044
Exploitation right of oilfield revenue	2,823,546	3,759,141
	11,515,889	20,243,354

16 Operating costs

	2009	2008
Rig lease cost	4,137,904	6,498,888
Oil field Service cost	-	770,881
Exploitation right of oilfield cost	5,106,476	4,430,981
	9,244,380	11,700,750

16.1 The offshore rig lease contract expired first of January 2009 and it was leased back in December 2009. The offshore rig costs during the stopping period amounting to KD 3,630,423 are recorded in the other operating expenses.

16.2 The Group had disposed Superior Group on 31 March 2008, and the revocation contract of selling the subsidiaries was signed on 29 December 2009, accordingly, the revenues and costs don't include amounts from oil services during 2009.

16.3 The exploitation right activity starts to incur a loss because of the decline of oil prices; However, oil prices started to increase in the last period which will result in a recovery of most of losses during the next year. Accordingly, the Group's management believes that there is no impairment in exploitation rights.

17 Gains / (losses) from investments at fair value through profit or loss

	2009	2008
Unrealized losses from investments at fair value profit or loss	-	(1,208,925)
Realized gains	211,705	-
Dividends	-	48,600
	211,705	(1,160,325)

18 Revocation of selling subsidiaries

The list of the consolidated subsidiaries companies are as follows:

Company name:	Ownership percentage (%)		Incorporation
	2009	2008	
Pyramid Drilling International Ld (LLC)	100	100	Caymen Island
Pyramid Drilling Company (ESC)	100	100	Egypt
Superior oilfield service LTP (WLL)	90	-	Isle of Man
Superior oilfield service LLC	90	-	United Arab Emirates
Superior Abu Dhabi LLC	90	-	United Arab Emirates

18.1 Investments in Pyramid Drilling LTD are pledged against facilities granted from Egyptian Bank (Note 13).

18.2 On 30 March 2008, the Group signed a contract of selling the investments in Superior Group Companies to a related party (the buyer), this party received the management of these subsidiaries and their assets and liabilities, the Group has been released from any commitments or responsibility toward these subsidiaries. The selling price of the subsidiaries amounting to KD 9,279,000, which resulted a gain from selling of KD 342,290 during 2008.

On 29 December 2009, the Group signed a contract to revoke the selling of subsidiaries (Superior Group) with the buyer and the Group receives the management of these subsidiaries. Based on the above, the Group consolidates the subsidiaries as of 31 December 2009; also the Group has reversed the above mentioned profit from selling to the opening balance of retained earnings as of 1 January 2009.

Revocation of selling subsidiary (Superior Group) has been agreed to KD 9,279,000, this amount has been settled against the amount due from the same related party. This transaction has been eliminated from the statement of cash flows as it is non-cash transaction.

The Group has incurred losses amounted to KD 251,174 during the year ended 31 December 2009 resulted from the settlement of the current account due from the buyer of Superior Group, also the Group incurred losses posted to foreign currency translation reserve as of 1 January 2009 amounting to KD 226,213 and an amount of KD 150,629 was posted to the retained earnings as of 1 January 2009.

18.3 Following is the net assets' value of Superior Companies as of 31 December:

	2009
Property, plant and equipment	5,620,449
Investments in an associate	17,353
Inventories	1,351,961
Due from related parties	2,126,538
Trade and other receivables	1,055,985
Cash and cash equivalent	521,856
End of service indemnity	(249,082)
Due to banks	(1,792,066)
Payables and other credit balances	(1,172,968)
Due to related parties	(871,584)
Net assets of subsidiaries as of the date of revocation	6,608,442
Less: non-controlling interest as of the date of revocation	(660,844)
Parent Company's share of net asset value of the subsidiaries as of the revocation date	5,947,598
Less : the effect on retained earnings resulted from the revocation of selling subsidiaries	(150,629)
Less : the effect on foreign currency translation from the revocation of selling subsidiaries	(303,368)
Share of Parent Company's from the net assets	5,493,601
Add: intangible assets (goodwill from the acquisition of subsidiaries as of the disposal date)	2,913,528
Add: foreign currency translation reserve as of the date of disposal	529,581
Net book value for the Parent Company's share in subsidiaries as of the date of disposal	8,936,710
Losses resulted from the revocation of selling subsidiaries posted to the retained earnings	342,290
Cost of the revocation of selling the subsidiaries	9,279,000
Less settlement against the amount due from related parties	(9,279,000)
Net of the revocation cost of selling subsidiaries	-
Add: cash and cash equivalent of the subsidiaries as of 31 December 2009	521,856
Cash and cash equivalent resulted from revocation	521,856

19 Income tax on subsidiaries

The Group operates in several jurisdictions. Income tax represents the income tax imposed on the Group's activities in Syria and Egypt. No deferred tax asset or liability resulted during this year.

20 Loss per share

Basic loss per share is calculated on the basis of the net loss for the year attributable to the shareholders of the Parent Company and the weighted average number of issued and outstanding shares during the year as follows:

	2009	2008
Net loss for the year attributable to the shareholders of the Parent Company	(8,788,767)	(5,402,129)
Weighted average number of issued shares	218,710,120	178,414,729
Loss per share (fils)	(40.18)	(30.28)

21 Segmental financial report

Primary Segments – Geographical segments

The Group primary segments are divided geographically inside and outside Kuwait as follows:

A. For the year ended 31 December 2009

	Exploitation rights (Indonesia)	Oil field services (United Arab Emirates/ Syria)	Rig rents (Arabic Republic of Egypt)	Total
Revenues	2,823,547	-	8,692,342	11,515,889
Segment results	(2,309,551)	-	533,437	(1,776,114)
Adjustments:				
Losses from investments				(1,504,962)
Doubtful debts provision				(2,948,963)
Revocation losses from sale of a subsidiaries				(251,174)
Finance cost and foreign exchange differences				(1,411,171)
Other unallocated expenses				(859,115)
Net losses before taxes				(8,751,499)
Total assets	11,091,837	10,694,135	31,088,678	52,874,650
Add the following:				
Investments in an associate				17,353
Other assets				4,789,878
Total				57,681,881

B. For the year ended 31 December 2008

	Exploitation rights (Indonesia)	Oil field services (United Arab Emirates/ Syria)	Rig rents (Arabic Republic of Egypt)	Total
Revenues	3,759,142	-	15,577,169	19,336,311
Segment results	(490,342)	-	8,223,944	7,733,602
Adjustments:				
Gain from sale of a subsidiaries				342,290
Losses from investments				(6,364,514)
Finance cost and foreign exchange difference				(1,497,843)
Impairment of projects in progress				(4,526,975)
Other unallocated expenses				(884,792)
Net losses before taxes and deductions				(5,198,232)
Total assets	12,179,017	-	28,870,357	41,049,374
Add the following:				
Available for sale investments				1,799,995
Investments at fair value through profit or loss				273,375
Other assets				15,739,358
Total				58,862,102

22 Related parties transactions

Related parties are represented in the principal shareholders and their companies, the Board of Directors and the managers.

In the normal course of business, the Group enters into related party transactions (principal shareholders). Resultant transactions are as follows during the year ended:

	2009	2008
Selling of subsidiaries	-	9,279,000
Revocation of selling subsidiaries	9,279,000	-
Profit from selling subsidiaries	-	342,290
Loss resulted in the statement of income from the revocation of selling subsidiaries	(251,174)	-
Loss resulted in the opening balance of equity from the revocation of selling subsidiaries	(417,874)	-
Purchase of available for sale investments	460,855	6,797,308
Sale of available for sale investments	337,307	-
Sale of investments at fair value through profit or loss	-	16,340,000
Losses from selling available for sale investments	(1,255,812)	-
Losses from impairment of available for sale investments	(460,855)	(5,204,189)
Doubtful debts provision	(2,948,963)	-
Executive and key management compensation	144,410	158,014
Cash at investment portfolios	10,000	10,000

Resultant balances from these transactions:

	2009	2008
Due from related parties (Net)	1,912,498	12,658,412
Due to related parties	2,906,472	762,167
End of service indemnity of executive and key management	27,648	32,286

- A provision has been provided for doubtful debts due from related parties amounting to KD 2,948,963 in the statement of income for the year ended 31 December 2009.
- A settlement has been made between the due current accounts from and to related parties based on signed agreements from the Boards of Directors of these companies.
- Related parties transactions are subject to the approval of the shareholders.

23 Dividends

On 29 March 2010, the board of directors proposed not to distribute dividends for year ended 31 December 2009. This proposal is subject to the approval of the shareholders in the general assembly meeting.

On 23 June 2009, the shareholders approved the financial statements for the year ended 31 December 2008 and approved not to distribute dividends for the year ended 31 December 2008.

24 Capital liabilities and commitments

	2009	2008
Letters of guarantee	-	146,466

25 Comparative figures

Some comparative figures have been reclassified to conform to the current presentation of the consolidated financial statements as at 31 December 2009.