التقرير السنوي 2009

الديرة

شركة الديرة القابضة
Al-Deera Holding Co.

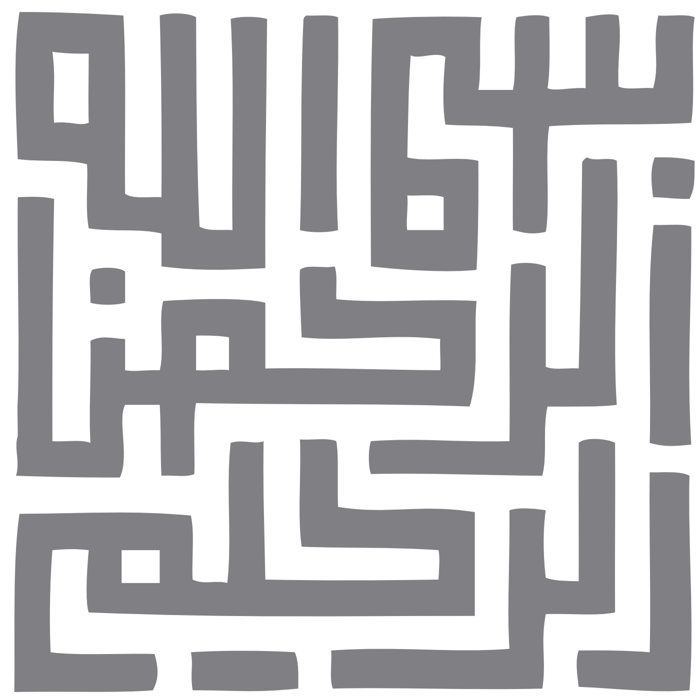
شركة الديرة القابضة التقرير السنوي 2009

Al-Deera Holding Co. Annual Report 2009

الديرة

شركة الديرة القابضة
Al-Deera Holding Co.

Annual Report 2009



In the name of Allah, The Most Gracious, the Most Merciful

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

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

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Members of the Board

Members of the Board

Abdulwahab Ahmed Al-Nakib
Chairman and Managing Director

Nouf Jassim Al-Bahar
Vice Chairman

Dr. Rasem Zouq
Member of the Board

Turki Bin Nasser Al-Mutawa Al-Otaibi
Member of the Board

Yousef Shamlan Al-Essa
Member of the Board

Chairman's Message

Dear shareholders,

It is with pleasure that we meet you again this year, and I have the pleasure to present the annual report of Al-Deera Holding Company for the financial year ending December 31, 2009. Which includes the company's achievements, financial statement and auditors' report.

The world has been witnessing a series challenge facing the economic crisis that struck the world during the past few years. All business sectors have strived to mitigate the impact of such crisis, reconsidering the strategic positions and planning phases to come up with steady and target-oriented steps. It is known to you that the consequences of such a crisis have marked the beginning of an overall deceleration of the world economy performance, which has had a negative effect on the economic sectors in general and on the investment sector in particular. Yet, with the beginning of world economic conditions stability, we hope that 2010 will be better than the past years, and we will do our best, utilizing the experience and skills we have to turn such losses into profits, God willing, in the forthcoming years.

At the start of 2009, the management has begun modifying its strategic plans to mitigate the crisis impacts, face its consequences and prepare itself for the post-crisis phase by capitalizing on opportunities that may arise due to the market conditions improvement.

We have accomplished the merger between Al Deera Holding Company and international Investment Projects Company. This decision has resulted in increasing the capital of Al Deera Holding Company by virtue of issuing 219 million shares so that the Company's capital becomes KD 74 million after the merger. In this context, the merger has enhanced the administrative and financial potential of Al Deera Holding Company. In fact, the joining of the management team of international Investment Projects Company joining our Company will create a distinctive team that will be characterized by its experience and efficiency, which will lead to realize better performance and distinguished results. Among the future plans of Al Deera Holding Company is to establish Al Deera Holding Company in the United States of America to follow up the Company's varied investments in the United States of America such as BPL Global Co., Polo Campero Co, Chart Venture Partners Co., Chart Group CO., and Sea Mobil Co. Moreover, the company will search for promising investment opportunities that will enable us to realize rewarding revenues to our valued shareholders.

Now, let me present to you some figures that have been realized in 2009. The company has realized losses amounting to KD 12,448,052 during 2009 compared to losses of KD 58,049,311 in 2008.

Moreover, the total assets amounted to KD 172,805,200 compared to KD 150,084,184 in the last year. In addition, the total shareholders' equities amounted to KD 104,184,910 compared to KD 104,932,042 in the last year, and the Company's total liabilities amounted to KD 68,620,290 in 2009 compared to KD 45,152,142 in 2008.

In conclusion, I seize this opportunity to express my appreciation and gratefulness to the company's board members as well as the management and staff for the efforts and efficiency they have shown to realize a new year of challenges and achievements. We also hope to meet you again with more achievements in the coming years.

Abdulwahab Ahmad Al-Nakib
Chairman and Managing Director

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Independent auditors' report

To the shareholders of
Al-Deera Holding Company
(A Kuwaiti Holding Shareholding Company)
Kuwait

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Al-Deera Holding Company (A Kuwaiti Holding Shareholding Company) (the parent company) and its Subsidiaries (the group), which comprise the consolidated 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 directors are 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 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.

Independent auditors' report (continued)

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 Matters

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 nor of the parent company's 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.

Abdullatif M. Al-Aiban (CPA)
(Licence No. 94-A)
of Grant Thornton – Al-Qatami, Al-Aiban & Partners

Fawzia Mubarak Al-Hassawi
(Licence No. 80-A)
of UHY-Fawzia Mubarak Al-Hassawi

Kuwait
31 March 2010

Consolidated statement of income

	Notes	Year ended 31 Dec. 2009 KD	Year ended 31 Dec. 2008 KD
Sales		11,091,588	8,752,218
Cost of sales		(7,760,663)	(5,286,290)
Gross profit		3,330,925	3,465,928
Unrealised gain/(loss) from investments at fair value through statement of income		20,064	(15,152,073)
Unrealised loss on investment property		(59,800)	-
Unrealised loss on investment in real estate portfolio		(955,453)	-
Realised (loss)/profit on sale of investments at fair value through statement of income		(266,372)	25,999
Dividend income	7	22,996	1,129,606
Realised (loss)/profit on sale of available for sale investments		(327,525)	150,130
Impairment of available for sale investments	16	(3,064,473)	(23,227,715)
Impairment of investments in associates	15	(1,471,464)	-
Profit on sale of associate's shares		3,462,063	-
Share of results of associates	15	(6,638,129)	(18,851,397)
Interest and other income	8	232,478	317,465
Provisions no longer required written back	10	450,197	1,432,750
		(5,264,493)	(50,709,307)
Expenses and other charges			
Distribution costs		(789,330)	(915,860)
Staff costs		(2,000,271)	(1,541,125)
General, administrative and other expenses		(1,132,202)	(912,023)
Amortisation of intangible assets		(1,236,438)	(1,236,439)
Finance costs	11	(2,109,476)	(2,156,404)
Loss on foreign exchange		(262,679)	(165,271)
Loss before KFAS, NLST, zakat and directors' remuneration		(12,794,889)	(57,636,429)
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		-	-
National Labour Support Tax (NLST)		-	-
Zakat		-	-
Directors' remuneration		-	-
Loss for the year		(12,794,889)	(57,636,429)
Attributable to:			
Owners of the parent		(12,448,052)	(58,049,311)
Non-controlling interests		(346,837)	412,882
		(12,794,889)	(57,636,429)
Basic and diluted loss per share attributable to the owners of the parent	12	(18.48) Fils	(111) Fils

The notes set out on pages 17 to 46 form an integral part of these consolidated financial statements.

Al-Deera Holding Company - A Kuwaiti Holding Shareholding Company and subsidiaries - Kuwait

Consolidated statement of comprehensive income

	Year ended 31 Dec. 2009 KD	Year ended 31 Dec. 2008 KD
Loss for the year	(12,794,889)	(57,636,429)
Other comprehensive income:		
Exchange differences arising on translation of foreign operations	118,186	30,859
Available for sale investments:		
- Net gain/(losses) arising during the year	2,605,930	(7,672,173)
- Transferred to consolidated statement of income on sale	(10,331,603)	(145,274)
- Transferred to consolidated statement of income on impairment	3,064,473	23,227,715
Restatement adjustment in an associate's equity	(3,141,688)	-
Share of other comprehensive income of associates	1,546,972	(8,905,883)
Total other comprehensive (loss)/income	(6,137,730)	6,535,244
Total comprehensive loss for the year	(18,932,619)	(51,101,185)
Total comprehensive loss attributable to:		
Owners of the parent	(18,585,782)	(51,514,067)
Non-controlling interests	(346,837)	412,882
	(18,932,619)	(51,101,185)

The notes set out on pages 17 to 46 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

Assets	Notes	Year ended 31 Dec. 2009	Year ended 31 Dec. 2008
Non-current assets		KD	KD
Goodwill		8,506,650	8,506,650
Property, plant and equipment	13	3,768,866	3,612,306
Intangible asset	14	-	1,236,438
Investment in associates	15	66,778,554	49,247,100
Available for sale investments	16	65,336,668	72,442,713
Investment property		707,000	-
Investment in real estate portfolio	17	4,637,906	-
Total non-current assets		149,735,644	135,045,207
Current assets			
Inventories		475,402	580,941
Due from related parties	18	11,347,766	4,153,512
Accounts receivable and other assets	19	2,885,599	2,645,163
Investments at fair value through statement of income	20	7,097,734	5,426,793
Short-term deposits	28	514,540	1,116,514
Balances with banks and other financial institutions	28	748,515	1,116,054
Total current assets		23,069,556	15,038,977
Total assets		172,805,200	150,084,184
Equity and liabilities			
Equity			
Share capital	21	74,445,648	52,500,000
Treasury shares	22	(1,155,358)	(816,807)
Legal reserve	23	18,204,754	18,204,754
Voluntary reserve	24	18,204,754	18,204,754
Fair value reserve		41,333,341	45,258,981
Foreign currency translation reserve		1,126,099	196,501
Accumulated losses		(44,983,101)	(25,971,751)
Total equity attributable to the owners of the parent		107,176,137	107,576,432
Non-controlling interests		(2,991,227)	(2,644,390)
Total equity		104,184,910	104,932,042

Consolidated statement of financial position (continued)

Liabilities	Notes	Year ended 31 Dec. 2009	Year ended 31 Dec. 2008
Non-current liabilities		KD	KD
Long term loan from a related party	17	2,310,131	-
Long term borrowings	25	18,510,938	17,914,000
Provision for end of service indemnity		764,947	420,387
Total non-current liabilities		21,586,016	18,334,387
Current liabilities			
Due to related parties	18	6,134,112	5,320,808
Accounts payable and other liabilities	26	15,902,766	11,397,320
Current portion of long term loans	25	21,226,925	1,940,000
Current portion of long term loan from a related party	17	770,044	-
Short term loans		-	5,000,000
Bank facilities	27	3,000,427	3,159,627
Total current liabilities		47,034,274	26,817,755
Total liabilities		68,620,290	45,152,142
Total equity and liabilities		172,805,200	150,084,184

Abdulwahab Ahmad Al-Nakib
Chairman and Managing Director

The notes set out on pages 17 to 46 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Equity attributable to the owners of the parent									
	Share capital	Treasury shares	Legal reserve	Voluntray reserve	Fair value reserve	Foreign currency translation reserve	Accumulated losses	Sub total	Non-controlling interests	Total
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
Balance at 1 January 2009	52,500,000	(816,807)	18,204,754	18,204,754	45,258,981	196,501	(25,971,751)	107,576,432	(2,644,390)	104,932,042
Treasury shares acquired on merger (Note 5)	-	(5,906,717)	-	-	-	-	-	(5,906,717)	-	(5,906,717)
Purchase of treasury shares	-	(34,463,849)	-	-	-	-	-	(34,463,849)	-	(34,463,849)
Sale of treasury shares	-	40,032,015	-	-	-	-	-	40,032,015	-	40,032,015
Loss on sale of treasury shares	-	-	-	-	-	-	(3,421,610)	(3,421,610)	-	(3,421,610)
Increase in share capital (Note 5 & 21)	21,945,648	-	-	-	-	-	-	21,945,648	-	21,945,648
Transactions with owners	21,945,648	(338,551)	-	-	-	-	(3,421,610)	18,185,487	-	18,185,487
Loss for the year	-	-	-	-	-	-	(12,448,052)	(12,448,052)	(346,837)	(12,794,889)
Other comprehensive income:										
Exchange differences arising on translation of foreign operations	-	-	-	-	-	929,598	-	929,598	-	929,598
Available for sale investments:										
- Net gain arising during the year	-	-	-	-	3,620,979	-	-	3,620,979	-	3,620,979
-Transferred to consolidated statement of income on impairment	-	-	-	-	2,784,984	-	-	2,784,984	-	2,784,984
-Transferred to consolidated statement of income on sale	-	-	-	-	(10,331,603)	-	-	(10,331,603)	-	(10,331,603)
Restatement adjustment in an associate's equity (Note 15)	-	-	-	-	-	-	(3,141,688)	(3,141,688)	-	(3,141,688)
Total comprehensive loss for the year	-	-	-	-	(3,925,640)	929,598	(15,589,740)	(18,585,782)	(346,837)	(18,932,619)
Balance at 31 December 2009	**74,445,648**	**(1,155,358)**	**18,204,754**	**18,204,754**	**41,333,341**	**1,126,099**	**(44,983,101)**	**107,176,137**	**(2,991,227)**	**104,184,910**

The notes set out on pages 17 to 46 form an integral part of these consolidated financial statements.

Al-Deera Holding Company - A Kuwaiti Holding Shareholding Company and subsidiaries - Kuwait

Consolidated statement of changes in equity (continued)

	Equity attributable to the owners of the parent									
	Share capital	Treasury shares	Legal reserve	Voluntray reserve	Fair value reserve	Foreign currency translation reserve	Retained earnings/ (Accumlated losses)	Sub total	Non-controlling interests	Total
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
Balance at 1 January 2008	35,000,000	(808,257)	18,204,754	18,204,754	38,983,424	(63,186)	49,577,560	159,099,049	(3,057,272)	156,041,777
Purchase of treasury shares	-	(8,550)	-	-	-	-	-	(8,550)	-	(8,550)
Issue of bonus shares	17,500,000	-	-	-	-	-	(17,500,000)	-	-	-
Transactions with owners	17,500,000	(8,550)	-	-	-	-	(17,500,000)	(8,550)	-	(8,550)
Loss for the year	-	-	-	-	-	-	(58,049,311)	(58,049,311)	412,882	(57,636,429)
Other comprehensive income:										
Exchange differences arising on translation of foreign operations	-	-	-	-	-	259,687	-	259,687	-	259,687
Available for sale investments:										
- Net loss arising during the year	-	-	-	-	(16,806,884)	-	-	(16,806,884)	-	(16,806,884)
-Transferred to consolidated statement of income on impairment	-	-	-	-	23,227,715	-	-	23,227,715	-	23,227,715
-Transferred to consolidated statement of income on sale	-	-	-	-	(145,274)	-	-	(145,274)	-	(145,274)
Total comprehensive Income/(loss) for the year	-	-	-	-	6,275,557	259,687	(58,049,311)	(51,514,067)	412,882	(51,101,185)
Balance at 31 December 2008	52,500,000	(816,807)	18,204,754	18,204,754	45,258,981	196,501	(25,971,751)	107,576,432	(2,644,390)	104,932,042

The notes set out on pages 17 to 46 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Notes	Year ended 31 Dec. 2009 KD	Year ended 31 Dec. 2008 KD
OPERATING ACTIVITIES			
Loss before KFAS, NLST, Zakat and directors' remuneration		(12,794,889)	(57,636,429)
Adjustments for:			
Foreign exchange loss on non-operating assets and liabilities		269,626	141,859
Depreciation		1,357,042	1,188,153
Amortisation of intangible assets		1,236,438	1,236,439
Interest income		(179,326)	(317,465)
Impairment of available for sale investments		3,064,473	23,227,715
Impairment of investment in associates		1,471,464	-
Unrealised loss on investment in real estate portfolio		955,453	-
Unrealised loss on investment property		59,800	-
Provision for end of service indemnity		234,445	150,479
Provision for doubtful debts		91,204	-
Dividend income		(22,996)	(1,129,606)
(Loss)/profit on sale of available for sale investments		327,525	(150,130)
Share of result of associates		6,638,129	18,851,397
Profit on sale of associate's shares		(3,462,063)	-
Gain on sale of property, plant and equipment		-	(4,094)
Finance costs		2,109,476	2,156,404
		1,355,801	(12,285,278)
Changes in operating assets and liabilities:			
Investments at fair value through statement of income		850,832	17,278,617
Accounts receivable and other assets		(223,125)	55,124
Due from related parties		(102,931)	(1,602,340)
Accounts payable and other liabilities		639,204	303,596
Due to related parties		(307,542)	774,936
Inventories		105,539	(194,320)
Indemnity paid		(13,319)	(25,115)
Cash from operations		2,304,459	4,305,220
Board of directors remuneration paid		-	(50,000)
Net cash from operating activities		2,304,459	4,255,220
INVESTING ACTIVITIES			
Cash outflow on acquisition (note 5)		(3,593,270)	-
Purchase of available for sale investments		(42,989,527)	(208,969)
Dividend income received		22,996	496,180
Interest income received		38,956	53,240
Proceeds from sale of available for sale investments		38,728,474	112,933
Purchase of property, plant and equipment		(1,506,332)	(1,495,880)
Proceeds from sale of property, plant and equipment		280	51,041
Project in progress		-	1,721
Investment in associates		(84,556,523)	(582,192)
Proceeds from sale of investment in associate		87,862,247	-
Net cash used in investing activities		(5,992,699)	(1,571,926)
FINANCING ACTIVITIES			
Sale of treasury shares		36,610,405	-
Purchase of treasury shares		(34,463,849)	(8,550)
Finance costs paid		(1,758,673)	(1,989,415)
Proceeds/(repayment) from long term borrowings		2,490,044	(1,800,000)
Net cash from/(used in) financing activities		2,877,927	(3,797,965)
Net decrease in cash and cash equivalents		(810,313)	(1,114,671)
Cash and cash equivalents at beginning of the year	28	(927,059)	187,612
Cash and cash equivalents at end of the year	28	(1,737,372)	(927,059)

The notes set out on pages 17 to 46 form an integral part of these consolidated financial statements.

Al-Deera Holding Company - A Kuwaiti Holding Shareholding Company and subsidiaries - Kuwait

Notes to the consolidated financial statements

31 December 2009

1 Incorporation and activities

Al-Deera Holding Company (the parent company) was established on 18 February 1998 as a Kuwaiti limited liability company. On 8 June 2005, the legal status of the company was changed from a limited liability company to a Kuwaiti holding shareholding company, with the following activities:

- Extending loans to investee companies and providing guarantees for third parties, provided that the share of the holding company in the investee company is not less than 20%.
- Acquisition of industrial rights and related intellectual properties or any other industrial trade marks or royalties and any other property related thereto, and renting such properties to the others whether inside Kuwait or abroad.
- Acquisition of properties and buildings necessary to carry out the business activities as allowable by the law.
- Ownership of shares in Kuwaiti and foreign shareholding companies in addition to ownership of shares in Kuwaiti and foreign limited liability companies and the participation in the share capital of both types of companies including management, lending and guaranteeing against third parties.
- Utilizing excess funds through investing in financial portfolios managed by specialized companies and institutions.

The company has the right to carry out its activities inside Kuwait or abroad whether directly or through power of attorney.

The company is authorized to have interest in or participate with any party or institution carrying out similar activities or those parties who will assist the company in achieving its objectives whether in Kuwait or abroad. The company has the right to establish, participate in or acquire such institutions.

The parent company's shares are listed on Kuwait Stock Exchange. The group comprises the parent company and its subsidiaries. Details of subsidiaries are set out in note 6.

The address of the parent company›s registered offices is PO. Box 4839, Safat 13049 – Kuwait.

The parent company's board of directors approved these consolidated financial statements for issue on 31 March 2010. The general assembly of the parent company's shareholders has the power to amend these consolidated financial statements after issuance.

2 Adoption of new and revised International Financial Reporting Standards

2.1
The group has adopted the following new standards, interpretations, 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.

- Amendments to IFRS 7 Financial Instruments: Disclosures
- IFRS 8 Operating Segments
- Amendments to IAS 40 Investment Property
- IAS 1 Presentation of Financial Statements (Revised)
- IFRIC 15 Agreements for Construction of Real Estate
- Annual Improvements 2008

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.

2.1.1 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.

2 Adoption of new and revised International Financial Reporting Standards (continued)

2.1.2 IFRS 8 Operating Segments

The adoption of IFRS 8 has resulted in a redesignation of the group's reportable segments, but has had no impact on the reported results or financial position of the group. Reported segment results are now based on internal management reporting information that is regularly reviewed by the chief operating decision maker. In the previous annual and interim financial statements, segments were identified by reference to the dominant source and nature of the group's risks and returns.

2.1.3 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. It also gives rise to additional disclosures. The measurement and recognition of the group's assets, liabilities, income and expenses is unchanged. However, some items that were recognised directly in equity are now recognised in other comprehensive income. IAS 1 affects the presentation of owner changes in equity and introduces a 'statement of comprehensive income'.

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 31 December 2007 statement of financial position is the same as that previously reported.

2.1.4 IAS 40 Investment Property

As part of Improvements to IFRSs (2008), IAS 40 has been amended to include within its scope investment property in the course of construction. Therefore, following the adoption of the amendments and in line with the group's general accounting policy, investment property under construction is measured at fair value (where that fair value is reliably determinable), with changes in fair value recognised in profit or loss. The adoption of the amendment did not have any effect on the measurement and recognition of the group's assets, liabilities, income and expenses.

2.1.5 IFRIC (15) - Agreements for Construction of Real Estate

On 3 July 2008, IFRIC 15: Agreements for Construction of Real Estate was issued. IFRIC 15 specifies methods under which revenue can be recognised from real estate properties under development either under IAS 11 Construction Contracts or IAS 18 Revenue. As a result of adoption of IFRIC 15, the group now recognises revenue in accordance with IAS 18 instead of previously under IAS 11. The effect of changes in accounting policy is discussed in Note 15.

2.1.6 Annual Improvements 2008

In addition to the changes affecting amounts reported in the financial statements described above, 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.

2.2 At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published 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 Adoption of new and revised International Financial Reporting Standards (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

2.2.1 IFRS 3 Business Combinations (Revised) (effective from 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.

2.2.2 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 earlier application of this standard is permitted, the Technical Committee of the Ministry of Commerce and Industry of Kuwait decided on 30 December 2009, to postpone this early application till further notice, due to the non-completion of the remaining stages of the standard.

2.2.3 IAS 27 Consolidated and Separate Financial Statements (Revised) (effective from 1 July 2009)

The revised standard introduces changes to the accounting requirements for the loss of control of a subsidiary and for changes in the group's interest in subsidiaries. These changes will be applied prospectively in accordance with the transitional provisions and so do not have an immediate effect on the group's financial statements.

2.2.4 IAS 28 Investments in Associates (Revised) (effective from 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 applied prospectively in accordance with the transitional provisions and so do not have an immediate effect on the group's financial statements.

2.2.5 IFRIC 17 Distribution of Non-Cash Assets to Owners

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

2.2.6 Annual Improvements 2009

The IASB has issued Improvements for International Financial Reporting Standards 2009 which 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. 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 discussed in Note 2. The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below:

Basis of preparation

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards and under the historical cost convention modified to include measurement at fair value of investment securities, investment properties and real estate portfolio.

The consolidated financial statements are presented in Kuwaiti Dinars (KD) which is the functional currency of the parent company.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the parent company 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.

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 results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of income from the date of acquisition or up to the date of disposal, as appropriate. Investment in subsidiary company which has not yet commenced operations is carried at cost.

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 interests represent 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 parent shareholders' equity. Acquisitions of minority interests are accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the group's share of the fair value of the net identifiable assets of the acquired subsidiary or associate as at the date of the acquisition. 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. Any excess, at the date of acquisition, of the group's share in the fair value of the net identifiable assets acquired over the cost of the acquisition is recognised as negative goodwill.

Goodwill is stated at cost less impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment. Negative goodwill arising on an acquisition is recognised directly in the consolidated statement of income.

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 that meet the conditions for recognition under IFRS 3 Business Combination 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)

Revenue recognition

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

Sales

Sales represent revenue generated from providing internet Wide Area Network (WAN) and communication services.

Dividend income

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

Interest income

Interest income is recognised on a time proportionate basis, taking into account the principal outstanding and the rate applicable.

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.

Taxation and Zakat

The parent company calculates the National Labour Support Tax (NLST) in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit for the year. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subject to NLST have been deducted from the profit for the year.

The parent company calculates the contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) at 1% of taxable profit in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that income from associates and subsidiaries, Board of Directors' remuneration, transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

Contribution to Zakat is calculated at 1% of the profit of the parent company in accordance with the Ministry of Finance resolution No. 58/2007.

Equipment and depreciation

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

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits arising from items of property and equipment.

The group depreciates its equipment using the straight-line method at rates sufficient to write off the assets over their estimated useful economic lives which are as follows:

Furniture & fixtures	20%
Office equipment	20%
Telecom equipment	12.5%

The carrying amounts are reviewed at each financial position date to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed recoverable amounts, assets are written down to their recoverable amounts.

3 Significant accounting policies (continued)

Intangible asset

Intangible asset represents license cost associated with the right to provide internet and digital data services in the State of Kuwait. Licence cost is amortised for a period of eight years representing useful life estimated by management.

Investments 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 associate 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 associate's equity that have not been recognised in the associate's statement of income. The group's share of those changes are recognised directly in equity.

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.

The reporting dates of the associates and the group are identical and in case of different reporting date of an associate, which are not more than three months from that of the group, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the group's consolidated financial statements. The associate's accounting policies conform to those used by the group for like transactions and events in similar circumstances.

An assessment of investment in an associate is performed when there is an indication that the asset has been impaired, or that impairment losses recognised in prior years no longer exist. Whenever impairment requirements of IAS 36, indicate that investment in an associate may be impaired, the entire carrying amount of investment is tested by comparing its recoverable amount with its carrying value. Goodwill is included in the carrying amount of an investment in associate and, therefore, is not separately tested for impairment.

Investment properties

Investment properties are properties held to earn rentals and/or capital appreciation. Investment properties are initially recorded at cost. After initial recognition, investment properties are remeasured to fair value on an individual basis based on an external valuation by an independent valuer. Gains or losses arising from either re-measurement at fair value or the sale of investment properties are included in the consolidated statement of income.

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3 Significant accounting policies (continued)

Investment in real estate portfolios

Investment in real estate portfolios represents group's participation in real estate with other parties and is initially recognised at cost of contribution. Subsequent to initial recognition, these investments are remeasured to market value based on the advice of the portfolio managers.

Investments

The group classifies investments upon initial recognition into the following two categories:
i. Investments at fair value through statement of income
ii. Available for sale investments

Investments at fair value through statement of income

Classification of investments as financial assets at fair value through statement of income depends on how management monitors the performance of these investments. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of statement of income in the management accounts, they are classified as designated at fair value through statement of income.
Investments at fair value through statement of income are initially recognised at fair value, excluding transaction costs.

1-Held for trading

Held for trading investments are acquired principally for the purpose of selling or repurchasing it in the near term 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.

2- Investments designated at fair value through statement of income

Financial assets are designated at fair value through income statement if they are managed and their performance is evaluated on reliable fair value basis in accordance with documented investment strategy.

After initial recognition, investments at fair value through statement of income are re-measured at fair value. Gains or losses resulting either from sale or changes in fair value of investments at fair value through statement of income are recognised in the consolidated statement of income.

Available for sale investments

Available for sale investments are initially recognised at cost plus transaction costs that are directly attributable to the acquisition.
After initial recognition, available for sale investments are re-measured at fair value except for investments whose fair value cannot be reliably measured, which are measured at cost less impairment.
Unrealised gain or loss on re-measurement of available for sale investments to fair value is recognised directly in equity in "fair value reserve" account until the investment is derecognised or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the consolidated statement of income. Realised profit or losses from sale of available for sale investments are recognised in the consolidated statement of income. Reversal of previously recognised impairment losses in the consolidated statement of income are recorded as an increase in cumulative changes in fair value.

Fair value

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 financial position 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 financial position date. Valuation techniques used include the use of comparable recent arm's length transactions and other valuation techniques commonly used by market participants.

3 Significant accounting policies (continued)

Impairment of financial assets

An assessment is made at each financial position 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 assets carried at fair value, impairment is the difference between cost and fair value; and
(b) For assets carried at cost, impairment is the difference between cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

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 fair value reserve.

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.

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.

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.

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3 Significant accounting policies (continued)

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 is de-recognised when the group loses control of the contractual rights that comprise the financial asset. A financial liability is de-recognised

- When the obligation specified in the contract is discharged, cancelled or expired; or
- 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
- 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.

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.

Inventory

Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition on a weighted average basis. Net realisable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal.

Trade and other receivables

Trade receivables are stated at face value less impairment losses or provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Borrowings

Borrowings are stated at amortised cost using effective interest rate method.

Treasury shares

The parent company's own shares are accounted for as treasury shares and are stated at cost. Treasury shares are stated at cost as a deduction within shareholders' equity and they are not entitled to cash dividends. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

Gains or losses resulting from the trading in treasury shares are taken directly to shareholders' equity under "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.

3 Significant accounting policies (continued)

Provisions

Where the group has a present legal or constructive obligation stemming from a past event which is likely to result in an outflow of resources and a reliable estimate can be made of the amount of the obligation concerned, a provision is recognised.

Provision for staff indemnity

Provision for staff end of service indemnity is calculated on the basis of accumulated periods of service of employees as at the financial position date in accordance with the Kuwait labour law for the private sector and the group companies' bye-laws.

Foreign currencies

The consolidated financial statements are presented in Kuwaiti Dinars, which is the parent company's functional and presentation 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.

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 financial position date. All differences are taken to gain/ loss on foreign currency translation 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. 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

As at the reporting date, the assets and liabilities of foreign associates are translated into the parent company's presentation currency (the Kuwaiti Dinar) at the rate of exchange ruling at the financial position 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 within equity. On disposal of a foreign associate, the deferred cumulative amount recognised in equity relating to the particular foreign associate is recognised in the consolidated statement of income.

Cash and cash equivalents

Cash and cash equivalents included in the consolidated statement of cash flows consist of short-term deposits due within three months, cash and bank balances net of bank facilities.

Contingencies

Contingent liabilities are not recognised in the consolidated financial statements. They 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 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 policies, which are described in note 3, 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.

Critical judgements in applying accounting policies

In the process of applying the group's accounting policies, 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 investments

Management decides on acquisition of an investment whether it should be classified as held for trading or designated at fair value through statement of income, or available for sale.
The group classifies investments as trading if they are acquired primarily for the purpose of making a short term profit by the dealers.
Classification of investments as fair value through income statement depends on how management monitors the performance of these investments. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of income statement in the management accounts, they are classified as at fair value through income statement.
All other investments are classified as available for sale.

Impairment of available for sale 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. The group recognised an impairment loss of KD3,064,473 (2008: KD23,227,715) in respect of certain available for sale investments.

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 non-financial assets and useful lives

The group's management tests annually whether non financial assets have suffered impairment in accordance with other accounting policies which are stated above. The recoverable amount of an asset is 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 and related depreciation/amortisation charge. The depreciation/amortisation charge for the year will change significantly if actual life is different from the estimated useful life of the asset.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the financial position 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
- the expected cash flows 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. There are a number of investments where this estimation cannot be reliably determined, and as result investments with a carrying amount of KD2,565,200 (2008: KD2,917,765) are carried at cost.

5 Acquisition of net assets of International Investment Projects Co. – KSC (Closed)

On 14 April 2009 the activities of the parent company merged with International Investments Projects Company – KSCC (IIPCO). In accordance with the merger terms previously approved by the shareholders of both companies, the parent company issued 219,456,480 shares at 100 fils each totalling to KD 21.9 million to the shareholders of IIPCO in exchange for the fair value of net assets of IIPCO as on that date (being the effective date on which such assets were transferred). The provisional fair value of the net assets of IIPCO on that date was as follows:

	As At 14 April 2009 KD'000
Assets:	
Cash and bank balances	8
Investments at fair value through statement of income	557
Accounts receivable and other assets	8,136
Available for sale investments	26,172
Investment in associate	1
Investment in real estate portfolio	5,593
Equipment	8
	40,475
Less: Liabilities	
Due to banks	3,656
Accounts payable and other liabilities	4,012
Bank loans	12,746
Due to related party	3,080
Provision for leave and end of service benefits	475
	23,969
Net assets acquired	16,506
Consideration - issue of shares at 100 fils each	21,946
Excess consideration over net assets acquired	5,440

The available for sale investments of IIPCO above includes investment in International Financial Advisors KSCC ("IFA") having a carrying value of KD9,387,180 representing 10.65% ownership interest in that company. At 14 April 2009, the parent company also held 19.05% ownership interest in IFA and accounts for as an investment in associate. Hence, the parent company's total ownership interest in IFA increased to 29.7% enabling it to appoint additional representation on the board of directors of IFA. Consequently, the excess consideration over net assets acquired of KD5.4 million has been allocated by the parent company as an additional premium paid to acquire the additional shares in IFA.

Cash and cash equivalents included in the net assets above amounted to (KD3,593,270).

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6 Subsidiary companies

Details of subsidiary companies are set out below:

Subsidiary	Country of incorporation	Voting capital held % 2009	2008	Activities
Al-Deera International Communication Company – WLL	Kuwait	**100%**	100%	General trading & contracting
Al-Deera SG Company – WLL	Kuwait	**100%**	100%	General trading
Al-Deera REG Company – WLL	Kuwait	**100%**	100%	General trading
Al-Deera IG Company – WLL	Kuwait	**100%**	100%	General trading
Al-Deera FG Company – WLL	Kuwait	**100%**	100%	General trading
BPL Global Middle East – WLL	Kuwait	**100%**	100%	General trading & contracting
Fast Telecommunication Co. – WLL	Kuwait	**39%**	39%	Telecommunication

Control in Fast Telecommunication Company – WLL is demonstrated by representation of majority of directors on the board of directors of the subsidiary.

7 Divident income

	Year ended 31Dec.2009 KD	Year ended 31Dec.2008 KD
Investments at fair value through statement of income		
• Designated	**879**	3,978
Available for sale investments	**22,117**	1,125,628
	22,996	1,129,606

8 Interest and other income

	Year ended 31Dec.2009 KD	Year ended 31Dec.2008 KD
Interest on cash and cash equivalents	**38,956**	53,240
Interest on due from related parties	**140,370**	264,225
Rental income	**53,152**	-
	232,478	317,465

9 Net gain or (loss) on financial assets

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

	Year ended 31Dec.2009 KD	Year ended 31Dec.2008 KD
Cash and cash equivalents	**38,956**	53,240
Due from related parties	**140,370**	264,225
Investments at fair value through statement of income		
• Trading	**(538,739)**	(9,266,421)
• Designated	**293,311**	(5,855,675)
Available for sale investments	**(3,369,881)**	(21,951,957)
Net realised and unrealised loss	**(3,435,983)**	(36,756,588)
Net unrealised (loss)/gain recognised in equity	**(3,925,640)**	6,275,557
	(7,361,623)	(30,481,031)

10 Provisions no longer required written back

These represent certain provisions written back by one of the subsidiaries.

11 Finance costs

Finance costs relate to the group's borrowings activities: long and short-term loans, due to related parties and other bank facilities. All these financial liabilities are stated at amortised cost.

12 Basic and diluted loss per share

Loss per share is calculated by dividing the loss for the year attributable to the shareholders of the parent company by weighted average number of shares outstanding during the year (excluding treasury shares).

	Year ended 31Dec.2009 KD	Year ended 31Dec.2008 KD
Loss for the year attributable to the owners of the parent (KD)	(12,448,052)	(58,049,311)
Weighted average number of shares outstanding during the year (excluding treasury shares)	673,745,029	523,928,516
Loss per share	(18.48) Fils	(111) Fils

The weighted average number of shares for the current year has been adjusted to reflect issue of new shares (note 21).

13 Property, plant and equipment

	Telecom equipment KD	Furniture & fixturea KD	Office equipment KD	Work under progress KD	Total KD
31 December 2009:					
Cost					
At 1 January	9,586,003	338,865	344,798	-	10,269,666
Additions	902,113	39,245	363,032	209,492	1,513,882
Disposals	-	-	(350)	-	(350)
At 31 December	10,488,116	378,110	707,480	209,492	11,783,198
Accumulated depreciation					
At 1 January	6,303,306	133,811	220,243	-	6,657,360
Charge for the year	1,202,420	57,280	97,342	-	1,357,042
Relating to disposals	-	-	(70)	-	(70)
At 31 December	7,505,726	191,091	317,515	-	8,014,332
Net book value					
At 31 December	2,982,390	187,019	389,965	209,492	3,768,866

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13 Property, plant and equipment (continued)

	Telecom equipment KD	Furniture & fixturea KD	Office equipment KD	Work under progress KD	Total KD
31 December 2008:					
Cost					
At 1 January	8,395,726	173,061	285,179	-	8,853,966
Additions	1,232,771	199,116	63,993	-	1,495,880
Disposals	(42,494)	(33,312)	(4,374)	-	(80,180)
At 31 December	9,586,003	338,865	344,798	-	10,269,666
Accumulated depreciation					
At 1 January	5,208,871	113,771	179,798	-	5,502,440
Charge for the year	1,108,184	36,989	42,980	-	1,188,153
Relating to disposals	(13,749)	(16,949)	(2,535)	-	(33,233)
At 31 December	6,303,306	133,811	220,243	-	6,657,360
Net book value					
At 31 December	3,282,697	205,054	124,555	-	3,612,306

Deprecation charge for the year has been allocated as follows:

	31 Dec. 2009 KD	31 Dec. 2008 KD
Cost of sales	1,269,302	1,116,388
General, administrative and other expenses	87,740	71,765
	1,357,042	1,188,153

14 Intangible asset

	31Dec.2009 KD	31Dec.2008 KD
Licence cost – arising on acquisition of subsidiary	9,891,508	9,891,508
Accumulated amortisation	(9,891,508)	(8,655,070)
	-	1,236,438

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15 Investment in associates

	Country of incoporation	Percentage of ownership 31 Dec. 2009 %	31 Dec. 2008 %	Purpose
Al Bab Holding Company	Kuwait	**20%**	-	Investment
Univest Consultancy Group – WLL	Kuwait	**49%**	49%	Financial
Al Khat Printing Press Company – WLL	Kuwait	**21%**	21%	Printing
Warba Press & Publishing Company – WLL	Kuwait	**21%**	21%	Press & Publishing
Univest Brokerage – LLC	UAE	**30.9%**	30.9%	Brokerage
Sadara Industrial Development Co. – WLL [Formerly: Gulf Safat Limited Co. – WLL]	Saudi Arabia	**21%**	21%	Food Industry
Aiwa Gulf Company – WLL	Kuwait	**28%**	28%	Communications
Good Food International – USA	USA	**35%**	35%	Food Industry
Diwan Capital Limited – UAE	UAE	**24%**	24%	Investment
International Financial Advisors – KSC (Closed)	Kuwait	**25.44%**	19.2%	Investment
Kuwait Invest Holding Company – KSC (Closed)	Kuwait	**25.11%**	-	Investment

	31 Dec. 2009 KD	31 Dec. 2008 KD
Balance at begging of the year	**49,247,100**	11,680,745
Purchase of associates	**1,018,882**	2,222,412
Arising on acquisition of IIPCO (note 5)	**14,827,597**	-
Reclassified from available for sale	**21,737,391**	32,142,100
Reclassified from investments at fair value through statement of income	**-**	31,297,985
Disposal of associates	**(10,466,293)**	-
Dividends from associates	**-**	(45,122)
Share of results	**(6,638,129)**	(18,851,397)
Share of other comprehensive income of associates	**1,546,972**	(8,905,883)
Impairment	**(1,471,464)**	-
Foreign exchange translation	**118,186**	30,859
Effect of change in associates accounting policy (see below)	**(3,141,688)**	-
Others	**-**	(324,599)
	66,778,554	49,247,100

Investment in associates of KD34,204,134 (2008: KD11,630,463) is pledged against bank facilities and long term borrowings (notes 25 and 27).

Effective 1 January 2009, International Financial Advisors (IFA) (associate) adopted IFRIC 15: Agreements for Construction of Real Estate. The associate previously recognised revenue under percentage of completion for real estate sold but still under construction. However, the associate did not satisfy the conditions for using percentage of completion as laid down in the interpretation. Consequently, the associate now recognises revenue from sale of real estate when significant risks and rewards of ownership have passed to the buyer as laid down in IAS 18. In accordance with the transition requirements of the interpretation, the associate accounted for this change in accounting policy retrospectively resulting into restatement of opening balance of retained earnings. The group's share of this adjustment amounting to KD3,141,688 has been recognised directly in equity.

During the year, as a result of acquisition of net assets of International Investment Projects Company – KSC (Closed), the group acquired additional interest in Kuwait Invest Holding Company – KSC (Closed) thereby increasing its ownership to 25.07%. Hence, the group decided to reclassify its investment in this entity from available for sale (note 16) to investment in associate amounting to KD21.7 million.

15 Investment in associates (continued)

	31 Dec. 2009 KD	31 Dec. 2008 KD
Share in associates' assets and liabilities:		
Assets	**184,059,328**	111,741,487
Liabilities	**(122,976,584)**	(66,330,097)
	61,082,744	45,411,390
Share in associates' revenue and loss:		
Revenue	**3,174,484**	(529,429)
Loss	**(6,638,129)**	(18,851,397)
Carrying value of unquoted associates	**12,263,391**	12,947,195
Carrying value of quoted associates	**54,515,163**	36,299,905
	66,778,554	49,247,100
Fair value of quoted associates	**36,347,231**	17,395,967

16 Available for sale investments

	31 Dec. 2009 KD	31 Dec. 2008 KD
Investment portfolios	**11,856,724**	4,299,595
Quoted investments	**20,940,808**	33,667,852
Equity participations	**32,539,136**	34,475,266
	65,336,668	72,442,713

– Equity participations are investments with the objective of future medium and long-term capital growth. These investments include investments with a carrying value of KD2,565,200 (31 December 2008: KD2,917,765) are stated at cost due to unavailability of reliable fair market value.
– During the year, the group recognised an impairment loss of KD3,064,473 (31 December 2008: KD23,227,715) against certain available for sale investments as the market value of these investments declined significantly below their costs.
– Available for sale investments having a carrying value of KD28,002,302 (2008: KD25,880,300) are pledged as security against loans and bank facilities (note 25 and 27)..
– Available for sale investments with a carrying value of KD21,737,391 on 1 July 2009 were reclassified as investment in associate (note 15).

17 Investment in real estate portfolio and loan from related party

On 12 November 2007, the company participated with a group of other companies for the purchase of a land in Sharjah, UAE, for a total amount of UAE Dirhams 330,004,832, wherein the company's share was 25%. The company has paid 50% of its share of the remaining amount was financed by a loan as mentioned below.

The purchase process was partially financed through a 6 year loan of KD13,000,000 including two and a half year grace period. The loan granted by a local bank was obtained by one of the companies (related party) participating in this purchase, at an annual interest rate of 3% over the discount rate of the Central Bank of Kuwait payable quarterly. The principal amount is repayable in eight equal semi-annual instalments, commencing on 30 June 2010. The company (related party), in whose name the loan has been granted, manages the loan settlement process and charges the loan interest due from the parties participating in the purchase of the land according to their respective participation ratio (Note 18).

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18 Due from/to related parties

	Effective interest rate (per annum) %	31 Dec. 2009 KD	31 Dec. 2008 KD
Due from :			
Associates			
Univest Consultancy Group - WLL	10%	1,944,367	1,655,913
Good Food International- USA	9%	926,249	1,701,045
Warba Press & Publishing Company – WLL	-	84,816	84,816
Aiwa Gulf Company – WLL	-	77,615	18,049
Al-Khat Printing Press Company – WLL	-	75,572	103,572
Other related parties	-	8,239,147	590,117
		11,347,766	4,153,512
Due to :			
Associates			
International Financial Advisors – KSC (Closed)	1% above KIBOR	1,385,189	1,256,776
Kuwait Invest Holding Company – KSC (Closed)	-	100,000	-
Other related parties	2.5% to 3.25% above KIBOR	4,648,923	4,064,032
		6,134,112	5,320,808

19 Accounts receivable and other assets

	31 Dec. 2009 KD	31 Dec. 2008 KD
Financial assets		
Trade receivables	4,400,924	3,892,227
Provision for doubtful debts	(2,257,604)	(2,257,604)
Net trade receivable	2,143,320	1,634,623
Staff receivables	35,900	31,756
Advance to suppliers	104,311	440,968
Refundable deposit	15,966	15,966
Other assets	134,809	55,704
Guarantee deposits	-	19,758
	2,434,306	2,198,775
Non-financial assets		
Prepaid expenses	451,293	446,388
	2,885,599	2,645,163

The carrying values of the financial assets included above approximate their fair values and all of them are due within one year.
Trade receivables are non-interest bearing and generally on 30 – 90 days terms.
As at 31 December 2009 and 2008, the ageing analysis of trade receivables is as follows;

	Not due KD	30 days KD	60 days KD	90 days KD	120 days KD	Total KD
31Dec.2009	84,336	667,470	418,109	122,772	3,108,237	4,400,924
31Dec.2008	238,699	509,160	191,198	141,336	2,811,834	3,892,227

20 Investments at fair value through statement of income

	31 Dec. 2009 KD	31 Dec. 2008 KD
Held for trading:		
Local quoted shares	671,448	-
	671,448	-
Designated on initial recognition:		
Unquoted investments	2,006,459	1,670,594
Investment portfolios	4,419,827	3,756,199
	6,426,286	5,426,793
	7,097,734	5,426,793

-Designated investment portfolios with a fair value of KD2,036,770 (2008: KD1,543,028) are pledged against long term loan and bank facilities (note 25 and 27).
- A designated investment portfolio with a fair value of KD2,383,057 (2008: KD2,213,171) is managed by a related party and pledged against margin loans (note 18).

21 Share capital

	Authorised		Issued and fully paid	
	31Dec.2009	31 Dec. 2008	31Dec.2009	31 Dec. 2008
Share of KD0.100 each	744,456,480	525,000,000	744,456,480	525,000,000

On 14 April 2009 the activities of the parent company merged with International Investments Projects Company – KSCC (IIPCO) (note 5). In accordance with the merger terms previously approved by the shareholders of both companies, the parent company issued 219,456,480 shares at 100 fils each totalling to KD 21.9 million to the shareholders of IIPCO in exchange for the fair value of net assets of IIPCO as on that date (being the effective date on which such assets were transferred).

22 Treasury shares

	31 Dec. 2009	31 Dec. 2008
Number of shares	8,426,081	1,076,750
Percentage of treasury shares	1.132%	0.205%
Cost of treasury shares (KD)	1,155,358	816,807
Market value (KD)	808,904	269,188

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

23 Legal 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 is to be transferred to legal reserve. The shareholders of the parent company may resolve to discontinue such annual transfer when the reserve totals 50% of the paid up share capital. No transfer is required in a year in which the parent company has incurred a loss or where cumulative losses exist.

Distribution of the legal 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.

24 Voluntary 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 is to be transferred to the voluntary reserve. No transfer is required in a year in which the company has incurred a loss or where cumulative losses exist. Upon recommendation of the board of directors and approval of general assembly the parent company may resolve to discontinue transfer to the voluntary reserve. There are no restrictions on distribution of voluntary reserve.

25 Long-term borrowings

Currency	Interest rate	Final maturity	31 Dec. 2009	31 Dec. 2008
			KD	KD
Kuwaiti Dinars	3.5% + KIBOR	2015	8,660,000	-
US Dollars (see a below)	1.25% + LIBOR	2015	12,615,313	-
US Dollars	1.75% + LIBOR	2010	15,282,550	14,734,000
Kuwaiti Dinars	2.5% + KIBOR	2011	3,180,000	5,120,000
			39,737,863	19,854,000
Less: Instalments due within next twelve months			(21,226,925)	(1,940,000)
			18,510,938	17,914,000

a. This loan was assumed by the group as a result of acquisition of IIPCO (note 5).
b. The borrowings and banks facilities are secured against investment in associates (note 15), available for sale investments (note 16) and investment at fair value through statement of income (note 20)

26 Accounts payable and other liabilities

	31 Dec. 2009	31 Dec. 2008
	KD	KD
Financial liabilities		
Trade payables	3,645,219	2,973,682
Advance receipts	3,686,434	3,356,317
Accrued expenses	1,765,693	2,049,914
National Labour Support Tax	3,973,974	2,602,977
Dividend payable	66,658	19,036
KFAS	1,891,086	206,133
Zakat	27,097	13,697
Other payables	846,605	175,564
	15,902,766	11,397,320

27 Bank facilities

The facilities are granted by a local bank at commercial rates and secured (note 25b).

28 Cash and cash equivalents

	Effective interest rate (per annum)	31 Dec. 2009	31 Dec. 2008
	%	KD	KD
Balances with banks and other financial institutions	-	748,515	1,116,054
Short term deposits	4.5%	514,540	1,116,514
Bank facilities	2.5% + KIBOR	(3,000,427)	(3,159,627)
		(1,737,372)	(927,059)

29 Annual general assembly

The directors do not propose dividends for the year ended 31 December 2008. The general assembly of the shareholders held on 4 June 2009 approved the consolidated financial statements for the year ended 31 December 2008.

30 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:

	31 Dec. 2009	31 Dec. 2008
	KD	KD
Transactions included in consolidated statement of income:		
Interest income on loans to associates	140,370	264,225
Finance costs (associates)	36,410	50,924
Finance costs (other related parties)	364,472	193,376
Management fees	-	15,440
Realised (loss)/profit on sale of investments at fair value through statement of income	(50,575)	5,093
Balances included in consolidated statement of financial position:		
Due from related parties (Note 18)	11,347,766	4,153,512
Due to related parties (Note 18)	6,134,112	5,320,808
Purchase of investments	-	615,016
Compensation of key management personnel:		
Short-term benefits	506,220	507,055
Employees' end of service benefits	124,682	71,035
	630,902	578,090

31 Segmental information

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). As a result, following the adoption of IFRS 8, the identification of the group's reportable segments has changed. The measurement policies the group uses for segment reporting under IFRS 8 are the same as those used in its financial statements.

The group's reportable segments under IFRS 8 are therefore as follows:

- Telecommunication
- Investments

The revenues and profits generated by the group from segments are summarised as follows:

	Telecommunication		Investments		Total	
	31 Dec. 2009	31 Dec. 2008	**31 Dec. 2009**	31 Dec. 2008	**31 Dec. 2009**	31 Dec. 2008
	KD	KD	**KD**	KD	**KD**	KD
Year ended 31 December:						
Segment revenue	**11,091,588**	8,752,218	**(8,595,418)**	(54,175,235)	**2,496,170**	(45,423,017)
Segment (loss)/profit	**(568,585)**	676,856	**(12,226,304)**	(58,313,285)	**(12,794,889)**	(57,636,429)
(Loss)/profit for the year	**(568,585)**	676,856	**(12,226,304)**	(58,313,285)	**(12,794,889)**	(57,636,429)
As at 31 December:						
Total segment assets	**7,997,803**	9,663,870	**164,807,397**	140,420,314	**172,805,200**	150,084,184
Total segment liablities	**12,901,454**	13,998,936	**55,718,836**	31,153,206	**68,620,290**	45,152,142

32 Risk management objectives and policies

The group's principal financial liabilities comprise bank facilities, borrowings and accounts payable. 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, cash and bank balances and investment securities.

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 parent company's board of directors is ultimately responsible to set out policies and strategies for management of risks.

The group does not use derivative financial instruments.

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

32.1 Market risk

a) Foreign currency risk

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

The group mainly operates in Kuwait, the Middle Eastern countries and USA and is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to US Dollar, UAE Dirham, Euro, ZAR and Egyptian Pound. The group's 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.

32 Risk management objectives and policies (continued)

32.1 Market risk (continued)

a) Foreign currency risk (continued)

The group had the following significant exposures denominated in foreign currencies, translated into Kuwaiti Dinar at the closing rate:

	Financial assets		Financial liabilities	
	31 Dec. 2009	31 Dec. 2008	**31 Dec. 2009**	31 Dec. 2008
	KD	KD	**KD**	KD
US Dollar	**14,896,089**	15,795,048	**27,900,228**	14,741,855
UAE Dirham	**16,800**	47,287	**-**	-
Euro	**1,026,008**	1,026,008	**-**	-
ZAR	**1,005,653**	-	**-**	-
EGP	**68,707**	-	**-**	-

The foreign currency sensitivity is determined on the following assumptions:

	Exchange rate sensitivity %	
	31 Dec. 2009	31 Dec. 2008
US Dollar	**3.93%**	1.6%
UAE Dirham	**3.82%**	1.63%
Euro	**6.19%**	2.06%
ZAR	**28.44%**	-
EGP	**5%**	-

The above percentages have been determined based on the average market volatility in exchange rates in the previous twelve months. There has been no change during the year in the methods and assumptions used in the preparation of the sensitivity analysis.

If the Kuwaiti Dinar had strengthened against the foreign currencies assuming the above sensitivity, then this would have the following impact on the profit for the year and equity:

	Profit for the year		Equity	
	31 Dec. 2009	31 Dec. 2008	**31 Dec. 2009**	31 Dec. 2008
	KD	KD	**KD**	KD
US Dollar	**981,943**	181,791	**(470,881)**	(198,642)
UAE Dirhams	**-**	(771)	**(642)**	-
Euro	**(63,510)**	(21,136)	**-**	-
ZAR	**(92)**	-	**(285,916)**	-
EGP	**(544)**	-	**(2,892)**	-
	917,797	159,884	**(760,331)**	(198,642)

If the Kuwaiti Dinar had weakened against the foreign currencies assuming the above sensitivity, then this would have the following impact on the profit for the year and equity:

	Profit for the year		Equity	
	31 Dec. 2009	31 Dec. 2008	**31 Dec. 2009**	31 Dec. 2008
	KD	KD	**KD**	KD
US Dollar	**(981,943)**	(181,791)	**470,881**	198,642
UAE Dirhams	**-**	771	**642**	-
Euro	**63,510**	21,136	**-**	-
ZAR	**92**	-	**285,916**	-
EGP	**544**	-	**2,892**	-
	(917,797)	(159,884)	**760,331**	198,642

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.

32 Risk management objectives and policies (continued)

32.1 Market risk (continued)

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 with respect to short term deposits, bank facilities and borrowings. The risk is managed by the group by monitoring regularly to ensure positions are maintained within established limits.

The group does not have any off balance sheet financial instruments which are used to manage the interest rate risk.

The following table illustrates the sensitivity of the profit for the year to a reasonable possible change in interest rates with effect from the beginning of the year. Based on observation of current market conditions it has been assumed that a reasonable possible change in the interest rates would be+1% and -1% (2008: +25 and -75 basis points) for LIBOR and +1% and -1% (2008: +25 and -50 basis points) for Kuwaiti Dinar interest rates. The calculation is based on the group's financial instruments held at each financial position date. All other variables are held constant. There is no impact on group's equity. There has been no change during the year in the methods and assumptions used in the preparation of the sensitivity analysis.

	Increase in interest rate		Decrease in interest rate	
	31 Dec. 2009	31 Dec. 2008	**31 Dec. 2009**	31 Dec. 2008
	KD	KD	**KD**	KD
Profit for the year	**(506,757)**	(80,672)	**506,757**	198,179

c) Price risk

The group is exposed to equity price risk with respect to its equity investments. Equity investments are classified either as investments at fair value through statement of income 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 set by the group.

The equity price risk sensitivity is determined on the following assumptions:

	31 Dec. 2009	31 Dec. 2008
Kuwait market	**8%**	38%
London market	**19%**	33%
USA market	**15%**	33%
South Africa market	**10%**	-
Egypt market	**5%**	-
Dubai market	**3%**	-

The above percentages have been determined based on basis of average market movements during the year. The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. The analysis reflects the impact of negative changes to equity prices in accordance with the above –mentioned equity price sensitivity assumptions.

	Profit for the year		Equity	
	31 Dec. 2009	31 Dec. 2008	**31 Dec. 2009**	31 Dec. 2008
	KD	KD	**KD**	KD
Investments at fair value through statement of income	**682,607**	2,009,505	**-**	-
Available for sale investments	**-**	-	**6,083,016**	26,907,476

If equity price risk sensitivity had been equal and opposite to the above percentages, the effect on the profit for the year and equity for the years ended 31 December 2009 and 2008 would have been as follows:

	Profit for the year		Equity	
	31 Dec. 2009	31 Dec. 2008	**31 Dec. 2009**	31 Dec. 2008
	KD	KD	**KD**	KD
Investments at fair value through statement of income	**(682,607)**	(2,009,505)	**-**	-
Available for sale investments	**-**	-	**(6,083,016)**	(26,907,476)

32 Risk management objectives and policies (continued)

32.2 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's 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. It also obtains security when appropriate.

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

	31 Dec. 2009	31 Dec. 2008
	KD	KD
Due from related parties (Note 18)	**11,347,766**	4,153,512
Accounts receivable and other assets (Note 19)	**2,434,306**	2,198,775
Short term deposits	**514,540**	1,116,514
Bank balances	**748,515**	1,116,054
	15,045,127	8,584,855

The group continuously monitors defaults of customers and other counterparties, identified either individually or as a group, and incorporates 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. 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 other than those disclosed in note 19.

The credit risk for bank balances and short term deposits is considered negligible, since the counterparties are financial institutions with high credit quality.

32.3 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 daily basis.

The table below summarises the maturity profile of the group's financial liabilities. The maturities of financial liabilities have been determined on the basis of the remaining period from the financial position date to the contractual maturity date.

	Up to 3 month	3-12 month	Over 1 year	Total
	KD	KD	KD	KD
31 December 2009				
Liabilities				
Long term loans	**572,654**	**21,424,315**	**20,821,069**	**42,818,038**
Due to related parties	**109,730**	**6,024,382**	**-**	**6,134,112**
Accounts payable and other liabilities	**26,526**	**15,876,240**	**-**	**15,902,766**
Bank facilities	**-**	**3,000,427**	**-**	**3,000,427**
	708,910	**46,325,364**	**20,821,069**	**67,855,343**

32 Risk management objectives and policies (continued)

32.3 Liquidity risk (continued)

	Up to 3 month KD	3-12 month KD	Over 1 year KD	Total KD
31 December 2008				
Liabilities				
Long term loans	-	1,940,000	17,914,000	19,854,000
Due to related parties	1,585	5,319,223	-	5,320,808
Accounts payable and other liabilities	1,455,557	9,941,763	-	11,397,320
Short term loans	-	5,000,000	-	5,000,000
Bank facilities	-	3,159,627	-	3,159,627
	1,457,142	25,360,613	17,914,000	44,731,755

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

	Up to 3 month KD	3-12 month KD	Over 1 year KD	Total KD
31 December 2009				
Financial liabilities				
Long term loans	**361,517**	**23,081,520**	**23,858,952**	**47,301,989**
Due to related parties	**102,127**	**6,309,228**	**-**	**6,411,355**
Accounts payable and other liabilities	**26,525**	**15,876,240**	**-**	**15,902,765**
Bank facilities	**41,256**	**3,124,195**	**-**	**3,165,451**
	531,425	**48,391,183**	**23,858,952**	**72,781,560**
31 December 2008				
Financial liabilities				
Long term loans	660,550	2,020,815	18,536,106	21,217,471
Due to related parties	86,176	5,532,254	-	5,618,430
Accounts payable and other liabilities	1,455,557	9,941,763	-	11,397,320
Short term loans	78,125	5,234,375	-	5,312,500
Bank facilities	49,369	3,307,734	-	3,357,103
	2,329,777	26,036,941	18,536,106	46,902,824

33 Summary of financial assets and liabilities by category

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:

	31 Dec. 2009 KD	31 Dec. 2008 KD
Financial assets:		
Available for sale investments	**62,771,468**	69,524,948
Available for sale investments – at cost	**2,565,200**	2,917,765
Due from related parties	**11,347,766**	4,153,512
Accounts receivable and other assets (note 19)	**2,434,306**	2,198,775
Investments at fair value through statement of income	**7,097,734**	5,426,793
Short term deposits	**514,540**	1,116,514
Balances with banks and other financial institutions	**748,515**	1,116,054
	87,479,529	86,454,361

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

	31 Dec. 2009 KD	31 Dec. 2008 KD
Financial liabilities:		
Long term loans	**42,818,038**	19,854,000
Due to related parties	**6,134,112**	5,320,808
Accounts payable and other liabilities	**15,902,766**	11,397,320
Short term loans	**-**	5,000,000
Bank facilities	**3,000,427**	3,159,627
	67,855,343	44,731,755

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 16 to the consolidated financial statements, the carrying amounts of financial assets and liabilities as at 31 December 2009 and 2008 approximate their fair values.

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:

	Carrying amount 2009 KD	Fair Value 2009 KD	Carrying amount 2008 KD	Fair Value 2008 KD
Balances with banks and other financial institutions	**748,515**	**-**	1,116,054	-
Short term deposits	**514,540**	**-**	1,116,514	-
Accounts receivable and other assets	**2,885,599**	**-**	2,645,163	-
Due from related parties	**11,347,766**	**-**	4,153,512	-
Investments at fair value through statement of income	**7,097,734**	**5,091,276**	5,426,793	3,756,200
Available for sale investments	**65,336,668**	**33,570,216**	72,442,713	69,199,948
	87,930,822	**38,661,492**	86,900,749	72,956,148
Long term loans	**42,818,038**	**-**	19,854,000	-
Accounts payable and other liabilities	**15,902,766**	**-**	11,397,320	-
Due to related parties	**6,134,112**	**-**	5,320,808	-
Short term loans	**-**	**-**	5,000,000	-
Bank facilities	**3,000,427**	**-**	3,159,627	-
	67,855,343	**-**	44,731,755	-

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 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 financial assets and liabilities measured at fair value in the 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).

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

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:

31 December 2009

	Note	Level 1 KD	Level 2 KD	level 3 KD	Total KD
Investments at fair value through statement of income					
Held for trading					
Local quoted shares	a	671,448	-	-	671,448
Designated on initial recognition					
Unquoted investments	b	-	-	-	-
Investment portfolios	c	4,419,828	-	-	4,419,828
Available for sale investments					
Investment portfolios	c	11,856,724	-	-	11,856,724
Quoted investments	a	20,940,808	-	-	20,940,808
Equity participations	d	-	569,768	202,916	772,684
Net fair value		37,888,808	569,768	202,916	38,661,492

There have been no significant transfers between levels 1 and 2 during the reporting period.

Measurement at fair value

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

a) Quoted securities

All the listed equity securities are publicly traded in stock exchanges. Fair values have been determined by reference to their quoted bid prices at the reporting date.

b) Unquoted securities

The financial statements include holdings in unlisted securities which are measured at fair value. Fair value is estimated using a discounted cash flow model, which includes some assumptions that are not supportable by observable market prices or rates.

c) Investment portfolios

The underlying investments of investment portfolios primarily comprise of local and foreign securities whose fair value has been determined by reference to their quoted bid prices at the reporting date.

d) Equity participations

Equity participations are investments with the objective of future medium and long-term capital growth.

e) Financial liabilities

The group does not have any financial liabilities at fair value.

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

Level 3 fair value measurements

The group's financial assets and liabilities classified in Level 3 uses valuation techniques based on significant inputs that are not based on observable market data. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	Investment at fair value Unquoted securities	Available for sale investments Unquoted securities
Opening balance	1,670,594	34,475,266
Gains or losses recognised in:		
-Statement of income	-	(327,525)
-Other comprehensive income	-	(2,760,121)
Acquisition on merger	335,865	991,779
Purchases	-	752,885
Sales	-	(593,148)
Closing balance	2,006,459	32,539,136

Gains or losses recognised in the statement of income (as above) for the year are included in the realized loss on sale of available for sale investments account.

Changing inputs to the Level 3 valuations to reasonably possible alternative assumptions would not change significantly amounts recognised in statement of income, total assets or total liabilities or total equity.

There have been no transfers into or out of level 3 in the reporting periods under review.

34 Capital management objectives

The group's capital management objectives are to ensure the group's ability to continue as a going concern and to provide adequate return to its shareholders through the optimization of the capital structure.

The capital of the group comprise of total equity. 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, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the group monitors capital on the basis of the net debt to equity ratio.

34 Capital management objectives (continued)

The net debt consists of the following:

	31 Dec. 2009 KD	31 Dec. 2008 KD
Long term loans	**42,818,038**	19,854,000
Due to related parties	**6,134,112**	5,320,808
Short term loan	**-**	5,000,000
Add: Cash and cash equivalents (note 28)	**1,737,372**	927,059
Net debt	**50,689,522**	31,101,867
Equity	**104,184,910**	104,932,042

This ratio is calculated as net debt divided by equity as follows:

	31 Dec. 2009 KD	31 Dec. 2008 KD
Net debt	**50,689,522**	31,101,867
Equity	**104,184,910**	104,932,042
Net debt to equity ratio	**49%**	30%

35 Contingent liabilities

At 31 December 2009, the group had contingent liabilities in respect of outstanding bank guarantees amounting to KD3,316,519 (2008: KD3,049,337).

36 Capital commitments

At the financial position date the group had capital commitments of KD1,247,989 (2008 : KD1,289,920) towards purchase of investments.