الصفاة

AL SAFAT

شركة الصفاة للإستثمار ش.م.ك

AL SAFAT INVESTMENT COMPANY KSCP

Annual Report

2009

الصفاة
AL SAFAT
شركة الصفاة للإستثمار ش.م.ك
AL SAFAT INVESTMENT COMPANY

الصفاة للطاقة
SAFAT ENERGY

شركة دانة الصفاة الغذائية
Danah AlSafat Foodstuff Co.

الصفاة العقارية
AL SAFAT REAL ESTATE
شركة الصفاة العقارية ش.م.ك
AL SAFAT REAL ESTATE CO.

شركة مجموعة الصفوة القابضة
AL SAFWA HOLDING

الصفاة للتكافل
AL SAFAT TAKAFUL

شركة الشعيبة الصناعية
SHUAIBA INDUSTRIAL CO.

صافتك
saftec

KMCH
شركة المركز الطبي الكويتي القابضة ش.م.ك.ق
Kuwait Medical Center Holding Co. k.s.c.c.

مستشفى الصفاة الأمريكي
AL SAFAT AMERICAN HOSPITAL

الصفاة للسياحة
AL SAFAT TRAVEL
شركة الصفاة للسياحة والسفر ش.م.ك
AL SAFAT TOURISM & TRAVEL CO.

شركة صناعات الصفاة القابضة ش.م.ك
Safat Industries Holding Company

شركة الصفاة للضيافة
Al- Safat Dhiafa Co.

Orimix
Technology of the future ...

الشركة الكويتية البريطانية للخدمات التعليمية
Kuwaiti-British Educational Services Co.

شركة دار الهدى القابضة
Dar Al-Houda Holding co.

شركة آسيا القابضة
Asia Holding Company

الصفاة ميديا
AL SAFAT Media

الصفاة القابضة
AL SAFAT HOLDING

: شركة مدرجة بسوق الكويت للأوراق المالية

بسم الله الرحمن الرحیم

Our Mission

We strive to uphold on shareholders interest sustain their equity and achieve high long term and stable returns. We also endeavor to provide professional and distinctive services to meet our clientele needs and surpass their expectations.

In doing so we alaways consider our obligations towards the society by contributing to the economic growth and development of our beloved Kuwait.

الصفاة
AL SAFAT

شركة الصفاة للإستثمار ش.م.ك
AL SAFAT INVESTMENT COMPANY K.S.C.

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info@alsafatinvest.com
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Opposite Al-Qadessya Club
Al Safat 13062, Al Kuwait
☎1877777

H.H. SHEIKH

SABAH AL-AHMAD AL-JABER AL-SABAH
Amir of the state of Kuwait

H.H. SHEIKH

NAWAF AL-AHMAD AL-JABER AL-SABAH
Crown Prince of the state of Kuwait

Contents

Waleed Ahmad Al-Sharhan
Chairman and Managing Director

Mishary Ziad Al Khalid
Director

Mohamed Ali Al Naki
Vice Chairman

Abd Alwahab Al-Mefleh
Director

Adel Yousef Al Saqabi
Director

Yousef Sultan Al Majed
Director

Azam Abdul Aziz Al Fulaij
Director

In the name of god most gracious most merciful

Dear Shareholders

I have the honor to welcome you on the occasion of the General Assembly Meeting of Al Safat Investment Company, and present the annual report of the Board of Directors and the financial statements of the Company for the year ended 31 December 2009.

Dear Distinguished Shareholders,

The financial crisis has left its impacts deep on the economical and financial performance in State of Kuwait since September 2008. The slowdown in economic activities was visible across all the sectors in Kuwait, and adversely affected the performance of banking and investment sector. The crisis led to significant losses for the companies operating in the banking and investment sectors. Subsequently, financial resources have dried out forcing sharp declines in stock indices accompanied with low trading volumes and sharp reduction in market capitalization. The depressing financial and economic environment in the country adversely affected the operations and performance of investment companies during the year 2009. Based on that, the year 2009 is considered the actual crisis year which was full of challenges and difficulties for us requiring more preventative measures to stop further slide down in the performance. Over the years the Company is positioned itself as a long term investor in most of its owned assets which forced the Company to re-schedule its Wakala payables with the creditors. The Company's investments have been, primarily, focused on promising sectors which were achieving good and stable returns. The Company anticipates that the economic situations will improve in the coming years which will result in better returns from these assets leading to reverse the huge provisions recorded in FY 2009 that will further boost the bottom line of the company in future. This strategy of keeping investments with promising values will allow the company to continue on the long term regardless of the bad economic status as it is with other investment companies.

Although the Company has taken sufficient provisions in 2008, the management continues to hedge the risk associated with its investments by taking more provisions in 2009 which will help the Company to avoid any future losses.

Dear Shareholders

As of 31 December 2009, Al-Safat Investment Company were able to reduce the losses to KD 16,136,030 which is (20.9) Fils per share compared to the loss of KD 24,870,714, which is (36.03) Fils per share for the year ended in 31 December 2008.

Despite, the said losses the Company still holds assets which exceeds the Company's liabilities by 267% reflecting the good financial position of the Company.

The Shareholders Equity for the year 2009 recorded KD 116 million compared with KD 124 million in 2008. For the year 2009, the Company's Book value per share recorded 151 Fils compared to 161 Fils in 2008.

Among the loss of KD 16 million, an amount of KD 10 million is considered as unrealized and impairment losses. Also, among the losses, an amount of KD 8 million is considered as unrealized losses of associated real estate companies due to assessment concluded by these companies for their properties without actual sales.

Dear Shareholders,

The Company has reduced the Wakala payables by KD 6 million in 2009 and was successful in reducing the cost of remaining Wakala payables of KD 66 Million.

The financing cost has been reduced by 38% of the total annual debts service in 2009. Considering that the Company has paid KD 37 Million in Wakala payables during the period September 2008 to December 2009. As a result of this Wakala payables reduced from KD 103 million as of September 2008 to KD 66 million as of 31 December 2009. The Company is continuing with the same strategy in 2010 to reduce the Wakalas. As, a Wakala has been settled in 2010 and currently we are, optimistically, working to another settlement to get more reduction in the Wakala payables balance as per the target prepared by the Company's management for 2010.

In addition, the management has worked to reduce the other expenses such as the employees' salaries and benefits including the managing director and the other senior management members since beginning the crisis which in turn is reflected over the Company's financials in 2008 and more reduction in 2009. The employees' costs has been reduced from KD 2.3 million to KD 981,000, a reduction of 57% and reduction in the other expenses of 62% over 2008.

The above efforts of reducing Wakalas, cost of finance, employees' costs and other expenses – adopted by the Company was praised by the consultants UBS AG in their report and commented that the management is serious in overcoming the crisis by making the more courageous decisions which will be reflected in the Company's bottom line in future.

Dear Shareholders,

In this year the Company has appointed UBS AG – London as a specialized advisory consultant for studying

and evaluating the assets and liabilities of the Company and recommending the way forward to restructure the same. The Company is in advance stage of executing some of the recommendations by UBS AG – London which includes,

- To gather the foreign investments under one umbrella.
- To gather the real estate investments under one real estate company by selling 27% of the Al Safat's investment in one of the real estate companies to an associate real estate company.
- The Company is currently selling out its investments in the energy sector to an associate company (Safat Energy) so as to gather the energy investments under one specialized company in the energy career.
- AL Safat Investment Company is working and adopting USB AG's targeted short term recommendations, which will bring in benefit for both the Company and its shareholders.
- The Company will continue in settling and reducing the Wakala payables.

Dear Shareholders,

The financial or economic crisis is not new that may hinder our way or our experience at Al-Safat Investment Company, which has a great impact on our beloved State of Kuwait. We have passed Al-Munakh Crisis and the Iraqi invasion in the past and we place this new international economic crisis at the same level. Honestly and due to the trust you have granted us, we should work and exert our best efforts and experiences to place Al-Safat Investment Company to be one of the leading investment companies that will come out of the current crisis. The Company will continue to take more efforts by integrating the operations among the group companies through restructuring plans for the company as well as for the whole group. Efforts will be taken to reduce the debt levels which will further improve the performance of the Company. Meanwhile, we continue serving the debts and developing the company resources. These objectives require us to be patient and set a clear vision asking ALLAHs assistance and guidance in showing us the proper way to continue our path to success.

Finally, I extend my thanks for the supervising authorities in State of Kuwait for their support for the financial institutions and also extend thanks for the board of directors, auditors and company staff for their good efforts. In conclusion, I extend my thanks and appreciation to the shareholders for their support and contribution in the support of the Company's activity, and I and the colleagues of the Members of the Board of Directors shall continue to exert more efforts to support the Company's progress.

Waleed Ahmad Al Sharhan
Chairman & Managing Director

Thanks for God and Peace upon his Messenger and His Friends:
To the Shareholders in Al-Safat Investment Company,,,
Greetings,,,

In accordance with the engagement contract entered between us, we have concluded auditing works for the contracts and transactions conducted by the Company with the fiscal period ended in 31/12/2009 to give opinion regarding the Company adherence to provision of Islamic Sharie as shown in the opinions, directions and Sharie resolutions issued by us. Adherence responsibility to execute the contracts and transactions in accordance with the Islamic Sharie provisions, as stated by us, shall be borne by the Company's management. As for us, our responsibility is limited to give an independent opinion regarding adherence of the Company based on our auditing.

We have concluded the auditing in accordance with the controlling standards issued of the Accounting and Auditing Authority for Islamic Financial Institutions which require is to plane and execute auditing procedures to obtain all the information, explanations and declarations which we consider necessary to provide us with reasonable confirmation that the Company are complying with provisions of Islamic Sharie as stated by us. We have concluded auditing through examining a sample of contracts and transactions types executed within the said period. We believe that auditing works, conducted by us, give a proper base for our opinions. In our opinion:

- Within the specific fiscal period, the Company complies with executing its duties as mentioned in the contracts and transactions in accordance with provisions of Islamic Sharie as shown in the opinions, directions and Sharie resolutions issued by us.
- The Company is not authorized to present Zakat, it shall be presented by the shareholders.

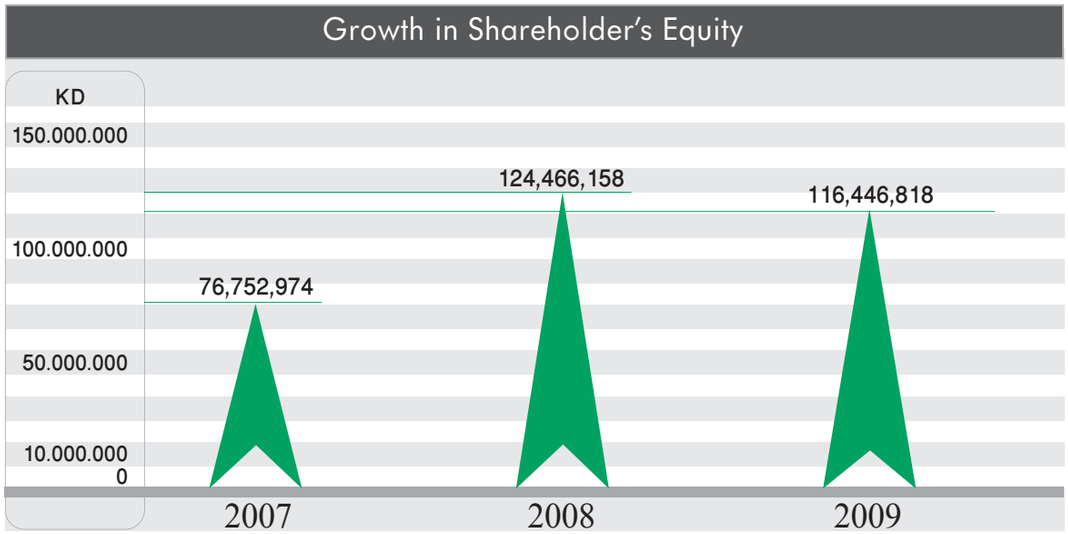
Regards,,,

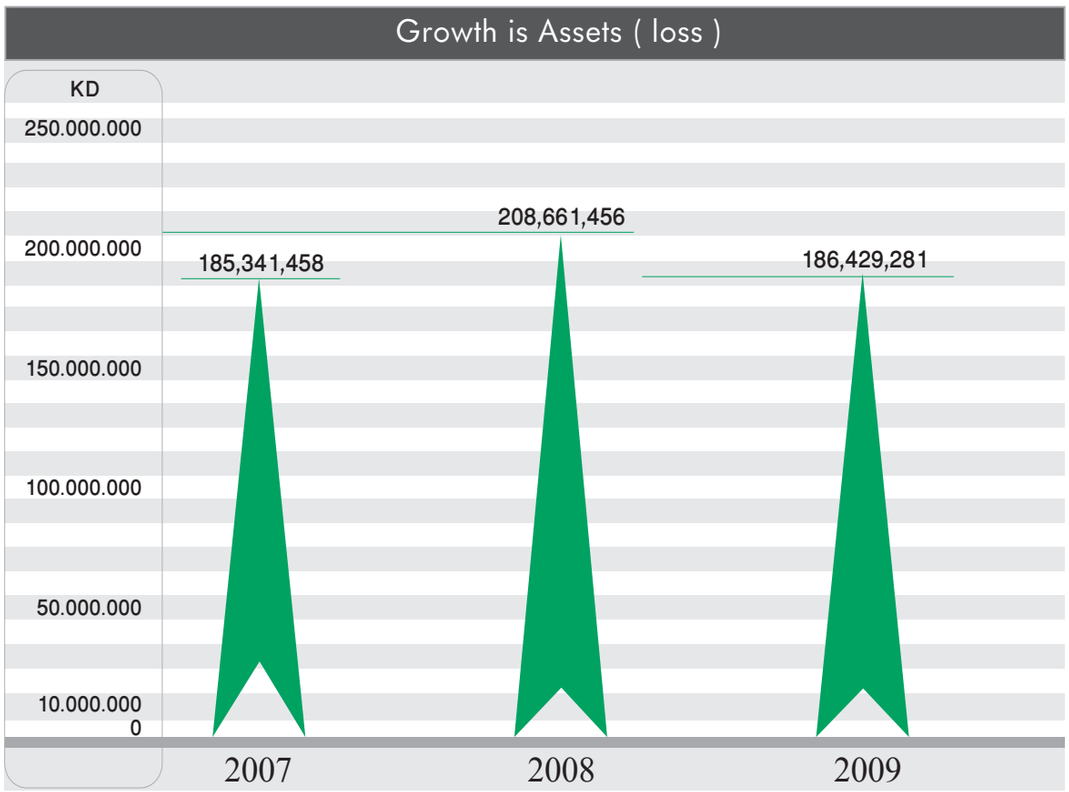
Dr. Abdul Aziz Al Qassar
President

Dr. Essa Zaki
Member

Dr. Ali Al Rashed
Member

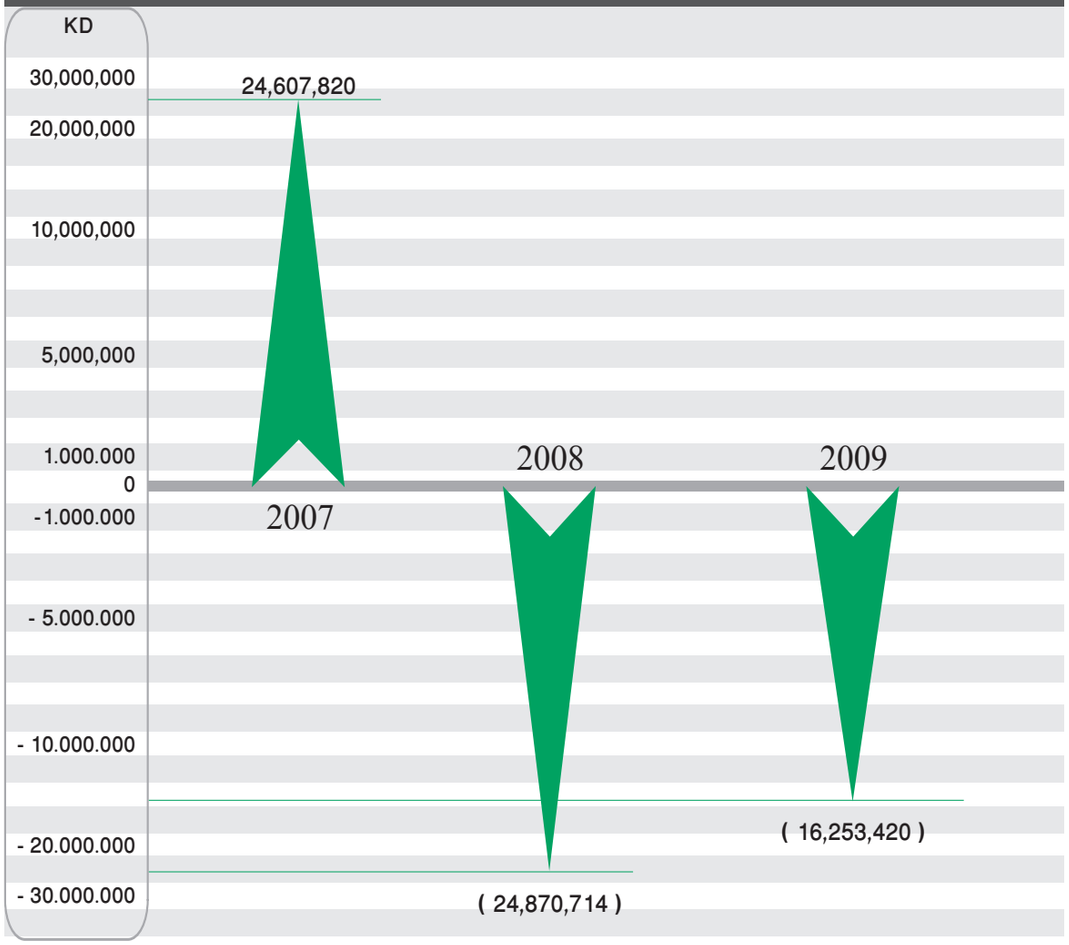
Financial indicators



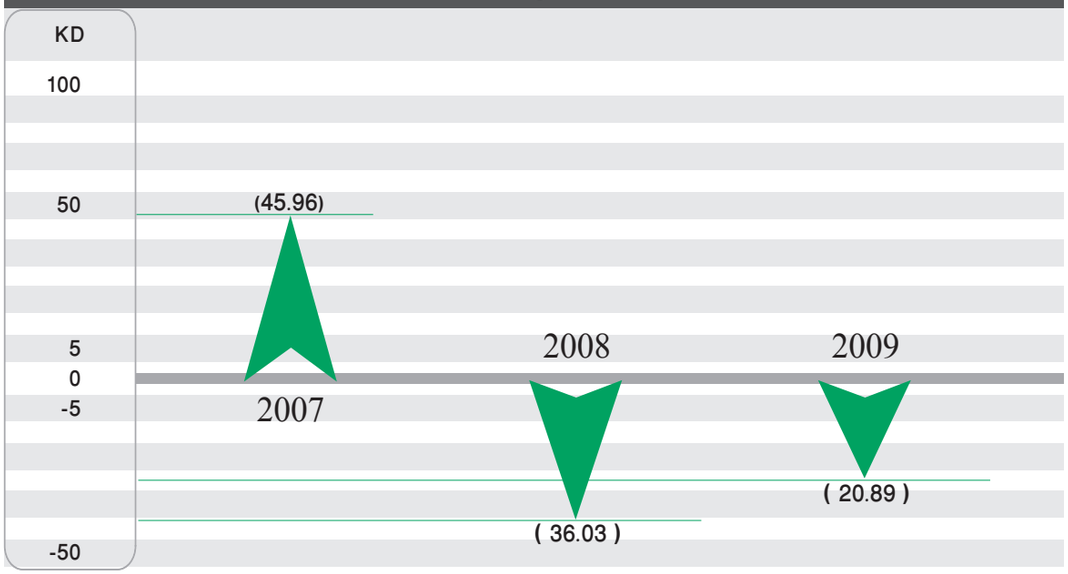


★ Total Liabilities 69,678,840

Growth in Profit (loss)



Earning Per Share



Al Safat Group of Companies

Al Safat Investment Company is proud of having successfully established and reconstructed a group of its subsidiaries and sister companies, which contribute to different shares and represent its investment arms in private sectors which are:

Company Name	Capital (K.D.)	Year of Foundation	Activity
Al Safat Investment Co.	77. 298 million	1983	Investment in various Sectors
Al Safwa Group Holding Co.	130 million	1966	Ownership of stocks and stakes in different companies inside and outside Kuwait
Al Safat Holding Co.	11.5 million	2003	Ownership of stocks and stakes in different companies
Asia Holding Co.	30 million	2002	Direct Investments in Asia
Al Safat Energy Holding Co.	60 million	1983	Investment in the energy sector (oil & gas)
Eastern Group for Energy Services Co.	15 million	2004	Energy Services
Eatern National Oilfield Services Co.	3.500 million	2004	oil well services
Al Safat Real Estate Co.	24 million	2003	Real Estate Investment
Al Safat Real Estate Development	6 million	2005	Real Estate Activities
Dar Al -Houda Holding Co.	16.8 million	2002	Real Estate Investment in Saudi Arabia
Al Dana Village Real Estate Co.	26.73 million	2005	Real Estate Investment in Kuwait
Kuwait Medical Center Holding Co.	16.5 million	1984	Hospitals. health clinic. and services
Al Safat TEC Holding Co.	40 million	1994	IT Solutions and information Technology
Kuwait British Company for Educational Services	4 million	2003	Educational Services
AL Marifa Al namothageya for Educayion	5 million	1997	Educational Services for special needs
Shuaiba paper products Co.	5 million	1978	Focus on technology. education and communications sectors
Al Safat Industrial Holding Co.	10 million	2002	Ownership of stocks and stakes in different companies
ORIMIX	2.260 million	1989	Ready mix concrete provider
Danat Al Safat Foodstuff Co.	28.88 million	1972	Servicing the food services industry
Al Safat Tourism and travel	1 million	2003	Travel & tourism Services
Al Safat Takaful Insurance Co.	5 million	2005	Islamic Insurance (cooperative)
Al Safat Media	0.5 Thousand	2008	Marketing & Advertising Services

Companies listed in the KSE (Kuwait Stock Exchange)

Al Safat Investment Company also owns 10% of Al Qudra Holding company in Abu Dhabi and 45% of Al Dhaen Group in the Kingdom of Bahrain

Al Safat Investment Company k.s.c. (closed)

Legal Entity : Kuwait Shareholding Company (closed)

Capital : 77,298,334 KD seventy seven million two hundred and ninety eight thousand and three hundred and thirty four Kuwaiti Dinars. Approximately two hundred and sixty seven million US Dollars.

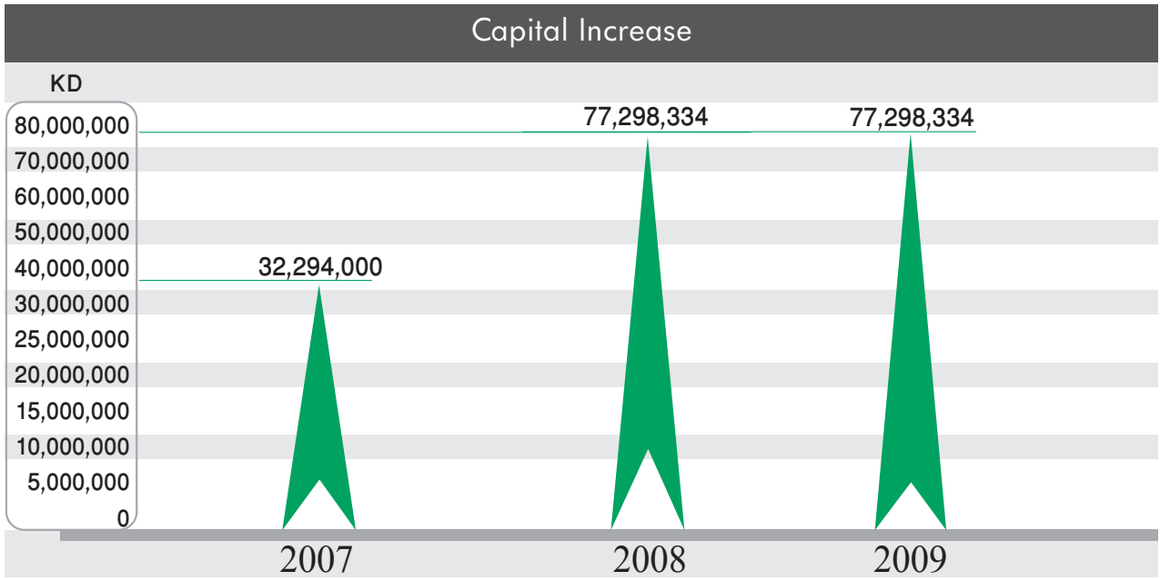
Shareholders : Group of institutional and individual investors.

Establishment : 15/9/1983

KSE Listing Date: 21/11/2005

Activities :

- Investments in various sectors such as real estate, industrial,agriculture ,and services .
- To contribute in the establishment of specialized companies or ownership of the companies or buying shared or bonds of these companies in different sectors,as well as in the restructuring of companies asset management investment funds and portfolios, lending, mediation and business pertaining to the consultation inside and outside the state of Kuwait.
- Feasibility and market studies as well as financial modeling for the institutions and companies. Mediation in borrowing and lending.
- To carry out the functions of managers issuances of bonds issued by companies, organization and the functions of investment Trustees.



1 Al Safwa Group Holding Company k.s.c. (closed)

Legal Entity : Kuwait shareholding Company (closed) Laws
The Company is operating according to the provisions and conditions of the Islamic

Capital : 130 million Kuwaiti Dinars Paid up in full. Approximately 450 million US Dollars.

Establishment: 1966

Activities :

- Being a holding company and according to the law, it can work in the majority of permitted economic activities through the incorporation ,ownership or acquisition of new or existing companies.
- It emphasizes on the oil and gas industry and the energy filed in general through incorporation, acquisition and management of independent companies each of which practices its independent business investing in the privatization programs in Kuwait and the oil Gulf countries. It also will invest the surplus of its funs in promising future projects.

2 Al Safat Holding Company k.s.c. (closed)

Legal Entity : Kuwaiti shareholding Company (closed)
The Company is operating according to the provisions and conditions of the Islamic laws.

Capital : 11.5 million Kuwait Dinars paid up in full approximately 40 million US Dollars.

Establishment: 2003

Activities :

- Ownership of shares of joint stock companies, ownership of shares in companies with limited liabilities or participating in the incorporation of these companies, managing them, lending to then and guaranteeing the before third parties.
- Ownership industrial properties rights including patents or trade marks.
- Ownership of the required moveable and immovable properties required for undertaking its activities .
- Utilizing financial surpluses by investing them in financial portfolios managed my specialized companies and authorities inside and out side the state of Kuwait.

3 Asia Holding Company k.s.c. (closed)

Legal Entity : Kuwaiti Shareholding Company (closed)
The Company is operating according to the provisions and conditions of the Islamic laws.

Capital : 30 million Kuwaiti Dinars Paid in full approximately 103 Millilon US Dollars.

Establishment: 2002

Activities :

- Direct investments in Asia.
- Ownership of shares of joint stock companies,ownership of shares in companies with limited liabilities or participating in the incorporation of these companies, managing them, lending to then and guaranteeing the before third parties.
- Ownership industrial properties rights including patents or trade marks.
- Ownership of the required moveable and immovable properties required for undertaking its activities.
- Utilizing financial surpluses by investing them in financial portfolios managed my specialized companies and authorities inside and out side the state of Kuwait.

4 Al Safat Energy Holding Company k.s.c. (closed)

Legal Entity : Kuwaiti Shareholding Company (closed)
The Company is operating according to the provisions and conditions of the Islamic laws.

Capital : 60 million Kuwaiti Dinars Paid in full approximately 207 million US Dollars.

Establishment: 1983

Activities:

- Investments in the energy sector which includes oil and gas.
- Ownership of shares of joint stock companies, ownership of shares in companies with limited liabilities or participating in the incorporation of these companies, managing them, lending to then and guaranteeing the before third parties.
- Ownership industrial properties rights including patents or trade marks.
- Ownership of the required moveable and immovable properties required for undertaking its activities
- Utilizing financial surpluses by investing them in financial portfolios managed my specialized companies and authorities inside and out side the state of Kuwait.

5 Eastern Group For Energy Services Holding Company k.s.c. (closed)

Legal Entity : Kuwaiti Shareholding Company (closed)
The Company is operating according to the provisions and conditions of the Islamic laws.
Capital : 15 million Kuwaiti Dinars Paid in full approximately 51.7 million US Dollars.
Establishment: 2004

Activities:
Maintenance and general services to all Petroleum related jobs. In addition to working as intermediaries to all other operations needed by other companies in all oil related services in the petroleum sector.

6 Eastern National oilfield services Company k.s.c. (closed)

Legal Entity : Kuwaiti Shareholding Company (closed)
The Company of operating according to the provisions and conditions of the Islamic laws.
Capital : 3.5 million Kuwaiti Dinars Paid in full approximately 12 million US Dollars.
Establishment: 2003

Activities :
- Performing support services to oil well drilling operations, exploration and repair of oil wells and preparing them for production.
- Performing maintenance works and general various services.
- Establishing industrial installations related to its business.
- Import and ownership of various industrial equipments for the company objectives.

7 Al Safat Real Estate Company k.s.c. (closed)

Legal Entity : Kuwaiti Shareholding Company (closed)
The company is operating according to the provisions and conditions of the Islamic laws.
Capital : 24 million Kuwaiti Dinars Paid in full approximately 82.7 million US Dollars.
Establishment: 2003

Activities :
Ownership, selling and buying real estate, lands and developing them for the companies account. inside and outside Kuwait, managing third parties properties, properties, selling and buying shares and bond of real estate companies for the companies account preparing, studies and consultations in the real estate field and performing maintenance works.

8 Al Safat Real Estate development Company k.s.c. (closed)

Legal Entity : Kuwaiti Shareholding Company (closed)
The Company is operating according to the provisions and conditions of the Islamic laws.
Capital : 6 million Kuwaiti Dinars Paid in full approximately 20.7 million US Dollars.
Establishment: 2004

Activities :
- Real Estate investments in Lebanon.
- Ownership and management of apartment building and hotels.
- Building, selling and renting apartments.

9 Dar Al Huda Company k.s.c. (closed)

Legal Entity : Kuwaiti Shareholding Company (closed)
The Company is operating according to the provisions and conditions of the Islamic laws.

Capital : 16.8 million Kuwaiti Dinars Paid in full approximately 58 million US Dollars.

Establishment: 2002

Activities :

- Real Estate Investments in Saudi Arabia , The company owns several 4 star hotels in Mecca and is in the process to aquire a few more in Medina.
- Ownership of shares of joint stock companies ownership of shares in companies, managing them, lending to them and guaranteeing the third parties.
- Utilizing financial surpluses by investing them in financial portfolios managed my specialized companies and authorities inside the state of Kuwait.

10 Dana Al Safat Real Estate.k.s.c. (closed)

Legal Entity : Kuwaiti Shareholding Company (closed)
The Company is operating according to the provisions and conditions of the Islamic laws.

Capital : 27.73 million Kuwaiti Dinars Paid in full approximately 92 million US Dollars.

Establishment: 2004

Activities :

Real estate investment in Kuwait City.

11 Kuwait Medical Centre Holding Company.k.s.c. (closed)

Legal Entity : Kuwaiti Shareholding Company (closed)
The Company is operating according to the provisions and conditions of the Islamic laws.

Capital : 16.5 million Kuwaiti Dinars Paid in full approximately 69 million US Dollars.

Establishment : 1984

Activities :

Building and managing hospitals and medical centers, building and managing sanitariums and recovery houses, trading in medical materials and equipments in addition to establishing medical labs of the first class equipped with the latest medical technologies and participating in health projects inside and outside the state of Kuwait.

12 Al Safat TEC Holding Company k.s.c. (closed)

Legal Entity : Kuwaiti Shareholding Company (closed)
The Company is operating according to the provisions and conditions of the Islamic laws.

Capital : 40 million Kuwaiti Dinars Paid in full approximately 134 million US Dollars.

Establishment : 1991

Listing Date in KSE : 5/8/2006

Activities :

- Marketing and promoting technological solutions and equipment to go hand to hand with modern technological requirements for information systems, office equipment and consumer electronics with special certificates which are accredited from international companies.
- The company is also specialized in education through its subsidiary companies.

13 Kuwait British Company for Education Services k.s.c. (closed)

Legal Entity : Kuwaiti Shareholding Company (closed)
The Company is operating according to the provisions and conditions of the Islamic laws.

Capital : 4 million Kuwaiti Dinars Paid in full approximately 13.8 million US Dollars.

Establishment: 2003

Activities :
Establishing and managing schools, training, facilities, colleges and universities.

14 Al Marifa Al Namothageya for Education W.L.L

Legal Entity : With Limited Liability (W.L.L)
The Company is operating according to the provisions and conditions of the Islamic laws.

Capital : 5 million Kuwaiti Dinars Paid in full approximately 17.2 million US Dollars.

Establishment :1997

Activities :
Establishing and managing schools and training Facilities.

15 Shuaiba Paper Products Co. k.s.c. (closed)

Legal Entity : Kuwaiti Shareholding Company (closed)
The Company is operating according to the provisions and conditions of the Islamic laws.

Capital : 5 million Kuwaiti Dinars Paid in full approximately 17.2 million US Dollars.

Establishment: 1978

Activities :

Manufacturing paper materials & trading in the same. Import and export of materials necessary for the companies activities. Trading in equipment and accessories relating to paper works. Participating in researches connected to the above activities. Investing the companies surplus funds in portfolios managed by specialized companies.

16 Al-Safat Industrial Holding Company k.s.c. (closed)

Legal Entity : Kuwaiti Shareholding Company (closed)
The Company is operating according to the provisions and conditions of the Islamic laws.

Capital :10 million Kuwaiti Dinars Paid in full approximately 34.48 million US Dollars.

Establishment:2002

Activities :

- The Company owns several factories, one of which is the carpet manufacturing Co. which is the first Kuwaiti Factory that engages in the production of local carpets with international technical standers.
- Al Assriya printing press engages in all types of publishing including books and magazines amongst other things.
- Owns Middle East Chemical Manufacturing Co.
- Owns Gulf Business Forms Co.

17 ORIMIX Company W.L.L K.S.C. (closed)

Legal Entity : With Limited Liability (W.L.L)
Capital : 2.260 million KD Paid in full approximately 7.8 million US Dollars.
Establishment : 1/1/ 1989

Activities :

- A leading ready mix concrete provider in UAE.
- Operates 5 plants of concrete.
- In the process of commissioning three new plants at 2 more locations and also owns a license for ready mix business in Bahrain.

18 Danat Al Safat Foodstuff Company k.s.c. (closed)

Legal Entity : Kuwaiti Shareholding Company (closed)
The Company is operating according to the provisions and conditions of the Islamic laws.
Capital : 28.88 million Kuwaiti Dinars Paid in full approximately 100 million US Dollars.
Establishment: 1972

Activities :

- Fishing import and export, and local marketing.
- Establishing local points of sale for fresh fish and investing in other food stuff companies.
- Owns real estate related to fishing activities.
- Participates in all activities related to fishing.
- Invest access funds in financial portfolios managed by specialized institutions.
- Stabling operating, and managing restaurants.

19 Al Safat Tourism &Travel Company K.S.C. (closed)

Legal Entity : Kuwaiti Shareholding Company (closed)
The Company is operating according to the provisions and conditions of the Islamic laws.

Capital : one million Kuwaiti Dinars Paid in full approximately 3.4 million US Dollars.

Establishment: 2003

Activities :

- Performing all tourism, travel and airfreight activities.
- Commercial agencies related to travel and tourism activity.
- Exercising the business related to reservation for treatment, sanitariums and hospitals insides and outside of Kuwait.
- Participating in the formation of companies related to travel, tourism and airfreight activity inside and outside Kuwait.
- Successful opened new locations namely Sanbouk travel and tourism and Al Sanbouk air freight located in Kuwait City.

20 Al Safat Takaful Insurance Company k.s.c. (closed)

Legal Entity : Kuwaiti Shareholding Company (closed)
The Company is operating according to the provisions and conditions of the Islamic laws.

Capital : 5 million Kuwaiti Dinars 50% Paid. Approximately 17.2 million US Dollars.

Establishment: 2005

Activities :

The Company carries out all types Takaful (Cooperative) insurance works and Takaful re-insurance as per the provisions of Islamic laws to cover all types of insurance works such as maritime insurance motor insurance, theft insurance, fire insurance, insurance of various kinds of general accidents, airplane insurance, oil tankers insurance, family insurance, and health insurance.

21 Al Safat Media Company k.s.c. (closed)

Legal Entity : Kuwaiti Shareholding Company (closed)
Capital : 500 thousand Paid in full approximately 1.7 million US Dollars.
Establishment : 2008

Activities :

- Develop Marketing and Advertising Strategies
- Design all sorts of art work.
- Plan & Execute PR activities.
- Plan and organize exhibitions and conferences.
- Design and maintain websites.
- Develop and produce TVC.

Al Safat Investment Company K.S.C. (Closed) and its subsidiaries Kuwait

Consolidated financial statements and independent auditors' report
For the year ended 31 December 2009

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL SAFAT INVESTMENT COMPANY K.S.C. (CLOSED)

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Al Safat Investment Company K.S.C. (Closed) ("the parent company") and its subsidiaries (together referred to as "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 management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as applied in the State of Kuwait. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free of material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

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

used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

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

Report on other Legal and Regulatory Requirements

We further report that we have obtained the information and explanations that we required for the purpose of our audit and the consolidated financial statements include the information required by the Kuwait Commercial Companies Law of 1960, and the parent company's articles and memorandum of association, as amended. In addition, proper books of account have been kept, a physical stock take was carried out in accordance with recognized procedures, and the accounting information given in the board of directors' report agrees with the books of account.

We have not become aware of any contravention, during the year ended 31 December 2009, of the Kuwait Commercial Companies Law of 1960 or of the parent company's articles and memorandum of association, or of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organization of banking business and its related regulations, that would materially affect the group's activities or its financial position.

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Moore Stephens Al Nisf & Partners
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Barrak Al-Ateeqi
Licence No. 69 "A"
Al-Ateeqi Certified Accountants
Member firm of B.K.R. International

Kuwait: 31 March 2010

Consolidated balance sheet as at 31 December 2009

	Notes	2009	2008
Assets		KD	KD
Cash and bank balances	4	505,299	12,962,366
Investments at fair value through statement of income	5	3,489,675	5,128,713
Wakala receivables	6	7,115,525	7,766,500
Accounts receivable and other assets	7	9,879,964	9,684,002
Due from related parties	15	3,157,981	-
Available for sale investments	8	85,810,193	82,121,729
Non-current assets held for sale	9	18,324,454	17,603,998
Investment in unconsolidated subsidiaries	10	768,353	1,628,396
Investment in associates	11	42,677,858	59,245,449
Property and equipment	12	14,699,979	12,520,303
Total assets		**186,429,281**	**208,661,456**
Liabilities and equity			
Due to banks	13	902,519	-
Wakala payables	14	65,860,356	71,773,172
Due to related parties	15	-	714,827
Accounts payable and other liabilities	16	2,574,594	4,377,178
Provision for corporate guarantee	17	-	7,000,000
Provision for staff indemnity		341,371	303,740
Total liabilities		69,678,840	84,168,917
Equity			
Share capital	18	77,298,334	77,298,334
Share premium	19	78,009,919	78,009,919
Statutory reserve	20	4,352,245	4,352,245
Voluntary reserve	21	4,346,553	4,346,553
Treasury shares	22	(188,849)	(188,849)
Treasury shares reserve		615,002	615,002
Fair value reserve		(10,449,915)	(18,498,441)
Foreign currency translation reserve		73,786	5,622
Employees share option reserve		529,430	529,430
Accumulated losses		(38,139,687)	(22,003,657)
Equity attributable to owners of the parent		116,446,818	124,466,158
Minority interests		303,623	26,381
Total equity		**116,750,441**	**124,492,539**
Total liabilities and equity		186,429,281	208,661,456

Waleed Ahmed Al-Sharhan
Chairman and Managing Director

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

Consolidated statement of income for the year ended 31 December 2009

	Notes	2009 KD	2008 KD
Revenue			
Income from Islamic deposits		877,047	2,219,953
Dividend income		1,085,910	3,839,129
Income from portfolio and asset management		1,373,555	2,063,652
(Loss) / profit on sale of investments at fair value through statement of income		(128,523)	9,753,124
Unrealized gain on investments at fair value through statement of income before reclassificatin		-	5,384,337
Unrealised (loss) / gain on investments at fair value through statement of income	5	(1,920,479)	(5,109,431)
Profit on sale of available for sale investments		3,096,301	4,060,386
Profit on sale of non current asset held for sale		-	7,778,577
Profit on sale of investment properties		-	1,348,284
Share of results of associates	11	(4,734,676)	(6,230,285)
Share of results of unconsolidated subsidiaries		-	(11,343)
Fee income		626,033	4,379,348
(Loss) / gain on sale of investment in associates and subsidiaries	11	(2,713,963)	75,696
Provision for wakala receivables	6	(505,812)	(583,527)
Reversal of / (provision for) corporate guarantees	17	1,984,285	(7,000,000)
Impairment losses	23	(7,663,765)	(33,071,025)
Foreign exchange loss		(379,313)	(88,261)
Other income	24	785,188	526,283
		(8,218,212)	**(10,665,103)**
Expenses			
General and administrative expenses	25	(2,014,066)	(4,456,027)
Finance cost	14	(6,021,142)	(9,749,584)
Loss for the year		**(16,253,420)**	**(24,870,714)**
Attributable to:			
Owners of the parent company		(16,136,030)	(24,867,095)
Minority interest		(117,390)	(3,619)
		(16,253,420)	**(24,870,714)**
Loss per share (fils)	26	(20.89)	(36.03)
Consolidated Statement of Comprehensive Income			
Loss for the year		**(16,253,420)**	**(24,870,714)**
Other comprehensive income / (expense)			
Unrealised gain / (loss) of available for sale investments		8,061,045	(55,872,752)
Transfer to statement of income on sale of available for sale investments		(3,096,201)	(4,060,386)
Reclassification to investment in associates		585,000	-
Impairment of available for sale investments		2,498,682	30,580,892
Change in foreign currency translation		68,164	9,963
Other comprehensive income / (expense)		8,116,690	(29,342,283)
Total comprehensive expense for the year		(8,136,730)	(54,212,997)
Attributable to:			
Owners of the parent		(8,019,340)	(54,209,378)
Minority interests		(117,390)	(3,619)
		(8,136,730)	**(54,212,997)**

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

Consolidated statement of changes in equity for the year ended 31 December 2009

	Share capital	Share premium	Statutory reserve	Voluntary reserve	Treasury shares	Treasury shares reserve	Fair value reserve	Foreign currency translation reserve	Employee share option reserve	Retained earnings / (Accumulated Losses)	Equity attributable to owners of the parent	Minority interests	Total equity
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
Balance at 31 December 2007	30,294,000	3,784,500	4,352,245	4,346,553	(43,248)	615,002	10,853,805	(4,341)	-	22,554,458	76,752,974	-	76,752,974
Total comprehensive (expense) / income for the year	-	-	-	-	-	-	(29,352,246)	9,963	-	(24,867,095)	(54,209,378)	(3,619)	(54,212,997)
Bonus issue	13,632,300	-	-	-	-	-	-	-	-	(13,632,300)	-	-	-
Issue of shares	33,372,034	74,225,419	-	-	-	-	-	-	-	-	107,597,453	-	107,597,453
Equity share options granted	-	-	-	-	-	-	-	-	529,430	-	529,430	-	529,430
Dividend paid	-	-	-	-	-	-	-	-	-	(6,058,720)	(6,058,720)	-	(6,058,720)
Purchase of treasury shares	-	-	-	-	(145,601)	-	-	-	-	-	(145,601)	-	(145,601)
Change in minority interests	-	-	-	-	-	-	-	-	-	-	-	30,000	30,000
Balance at 31 December 2008	77,298,334	78,009,919	4,352,245	4,346,553	(188,849)	615,002	(18,498,441)	5,622	529,430	(22,003,657)	124,466,158	26,381	124,492,539
Balance at 31 December 2008	77,298,334	78,009,919	4,352,245	4,346,553	(188,849)	615,002	(18,498,441)	5,622	529,430	(22,003,657)	124,466,158	26,381	124,492,539
Total comprehensive income / (expense) for the year	-	-	-	-	-	-	8,048,526	68,164	-	(16,136,030)	(8,019,340)	(117,390)	(8,136,730)
Change in minority interests	-	-	-	-	-	-	-	-	-	-	-	394,632	394,632
Balance at 31 December 2009	77,298,334	78,009,919	4,352,245	4,346,553	(188,849)	615,002	(10,449,915)	73,786	529,430	(38,139,687)	116,446,818	303,623	116,750,441

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

Consolidated statement of cash flows for the year ended 31 December 2009

	Notes	2009 KD	2008 KD
OPERATING ACTIVITIES			
Loss for the year		(16,253,420)	(24,870,714)
Adjustments for:			
Depreciation		141,756	82,309
Employee share option granted		-	529,430
Income from Islamic deposits		(877,047)	(2,219,953)
Finance cost		6,021,142	9,749,584
Profit on sale of available for sale investments		(3,096,301)	(4,060,386)
Unrealized loss on investments at fair value through statement of income		1,920,479	5,109,431
Profit on sale of non-current asset held for sale		-	(7,778,577)
Profit on sale of investment properties		-	(1,348,284)
Loss / (gain) on sale of investment in associates and subsidiaries		2,713,963	(75,696)
Share of results of associates and unconsolidated subsidiaries		4,734,676	6,241,628
Impairment of available for sale investments		2,498,682	30,580,892
Impairment of non current asset held for sale		370,000	720,000
Impairment of investment in associates		4,134,805	1,293,131
Provision for wakala and accounts receivables		1,166,090	1,060,529
(Reversal of) / provision for corporate guarantee		(1,984,285)	7,000,000
Provision for staff indemnity		68,893	184,517
		1,559,433	**22,197,841**
Changes in operating assets and liabilities			
Increase in investments at fair value through statement of income		(281,441)	(14,061,805)
Increase in non current asset held for sale		(1,090,456)	(7,665,421)
Decrease / (increase) in accounts receivable and other assets		479,627	(4,552,105)
Decrease / (increase) in wakala receivables		652,513	(8,350,000)
Increase in due from related parties		(3,157,981)	-
Decrease in accounts payable and other liabilities		(6,167,200)	(5,328,498)
Decrease in due to related parties		(714,827)	(94,072)
Cash utilised for operations		(8,720,332)	(17,854,060)
Payment to KFAS		-	(220,581)
NLST paid		-	(601,282)
Zakat paid		-	(14,037)
Staff indemnity paid		(31,262)	(17,429)
Net cash used in operating activities		**(8,751,594)**	**(18,707,389)**
Cash flows from investing activities			
Purchase of available for sale investments		(8,956,049)	(39,483,150)
Proceeds from disposal of available for sale investments		17,781,730	33,310,528
Investment in unconsolidated subsidiaries		-	(634,824)
Purchase of property and equipment		(2,321,432)	(5,276,407)
Proceeds from disposal of associates		300,527	-
Increase in investment in associates		-	(37,710,343)
Purchase of investment properties		-	(30,396,041)
Proceeds on disposal of investment properties		-	31,744,325
Income from Islamic deposits received		777,657	2,114,646
Net cash from / (used in) investing activities		**7,582,433**	**(46,331,266)**
Cash flows from financing activities			
Increase in capital from right issue		-	33,372,034
Increase in share premium		-	74,225,419
Net movement in wakala payables		(5,912,816)	(26,064,358)
Cash dividend paid		-	(6,058,720)
Purchase of treasury shares		-	(145,601)
Finance cost paid		(6,672,241)	(9,013,411)
Net cash (used in) / from financing activities		(12,585,057)	66,315,363
Change in minority interests		**394,632**	**30,000**
(Decrease) / increase in cash and cash equivalents		(13,359,586)	1,306,708
Cash and cash equivalents at beginning of the year		12,962,366	11,655,658
Cash and cash equivalents at end of the year	4	**(397,220)**	**12,962,366**

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

1. GENERAL INFORMATION

Al Safat Investment Company ("the parent company") is a closed shareholding company incorporated on 15 September 1983 in the name of Middle East Chemical Manufacturing Company K.S.C. (Closed). Its name was changed to Al Safat Investment Company K.S.C. (Closed) in accordance with the resolutions of the extraordinary general assembly of the parent company held on 22 June 2003. The parent company was listed on the Kuwait Stock Exchange on 21 November 2005 and is governed under the directives of the Central Bank of Kuwait.

The group comprises the parent company and its subsidiaries. Details of the subsidiaries are set out in Note 10.

The parent company is engaged in carrying out investment activities for its own account and for clients, investing in various sectors through interests in companies, portfolio and fund management activities, lending, brokerage and related activities.

The shareholders of the parent company agreed in their general meeting held on 11 February 2007 to carry out the parent company's objectives in accordance with Islamic Sharia.

The address of the parent company's registered office is Al-Kharafi Tower, Al-Qebla, Floor 12/13, P.O. Box 20133, Safat 13062, Kuwait.

The consolidated financial statements of Al Safat Investment Company K.S.C. (Closed) and its subsidiaries (the group) for the year ended 31 December 2009 were authorized for issue by the parent company's board of directors on 31 March 2010 and are subject to the approval of the Annual General Assembly of the shareholders. The shareholders of the parent company have the power to amend these financial statements at the Annual General Assembly.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSS)

2.1 Standards and Interpretations adopted by the group

- The following new and revised Standards and Interpretations have been adopted by the group for the annual period beginning 1 January 2009: IAS 1 (revised) 'Presentation of Financial Statements' - effective 1 January 2009. The revised standard has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements. The group has elected to present the 'Statement of comprehensive income' in two statements: the 'Statement of Income' and a 'Statement of comprehensive income'. The revised standard requires changes in equity arising from transactions with owners in their capacity as owners (i.e.owner changes in income) to be presented in the statement of changes in equity. All other changes in equity (i.e. non-owner changes in income) are required to be presented separately in the statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on the reported results or financial position of the group.

- IFRS 7 'Financial Instruments - Disclosures' (amendment) – effective 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of fair value measurement hierarchy. The group has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments. As the change in accounting policy only results in additional disclosures, there is no impact on the results of the group.
- IFRS 8 'Operating Segments'- effective 1 January 2009. The new standard which replaced IAS 14 'Segment Reporting' requires a management approach for segment reporting under which segment information is presented on the same basis as that used for internal reporting purposes. This has not resulted in any change in the group's reportable segments and had no impact on the reported results or financial position of the group.
- IAS 23 'Borrowing Costs' (revised 2007). The revised standard requires the capitalisation of borrowing costs, to the extent they are directly attributable to the acquisition, production or construction of qualifying assets that need a substantial period of time to get ready for their intended use or sale. In prior periods, the Group's policy was to immediately expense those borrowing costs. In accordance with the transitional provisions of the revised standard, the group has capitalised borrowing costs relating to qualifying assets for which the commencement date for capitalisation was on or after the effective date, being 1 January 2009. No retrospective restatement has been made for borrowing costs that have been expensed for qualifying assets with a commencement date before the effective date. The change in accounting policy had no material impact on the results of the group.

2.2 Standards and Interpretations in issue not yet adopted by the group

IAS 27 (revised), 'Consolidated and Separate Financial Statements'	Effective for annual periods beginning on or after 1 July 2009
IAS 39 (revised), 'Financial Instruments: Recognition and Measurement'	Effective for annual periods beginning on or after 1 July 2009
IFRS 3 (revised), 'Business Combinations'	Effective for annual periods beginning on or after 1 July 2009
IFRS 5 (revised), 'Non-current Assets Held for Sale and Discontinued Operation'	Effective for annual periods beginning on or after 1 July 2009
IAS 38 (amendment), 'Intangible Assets'	Effective for annual periods beginning on or after 1 July 2009
IAS 1 (amendment), 'Presentation of Financial Statements'	Effective for annual periods beginning on or after 1 July 2009
IFRIC 17 'Distributions of Non-cash Assets to Owners'	Effective for annual periods beginning on or after 1 July 2009
IFRIC 18, 'Transfers of Assets from Customers'	Effective for annual periods beginning on or after 1 July 2009
IAS 24 (amendment), 'Related Party Transactions'	Effective for annual periods beginning on or after 1 January 2011
IFRS 9 *'Financial Instruments'*	Effective for annual periods beginning on or after 1 January 2013
Annual improvements 2009	Effective for annual periods beginning on or after 1 July 2009 and later

The directors anticipate that the adoption of these Standards, amendments and interpretations in future periods will have no material financial impact on the consolidated financial statements of the group in the period of initial application.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") promulgated by the International Accounting Standards Board ("IASB"), and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB, as modified for use by the Government of Kuwait for financial services institutions regulated by the Central Bank of Kuwait. These regulations require adoption of all IFRSs except for the IAS 39 requirement for collective impairment provision, which has been replaced by the CBK's requirement for a minimum general provision of 1% for cash facilities and 0.5% for non cash facilities. These rates are applied on the net increase in facilities, net of certain restricted categories of collateral, during the reporting period.

These consolidated financial statements are presented in Kuwaiti Dinars ("KD") and are prepared under the historical cost convention, except for available for sale investments and investments at fair value through statement of income that are stated at fair value.

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

3.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the parent company and its subsidiaries (the group) (note 10).

Subsidiaries are those enterprises controlled by the parent company. Control exists when the parent company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries, other than those which are held with a view to disposal within twelve months are included in the consolidated financial statements on a line by line basis from the date that control effectively commences until the date that control effectively ceases. Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Consolidated financial statements are prepared using uniform accounting practices for the transactions and events in similar circumstances.

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

3.3 Business combinations

Acquisitions 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, and equity instruments issued by the group in exchange for

control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the consolidated statement of income.

The minority interests shareholders in the acquiree is initially measured at the minority interest's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

3.4 Cash and cash equivalents

Cash and cash equivalents include cash on hand, current accounts with banks and short-term deposits with an original maturity of three months or less, net of overdrawn account.

3.5 Investments

The group classifies investments as "investments at fair value through statement of income" and "available for sale investments"

3.5.1 Investments at fair value through statement of income

Investments at fair value through statement of income are initially recognised at fair value, excluding transaction costs. These investments are either "held for trading" or "designated".

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.

Designated investments are investments which are designated as investments at fair value through statement of income on initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise or, if they are managed and their performance is evaluated and reported internally on a fair value basis in accordance with documented risk management or investment strategy.

After initial recognition, investments at fair value through statement of income are remeasured at fair value. Gain or loss arising either from the sale or changes in fair value of "investments at fair value through statement of income" are recognised in the consolidated statement of income.

3.5.2 Available for sale investments

Available for sale investments are financial assets that are not held as investments at fair value through statement of income and which may be sold in response to need from liquidity or changes in interest rate.

Available for sale investments are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition.

After initial recognition, available for sale investments are remeasured at fair value except for investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, which are measured at cost.

Unrealized gain or loss on remeasurement 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.

3.5.3 Fair values

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

For investments where there is no quoted market price, a reasonable estimate of fair value is determined by reference to the current market value of another instrument which is substantially the same, or is based on the valuation techniques commonly used by market participants.

3.5.4 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 entity commits to purchase/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.

3.6 Impairment of financial assets

Financial assets, other than those at fair value through statement of income, are assessed for indicators of impairment at each financial position date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For unlisted shares classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For wakala receivables and other receivables, objective evidence of impairment could include: (i) significant financial difficulty of the issuer or counterparty; or (ii) default or delinquency in wakala cost or principal payments; or (iii) it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective wakala cost.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of wakala receivables and other receivables, where the carrying amount is reduced through the use of an allowance account.

When a wakala receivables or other receivables is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the consolidated statement of income. With the exception of available for sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the consolidated statement of income to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3.7 Financial instruments

Financial assets and liabilities carried on the consolidated financial position include cash and cash equivalents, accounts receivable, wakala receivables, accounts payable, investments at fair value through statement of income, available for sale investments, wakala payables. Financial instruments are recognized in the financial position when the group becomes a party to the contractual provisions of the instrument.

3.8 Wakala receivables

Wakala is an Islamic transaction involving the purchase and immediate sale of asset at cost plus an agreed profit. The amount due is settled on a deferred payment basis. Where the credit risk of the transaction is attributable to a bank, the amount due is classified as a Wakala investment. Where the credit risk is attributable to a party other than a bank, the amount due is classified as a wakala receivable.

Wakala investment which arise from the group's financing of long-term transactions on an Islamic basis are classified as wakala investment originated by the group and are carried at the principal amount less provision for credit risks to meet any decline in value. Third party expenses such as legal fees, incurred in granting a Wakala are treated as part of the cost of the transaction.

All wakala investment are recognized when the legal right to control the use of the underlying asset is transferred to the customer

3.9 Receivables

Receivables are initially recognized at cost and subsequently measured at cost less provision for impairment losses.

3.10 Non-current asset held for sale

Assets (and disposal groups) are classified as non-current asset held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Assets (and disposal groups) classified as non-current asset held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

3.11 Investments in associates

An associate is an entity over which the group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The group's investment in associate is accounted for under the equity method of accounting, i.e. on the financial position at cost plus post-acquisition changes in the group's share of the net assets of the associate, less any impairment in value. The consolidated statement of income reflects the group's share of the results of operations of the associate.

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

Distributions received from the 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. The group's share of those changes is recognised directly in equity.

When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions with associate are eliminated to the extent of the group's share in the associate. Unrealised losses are also eliminated unless the transactions provide 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 associate's financial statements are prepared either to the parent company's reporting date or to a date not earlier than three months of the parent company's reporting date using consistent accounting policies. Where practicable, adjustments are made for the effect of significant transactions or other events that occurred between the reporting date of the associates and the parent company's reporting date.

3.12 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Properties in the course of construction are carried at cost, less any recognised impairment loss. Depreciation is calculated based on the estimated useful lives of the applicable assets on a straight-line basis commencing when the assets are ready for their intended use.

The estimated useful lives, residual values and depreciation methods are reviewed at each year end, with the effect of any changes in estimate accounted for on prospective basis. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred.

Significant improvements and replacements of assets are capitalised. The gain or loss arising on the

disposal or retirement of an item of property and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in consolidated statement of income in the period in which they occur.

3.13 Impairment of tangible and intangible assets

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of income.

3.14 Treasury shares

Treasury shares consist of the group's own shares that have been issued, subsequently reacquired by the group and not yet reissued, sold or cancelled. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the treasury shares. Consideration paid or received is directly recognized in equity. When the treasury shares are sold, gains are credited to a separate account in shareholders' equity (treasury shares reserve) which is not distributable. Any realized losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings and then to reserves.

Gains realized subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and treasury shares reserve account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

3.15 Financial liabilities

All financial liabilities are initially measured at cost and are subsequently measured at amortised cost.

3.16 Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost.

3.17 Wakala payables

Wakala payables are recognised initially at fair value, net of transactions cost incurred. Wakala payables are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of income over the period of the payables using the effective cost of payables.

3.18 Provisions

A provision is recognized in the statement of financial position when the group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

3.19 Provision for staff indemnity

Provision is made for amounts payable to employees under the Kuwaiti Labour Law and employment contracts. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination on the financial position date, and approximates the present value of the final obligation.

3.20 Derecognition of financial assets and financial liabilities

Financial assets

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have 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.

When the group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the group could be required to repay.

Financial liabilities

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

3.21 Foreign currency translation

Transactions in foreign currencies are recorded in KD at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the financial position date. Exchange differences arising on settlement or translation of monetary items are taken to the consolidated statement of income. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Translation differences on non-monetary items such as equity investments which are classified as investments at fair value through statement of income are reported as part of the fair value gain or loss. Translation differences on non-monetary items such as equity investments classified as available for sale investments are included in "fair valuation reserve" in the consolidated statement of changes in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations are expressed in KD using exchange rates prevailing at the financial position date, income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period in which case the exchange rates at the dates of the transactions are used.

Exchange differences arising, if any, are classified as equity and recognised in the group's foreign currency translation reserve. Such exchange differences in the consolidated statement of income in the period in which the foreign operation is disposed off.

3.22 Revenue recognition

- Income from Islamic deposits is recognised based on estimation of expected income and it is distributed on accrual basis.
- Dividend income is recognised when the right to receive payment is established.
- Portfolio management fees and commission income is recognised when earned in accordance with related contract terms.
- Fee income is recognised when earned in accordance with related contract terms.

3.23 Wakala costs

Wakala costs are calculated on the accrual basis and are recognised in the consolidated statement of income in the period in which it is incurred.

3.24 Fiduciary assets

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

3.25 Dividends

Dividends are recognised as a liability in the group's consolidated financial statements in the period in which the dividends are approved by the shareholders.

3.26 Contingent liabilities and assets

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless there is a possibility of outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the consolidated financial statements, but disclosed when an inflow of economic benefit is possible.

3.27 Significant accounting judgements and estimation uncertainty

- Accounting judgements

In the process of applying the group's accounting policies, management has used judgements and made estimates in determining the amounts recognised in the consolidated financial statements. The most significant use of judgements and estimates are as follows:

-Impairment of investments

The group treats available for sale investments as impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is "significant" or "prolonged" requires significant judgement. In addition, the group also evaluates among other factors, normal volatility in the share price for quoted investments and the future discounted cash flows for unquoted investments.

- Classification of investments

Management decides on acquisition of an investment whether it should be classified as held for trading, 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.

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 statement of income. All other investments are classified as available for sale.

- 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 instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- other valuation models.

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

4. CASH AND CASH EQUIVALENTS

	2009	2008
	KD	KD
Cash in hand and at banks	505,299	2,264,941
Islamic deposits	-	10,697,425
	505,299	12,962,366
Due to banks	(902,519)	-
	(397,220)	12,962,366

Islamic deposits in the amount of KD nil (2008: 10,187,671) are pledged against wakala payables (refer note 14).

5. INVESTMENTS AT FAIR VALUE THROUGH STATEMENT OF INCOME

	2009	2008
	KD	KD
Quoted investments		
Banking sector	-	536,000
Investment sector	496,260	1,275,610
Industrial sector	397,688	705,303
Services sector	635,696	128,039
Food sector	32,776	10,126
Non-Kuwaiti sector	77,025	213,595
	1,639,445	2,868,673
Managed funds	1,850,230	2,260,040
	3,489,675	5,128,713

Movements in investments at fair value through statement of income:

	2009	2008
	KD	KD
Balance at the beginning of the year	5,128,713	69,359,439
Additions	2,726,627	141,712,006
Reclassification to available for sale investments	-	(73,183,100)
Unrealised loss	(1,920,479)	(5,109,431)
Disposals	(2,445,186)	(127,650,201)
Balance at the end of the year	3,489,675	5,128,713

Unrealised loss on investments at fair value through statement of income are summarised below:

	2009	2008
	KD	KD
Quoted investments	(1,510,669)	(2,379,471)
Managed funds	(409,810)	(2,729,960)
	(1,920,479)	(5,109,431)

6. WAKALA RECEIVABLES

	2009	2008
	KD	KD
Wakala receivable	8,197,500	8,350,000
Less 1% provision	(81,975)	(83,500)
Less provision for doubtful wakala receivables (see below)	(1,000,000)	(500,000)
	7,115,525	7,766,500

Wakala receivables includes KD 2,447,500 (2008: KD 2,350,000) from individuals against which a specific provision of KD 1,000,000 (2008: KD 500,000) has been made.

7. ACCOUNTS RECEIVABLE AND OTHER ASSETS

	2009	2008
	KD	KD
Staff receivables	1,386	2,659
Refundable deposits	19,740	19,740
Accrued income	221,543	261,614
Prepaid expenses	27,057	38,493
Project advances	6,637,683	7,834,969
Other receivables	2,972,555	1,526,527
	9,879,964	9,684,002

Project advances includes KD 2,171,984 (2008: KD 3,434,969) invested in companies under formation and KD 4,400,000 (2008: KD 4,400,000) advance paid towards purchase of right of utilisation of land by a subsidiary of the parent company. An impairment of KD 660,278 (2008: KD 477,002) has been recognised in the consolidated statement of income relating to certain balances included within other receivables (refer note 23).

8. AVAILABLE FOR SALE INVESTMENTS

Available for sale investments are acquired with the intention of capital appreciation over a medium to long-term time frame and represent investments in quoted and unquoted shares as follows:

	2009	2008
	KD	KD
Quoted securities	25,533,242	15,979,889
Unquoted securities	60,276,951	66,141,840
	85,810,193	82,121,729

As at 31 December 2009 Management carried out a review of the carrying values of its quoted and unquoted available for sale investments and determined that an impairment had occurred on these assets totaling KD 2,498,682 (2008: KD 30,580,892) and as a consequence recognised this in the consolidated statement of income (refer note 23).

The group valued its investments by averaging the valuation based on discounted cash flow, using appropriate discount rates, and net asset values.

Movements in available for sale investments

	2009	2008
	KD	KD
Balance at the beginning of the year	82,121,729	58,638,759
Additions	8,956,049	39,483,150
Reclassification from investments at fair value through statement of income	-	73,183,100
Net Reclassification to investment in associates	(3,855,381)	-
Impairment loss recognised in the statement of income	(2,498,682)	(30,580,892)
Change in fair value	8,061,145	(29,352,246)
Disposal	(14,685,429)	(29,250,142)
Balance at the end of the year	85,810,193	82,121,729

Available for sale investments with a carrying value of KD 39,134,359 as at 31 December 2009 (31 December 2008: 42,614,705) are pledged against wakala payables (refer note 14).

9. NON-CURRENT ASSETS HELD FOR SALE

The group holds equity stakes greater than 50% in three companies. These companies which have not been consolidated were bought with the explicit intention to be disposed of within one year and are accordingly classified, as Non-current assets held for sale.
Management are still in negotiations with interested third parties to dispose of all of these assets at a price greater than the carrying value as at 31 December 2009, these negotiations are expected to be completed within 2010.

10. INVESTMENT IN SUBSIDIARIES

10.1 Consolidated subsidiaries

The subsidiaries of the parent company which have been consolidated in these financial statements together with the holdings at 31 December are set out below:

	2009 Ownership (%)	2008 Ownership (%)
Al Safat Holding Company K.S.C.(Closed)	100	100
Al Safat Holding Company B.S.C.(Closed)	100	100
Safat House for General Trading Company W.L.L	80	80
Al Safat Tourism and Travel Company K.S.C.(Closed)	65.5	-
Safat House for Consultancy K.S.C. (Closed)	96	-

All the subsidiaries financial statements were consolidated based on the financial statements prepared by the management as at 31 December 2009.

1.2 Unconsolidated subsidiaries

The following companies have not yet commenced their commercial operations and therefore were not consolidated during the year and stated at cost.

Company name:	2009 Ownership	2008 Ownership	2009 KD	2008 KD
	%	%		
Al Safat Tourism and Travel Company K.S.C.(Closed)	-	65.5	-	740,282
First Future Real Estate Development Co. W.L.L.	75	75	75,000	75,000
Safat House for Consultancy K.S.C. (Closed)	-	96	-	112,790
Dar Al Safat General Trading Company W.L.L	100	100	149,797	150,000
Egyptian company for financial leasing services – Fine Lease, Egypt	100	100	543,556	550,324
			768,353	1,628,396

Dar Al Safat General Trading Company W.L.L was incorporated on 15 July 2008 for the purpose of general trading and contracting.

Egyptian company for financial leasing services – Fine Lease, Egypt was acquired during the year 2008 for the purpose of providing leasing services.

Al Safat Tourism and Travel Company K.S.C.(Closed) and Safat House for Consultancy K.S.C. (Closed) have been consolidated based on the management accounts as at 31 December 2009. The impact on the financial statements in respect of the prior periods of consolidating these subsidiaries is not material and as a consequence the comparatives have not been restated.

11. INVESTMENT IN ASSOCIATES

The group's shareholding in associate companies is as follows:

Company name	Percentage of shareholding		Carrying value	
	2009 (%)	2008 (%)	2009 KD	2008 KD
Al Safat Real Estate Company K.S.C.(Closed)	25	25	6,172,581	6,878,687
Kuwait Medical Center Holding Company K.S.C. (Closed)	30	20	4,334,665	9,341,637
Safat Tech Holding Company K.S.C. (Closed)	25.8	25.8	11,054,704	10,406,573
Dana Al-Safat Real Estate Company K.S.C. (Closed)	24.09	24.9	3,291,417	14,128,051
Degla Economical Development Company	-	50	-	6,908,750
Dar Al Huda Holding Company K.S.C. (Closed)	23.1	-	3,415,320	-
Al Dhaen Group for General Trading W.L.L.	45	45	6,550,067	6,807,285
Asia Holding Company K.S.C. (Closed)	20.33	21.03	4,693,123	4,774,466
SAF Jordan Limited	25	-	1,037,010	-
Al-Safat Real Estate Development Company K.S.C. (Closed)	25	-	2,028,601	-
Al-Safat Media for Advertising & publicity K.S.C. (Closed)	27	-	100,370	-
			42,677,858	59,245,449

Share of results of associates were accounted for based on the financial statements prepared by management as follows:

Company name	Date of financial statements
(Al Safat Real Estate Company K.S.C.(Closed	31 December 2009
(Kuwait Medical Center Holding Company K.S.C. (Closed	30 November 2009
(Safat Tech Holding Company K.S.C. (Closed	30 November 2009
(Dana Al-Safat Real Estate Company K.S.C. (Closed	31 December 2009
Degla Economical Development Company	31 December 2009
(Dar Al Huda Holding Company K.S.C. (Closed	31 December 2009
.Al Dhaen Group for General Trading W.L.L	30 September 2009
(Asia Holding Company K.S.C. (Closed	31 December 2009
SAF Jordan Limited	31 December 2009
(Al-Safat Real Estate Development Company K.S.C. (Closed	31 December 2009
(Al-Safat Media for Advertising & publicity K.S.C. (Closed	30 November 2009

The cost of investment in associates includes goodwill amounting to KD 5,566,908 (31 December 2008: KD 8,381,824).

A valuation of each associate was undertaken, using discounted cash flows together with a review of the underlying assets and liabilities and the current and future trading performance of the associate by Management as at 31 December 2009 and as a result recognised impairment of KD 4,134,805 (refer note 23).

The parent company initially subscribed for 24.9% of authorised share capital Dana Al Safat Real Estate K.S.C. (Closed) as the subscription was lower than the calls made. The percentage of holding in associate went up from 24.9% to 51%.During the year, the parent company sold 26.91% interest in Dana Al Safat Real Estate K.S.C. (Closed) for the value of KD 3,990,000 to a related party and recognised a loss of KD 2,856,990.

Dar Al Huda Holding Company K.S.C. (Closed) which was catogorised under available for sale investments earlier. Due to the additional acquisitions during the year it is categorised under associates.

During year, the subsidiary of the parent company sold 0.7% of its stake in Asia Holding Company K.S.C. (Closed) for KD 300,527 and recognised a gain of KD 143,027.

During the year, the group subscribed 25% stake in SAF Jordan Limited in Jabel Ali Free Trade Zone, UAE, a newly incorporated company, for purpose of general trading, investment in other companies and commission agent.

During the year, the group acquired 25% stake of Al-Safat Real Estate Development Company K.S.C. (Closed) from related company. Al-Safat Real Estate Development Company K.S.C. (Closed) was incorporated in Kuwait and mainly involve in real estate activities.

During the year, the parent company acquired additional 8 % stake in Al-Safat Media for Advertising & publicity K.S.C. (Closed) from a related party which was catogorised under available for sale in the previous year. Al-Safat Media for Advertising & publicity K.S.C. (Closed) was incorporated in Kuwait and mainly involve in advertising activities.

Investment in associates with a carrying value of KD 21,005,112 (31 December 2008: KD 11,381,628) are pledged against wakala payables (refer note 14).

Summarized financial information of the group's associates is set out below:

Associates' financial position:	**2009**	**2008**
	KD	**KD**
Total assets	262,331,190	235,887,881
Total liabilities	(114,896,950)	(84,223,798)
Net assets	147,434,240	151,664,083
Group's share of net assets of associates	37,110,950	50,863,625
Associates' revenues and results:		
Total revenues	11,982,958	19,139,975
Total results	(17,019,066)	(21,958,761)
Group's share of results of associates	(4,734,676)	(6,230,285)

12. PROPERTY AND EQUIPMENT

	Furniture, fixtures and computers	Capital work in progress	Total
	KD	KD	KD
Cost			
Balance at 31 December 2007	452,518	7,031,233	7,483,751
Additions	129,428	5,146,979	5,276,407
Balance at 31 December 2008	581,946	12,178,212	12,760,158
Additions	52,117	2,269,315	2,321,432
Balance at 31 December 2009	634,063	14,447,527	15,081,590
Accumulated depreciation			
Balance at 31 December 2007	157,546	-	157,546
Charge for the year	82,309	-	82,309
Balance at 31 December 2008	239,855	-	239,855
Charge for the year	141,756	-	141,756
Balance at 31 December 2009	381,611	-	381,611
Carrying value			
31 December 2009	252,452	14,447,527	14,699,979
31 December 2008	342,091	12,178,212	12,520,303

Annual depreciation rates are furniture and fixtures 20% and computers 33%.

Capital work-in-progress as at 31 December 2009 includes payment made and expenses incurred on a Build, Operate and Transfer ("B.O.T") project awarded to the group during the year 2005. The group's B.O.T. project is constructed on land leased from a third party for a period of twenty years under a renewable usufruct agreement.

13. DUE TO BANKS

The group has obtained unsecured wakala facilities from local and foreign commercial banks on condition that the annual cost should not be less than 7% and 11.50% respectively.

14. WAKALA PAYABLES

	2009	2008
	KD	KD
Current portion	54,860,356	29,457,236
Non-current portion	11,000,000	42,315,936
	65,860,356	71,773,172

During the year the group rescheduled its Wakala liabilities, except for a wakala payable amounting to KD 2,400,000, resulting in extending the due dates of these wakala, even though they still fall due within one year. Management is confident that they will be able to subsequently reschedule these due dates again.

The group has obtained wakala from local banks in the amount of KD 32,600,000 (31 December 2008: 36,000,000) carrying contracted costs of 2.5% to 4% (31 December 2008: 2% to 2.75%) over the Central Bank of Kuwait discount rate. These wakalas are secured by the group's investments in associates and available for sale investments with a carrying value of KD 31,194,738 (31 December 2008: KD 14,049,128) and islamic deposits with a carrying value of KD nil (31 December 2008: KD 10,187,671) (refer notes 4, 8 and 11).

The group has also obtained wakala from a foreign bank in the amount of KD 28,390,356 (31 December 2008: KD 27,315,936) carrying contracted costs of 12%. This wakala is secured by the group's investments in available for sale investments with a carrying value of KD 28,948,496 (31 December 2008: KD 39,947,205) (refer note 8).

Further, the group obtained an unsecured wakala from local investment companies in the amount of KD 4,870,000 (31 December 2008: KD 8,457,236) at a cost of 7% to 7.75% (31 December 2008: 9% to 11.5%) per annum.

15. RELATED PARTY TRANSACTIONS

Related parties primarily comprise of directors, key management personnel, associates, subsidiaries, shareholders and companies of which the parent company is principal owner or over which they are able to exercise significant influence. All related party transactions are carried out on terms approved by the group's management. Significant related party transactions other than disclosed elsewhere in the financial statements during the year are as follows:

	2009	2008
	KD	KD
Transactions during the year		
Managing director›s salaries and benefits	108,048	208,840
Key management personnel's salaries and benefits	252,950	346,597
Associates and unconsolidated subsidiaries	493,559	609,056
Other related parties	109,726	365,119
	964,283	1,529,612
Due from :		
Associates and unconsolidated subsidiaries	3,157,981	-
Due to :		
Associates and unconsolidated subsidiaries	-	714,827
Off-financial position:		
Managed portfolios	50,455,711	65,885,316

16. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2009	2008
	KD	KD
Trade payables	1,817,272	3,255,903
Staff payables	-	161,569
Accrued expenses	598,173	774,215
Provision for leave	116,489	132,497
Dividend payable	42,660	52,994
	2,574,594	4,377,178

17. PROVISION FOR CORPORATE GUARANTEE

	2009	2008
	KD	KD
Balance at 1 January	7,000,000	-
Provision for corporate guarantees	-	7,000,000
Corporate guarantees paid to bank	(7,000,000)	-
Balance at 31 December	-	7,000,000

During the year 2009 the group settled the loan guarantee liability to the bank on behalf of the third party. The group subsequent to settlement obtained unlisted shares from the third party amounting to KD 1,984,285 and recorded this amount in the consolidated statement of income as reversal of excess provision for corporate guarantee. Furthermore, the group has a contingent asset as it has made a claim against the third party on the balance, amounting to KD 5,015,715.

18. SHARE CAPITAL

	2009	2008
	KD	KD
Authorised share capital	78,000,000	78,000,000
Issued and fully paid capital: 772,983,339 (31 December 2008: 772,983,339) shares of 100 fils each	77,298,334	77,298,334

The movement in ordinary shares in issue during the year was as follows:

	2009	2008
Number of shares in issue 1 January	772,983,339	302,940,000
Bonus issue	-	136,323,000
Rights issue	-	196,911,000
Shares issued to strategic investors	-	135,411,000
Shares issued to employees	-	1,398,339
Number of shares in issue 31 December	772,983,339	772,983,339

19. SHARE PREMIUM

Share premium arises from a rights and strategic issue of shares. The share premium account is not available for distribution.

20. STATUTORY RESERVE

In accordance with the Commercial Companies Law of 1960, as amended, and the parent company's articles of association, 10% of the net profit for the year is required to be transferred to the statutory reserve until the reserve totals 50% of the paid-up share capital. Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of paid-up share capital to be made in years when retained earnings are not sufficient for the payment of a dividend of that amount.

21. VOLUNTARY RESERVE

As required by the parent company's articles of association, 10% of the net profit for the year is required to be transferred to the voluntary reserve. Such annual transfers can be discontinued by a resolution of shareholders in the annual general assembly meeting upon recommendation by the Board of directors. There are no restrictions on the distribution of this reserve.

22. TREASURY SHARES

	2009	2008
Number of shares (No's)	535,800	535,800
Percentage of issued shares (%)	% 0.07	% 0.07
Market value (KD)	57,866	53,580
Cost (KD)	188,849	188,849

These shares were acquired based on an authorization granted to the Board of Directors by the shareholders and in accordance with Ministerial Decrees No.10 of 1987 and No. 11 of 1988. Reserves equivalent to the cost of treasury shares held are not distributable.

23. IMPAIRMENT LOSSES

During the year management has carried out impairment testing on a variety of assets to assess the recoverability of these assets. Summarised below are the impairment losses recognised as at year end.

	2009	2008
	KD	KD
Available for sale investments	2,498,682	30,580,892
Accounts receivable and other assets	660,278	477,002
Non current asset held for sale	370,000	720,000
Investment in associates	4,134,805	1,293,131
	7,663,765	33,071,025

24. OTHER INCOME

	2009	2008
	KD	KD
Consultancy income	760,000	132,000
Other miscellaneous income	25,188	394,283
	785,188	526,283

25. GENERAL AND ADMINISTRATIVE EXPENSES

	2009	2008
	KD	KD
Staff costs	980,542	2,260,206
Legal and professional fees	214,944	795,119
Rent	212,475	260,047
Depreciation and amortisation	141,756	82,309
Employee share option expenses	-	529,430
Others	464,349	528,916
	2,014,066	4,456,027

26. LOSS PER SHARE

Basic and diluted loss per share is computed by dividing loss attributable to equity holders of the parent company by the weighted average number of shares outstanding during the year. The following reflects loss and weighted average number of shares outstanding during the year used in computation of earnings per share:

	2009	2008
	KD	KD
Loss for the year attributable to equity owners of the parent (KD)	(16,136,030)	(24,867,095)
Weighted average number of shares less treasury shares (Nos)	772,447,539	690,239,944
Loss per share (fils)	(20.89)	(36.03)

27. FIDUCIARY ASSETS

Third party funds managed by the parent company and assets held in trust or in a fiduciary capacity and related liabilities are not treated as the group's assets or liabilities and accordingly are not included in these consolidated financial statements. Total fiduciary assets as at the financial position date amounted to KD 139,446,231 (2008: KD 168,752,961).

28. COMMITMENTS AND CONTINGENCIES

	2009	2008
	KD	KD
Bank guarantees	1,870,000	400,000
Operating lease commitments		

At 31 December2009, future minimum lease commitments were as follows:

	2009	2008
	KD	KD
Not later than one year	270,000	-
Later than one year but not later than five years	1,800,000	-
More than five years but not later than twenty years	5,130,000	-

The group, jointly with a third party, and through one of its subsidiaries, has a commitment relating to the purchase of the right of utilisation of land amounting KD 22,000,000. During the year, the group paid an advance of KD 4,400,000, which is included in project advances, against this commitment (refer note 7). The group shall pay its share of the balance of KD 13,200,000 upon the transfer of the right of utilisation of land.

29. PROPOSED DIVIDENDS

The board of directors proposed no dividends for the year ended 31 December 2009. This proposal is subject to the approval of the shareholder's General Assembly and also recommended the amortization of accumulated losses as at 31 December 2009 amounting to KD 38,139,687 by way of using:

	KD
Statutory reserve in full	4,352,245
Voluntary reserve in full	4,346,553
Part of share premium	29,440,889
	38,139,687

The Shareholders' ordinary General Assembly held on 21 May 2009 approved the financial statements for the year ended 31 December 2008. No bonus shares or no cash dividends were approved for the year ended 31 December 2008.

30. FINANCIAL INSTRUMENTS

(a) Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The group sets the amount of capital in proportion to risk. The group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the 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.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The group credit policy and exposure to credit risk are

monitored on an ongoing basis. The group seeks to avoid undue concentration of risks with individuals or group of customers in specific locations or business through diversification of lending activities. It also obtains security when appropriate.

The maximum credit risk exposure arising from default of the counter-party is limited to the carrying amount of cash and cash equivalents, accounts receivable, investments at fair value through statement of income and available for sale investments.

(c) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. There is a risk of losses due to exchange rate fluctuations and the group does not hedge foreign currency exposure.

At 31 December 2009, the group had the following significant exposures denominated in foreign currencies:

	2009 Equivalent	2008 Equivalent
	KD	KD
US Dollars	19,539,326	14,259,787
Qatari Riyal	(27,630,538)	(26,770,338)
UAE Dirhams	57,052,001	57,597,101
Egyptian Pounds	3,052,045	3,035,273
Saudi Riyal	1,857,085	1,584,981
Bahraini Dinar	6,894,049	6,696,980
Jordanian Dinar	1,037,010	487,562
Net assets denominated in foreign currency	61,800,978	56,891,346

The table below analyse the effect of a 5% strengthening in value of the currency rate against the Kuwaiti Dinar from levels applicable at 31 December 2009, with all other variables held constant on the consolidated statement of income and equity. A negative amount in the table reflects a potential net reduction in consolidated statement of income or equity, while a positive amount reflects a net potential increase.

Currency	Change in currency rate in	2009 Effect on profit	2009 Effect on equity	2008 Effect on profit	2008 Effect on equity
	%	KD	KD	KD	KD
USD	+5	9,123	967,843	330,599	382,390
QAR	+5	(1,436,361)	54,834	(1,379,301)	40,784
AED	+5	703,720	2,148,880	557,704	2,322,151
EGP	+5	125,424	27,178	151,764	-
SAR	+5	92,854	-	79,249	-
BHD	+5	1,895	342,807	334,849	-
JOD	+5	-	51,850	24,378	-

(d) Liquidity risk

Liquidity risk is the risk that the group will be unable to meet its liabilities when they fall due. The group's main liquidity risk is from wakala payables and to limit this risk, management has rescheduled the majority of its wakala payables and is confident that they will be able to subsequently renew the due dates again (refer note 14). Management manages assets with liquidity in mind, and monitors liquidity on a daily basis. For liquidity profile of financial assets and liabilities as at 31 December 2009 and 2008 (refer note 32).

(e) Equity price risk

Equity price risk is the risk that the value of financial instruments will fluctuate as a result of changes in equity prices. Financial instruments, which potentially subject the group to equity price risk, consist principally of investments at fair value through statement of income, available for sale investments and investment in an associate. The group manages this risk by diversifying its investments on the basis of the pre-determined asset allocations across various categories, continuous appraisal of market conditions and trends and management estimate of long and short term changes in fair value.

The following table demonstrates the sensitivity of the changes in fair value to reasonably possible

changes in equity prices, with all other variables held constant. The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increases shown.

	Change in equity price	Effect on profit before KFAS, NLST, Zakat & Directors' fees	Effect on equity	Change in equity price	Effect on profit before KFAS, NLST, Zakat & Directors' fees	Effect on equity
	2009	2009	2009	2008	2008	2008
	KD	KD	KD	KD	KD	KD
Kuwait	+5 %	1,968,099	1,072,593	+5%	2,949,084	1,205,815
Middle East	+5 %	410,383	2,675,976	+5%	351,044	2,620,467
China	+5 %	-	541,941	+5%	-	279,804

(f) Fair value of financial instruments

a) Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets are determined as follows.

- The fair values of financial assets (quoted equity securities) with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- The fair values of financial assets (unquoted funds) are determined based on prices from observable current market transactions.
- The fair values of other financial assets (unquoted equity securities) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using market data that are unobservable.

b) Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
31 December 2009	**KD**	**KD**	**KD**	**KD**
Investments at fair value through statement of income				
Quoted equities	1,639,445	-	-	1,639,445
Managed funds	-	1,850,230	-	1,850,230
Available-for-sale investments				
Quoted equities	25,533,242	-	-	25,533,242
Unquoted equities	-	-	60,276,951	60,276,951
Total	27,172,687	1,850,230	60,276,951	89,299,868

Reconciliation of Level 3 fair value measurements of financial assets

31 December 2009	**Available for sale Investments**
Beginning balance	66,141,840
Total gains or losses	
In profit or loss	(1,493,489)
In other comprehensive income	162,156
Purchases / sales (net)	1,062,532
Reclassification to quoted equities	(5,596,088)
Ending balance	60,276,951

31. SEGMENT INFORMATION

The group has adopted IFRS 8 Operating Segments with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the group that are regularly reviewed by the chief operating decision maker in order to assess its performance on a geographical basis as the parent company has only one business segment which is investment.

31 December 2009	Kuwait	China	Others	Total
	KD	KD	KD	KD
Total revenue	(9,017,392)	-	799,180	(8,218,212)
Segment results	(13,490,952)	-	(2,762,468)	(16,253,420)
Segment assets	97,286,497	10,838,819	78,303,965	186,429,281
Segment liabilities	40,951,629	-	28,727,211	69,678,840

31 December 2008	Kuwait	China	Others	Total
	KD	KD	KD	KD
Total revenue	(12,756,102)	-	2,090,999	(10,665,103)
Segment results	(24,546,404)	-	(324,310)	(24,870,714)
Segment assets	128,146,802	5,596,088	74,918,566	208,661,456
Segment liabilities	56,582,098	-	27,586,819	84,168,917

Geographical segment others includes, United Arab Emirates, Qatar, Bahrain, Saudi Arabia, Egypt and Jordan.

32. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The group's maturity profile set out below is based on the remaining period at the financial position date to the contractual maturity date. In the case of financial instruments that do not have a contractual maturity date, the maturity is based on management's estimate of time period in which the asset will be collected or disposed and the liability settled.

	Up to 1 year Up to 1 year KD	Over 1 year Over 1 year KD	Total Total KD
At 31 December 2009			
Assets			
Cash and cash equivalents	505,299	-	505,299
Investments at fair value through statement of income	3,489,675	-	3,489,675
Wakala receivables	7,115,525	-	7,115,525
Accounts receivable and other assets	9,879,964	-	9,879,964
Due from related parties	3,157,981	-	3,157,981
Available for sale investments	-	85,810,193	85,810,193
Non-current asset held for sale	18,324,454	-	18,324,454
Total assets	42,472,898	85,810,193	128,283,091
Liabilities			
Due to banks	902,519	-	902,519
Wakala payables	54,860,356	11,000,000	65,860,356
Accounts payable and other liabilities	2,574,594	-	2,574,594
Provision for staff indemnity	-	341,371	341,371
Total liabilities	58,337,469	11,341,371	69,678,840
At 31 December 2008			
Assets			
Cash and cash equivalents	12,962,366	-	12,962,366
Investments at fair value through statement of income	5,128,713	-	5,128,713
Wakala receivable	7,766,500	-	7,766,500
Accounts receivable and other assets	9,684,002	-	9,684,002
Available for sale investments	-	82,121,729	82,121,729
Non-current asset held for sale	17,603,998	-	17,603,998
Total assets	**53,145,579**	**82,121,729**	**135,267,308**
Liabilities			
Wakala payables	29,457,236	42,315,936	71,773,172
Due to related parties	714,827	-	714,827
Accounts payable and other liabilities	4,377,178	-	4,377,178
Provision for corporate guarantee	7,000,000	-	7,000,000
Provision for staff indemnity	-	303,740	303,740
Total liabilities	**41,549,241**	**42,619,676**	**84,168,917**

33. COMPARATIVE FIGURES

Certain comparative figures have been re-classified to conform to current year's presentation.