KCIC

Your gateway
to Asia

Annual Report **2009**

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His Highness Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah
Amir of the State of Kuwait

His Highness Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah
Crown Prince

His Highness Sheikh Nasser Al-Mohammed Al-Ahmad Al-Sabah
Prime Minister

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BOARD MEMBERS

Omar Kutayba Al-Ghanim
Chairman

Jassim Mustafa Boodai
Deputy Chairman

H.E. Prince Naif Bin Sultan Bin Mohammed Bin Saoud Al-Kabir
Board Member

Kutayba Y. Al-Ghanim
Board Member

Fahad Khaled Al-Zamami
Board Member

Talal Jassim Al-Kharafi
Board Member

Noora Sulaiman Al-Fassam
Board Member

Ahmad Abdlatif Al-Hamad
Managing Director

STATEMENT FROM THE CHAIRMAN OF THE BOARD

Dear Shareholders,

There could not have been a more remarkable contrast to the events of 2008 than the events of 2009. The world was rapidly heading on a course towards global financial collapse only to be swiftly pulled back from the brink. Where markets had declined sharply by 60% to 70% across Asia in 2008, last year witnessed astonishing rebounds across all markets. While most economies had several periods of negative or no growth, China alone recorded 8.7% GDP growth in 2009, while Asia ex Japan grew at 5.9%.

The global economy was saved through the dramatic and concerted efforts of governments across the world in their swift actions of approving massive stimulus packages. In the US and Europe, governments took the unprecedented action of semi-nationalising the financial sector to help unlock the credit cycle and reinvigorate their economies. Government investment was used effectively to shore up the dramatic drop in global demand. China, interestingly enough, was one of the first countries to act by announcing a RMB4 trillion stimulus package aimed at infrastructure development and consumption. India alone, remained quite insulated from the global slowdown due to its healthy and massive domestic market.

This shift of global growth to Asia has continued to validate KCIC's strategy as the weight of demographics became an important factor in global growth. We are witnessing a paradigm shift towards Asia's ability to produce and consume its own goods and services. KCIC's vision has and will continue to be focused on the domestic consumption theme while building internal capabilities in sectors such as real estate, financial services, infrastructure and energy.

KCIC had a record year since inception four years ago by continuing to source and pursue unique opportunities in Asia without losing sight of its thorough diligent and strong risk management.

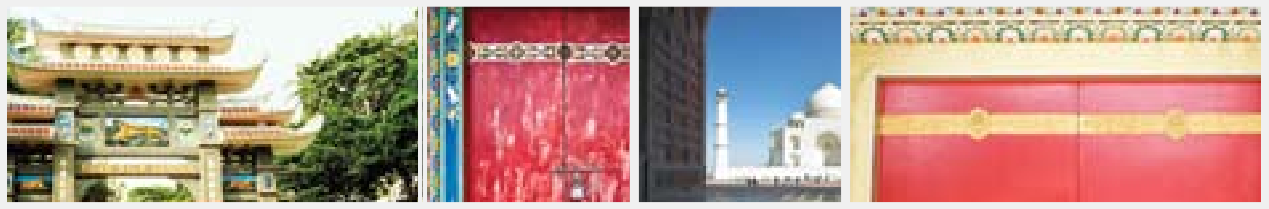
Total income for 2009 was KD17.8 million as against a loss of KD 19.2 million in the previous year, mainly driven by the gains in its hedge fund and derivatives portfolio leading to KD8.6 million and KD5.9 million on realized and unrealized profits in comparison with realized and unrealized loss of KD 2.9 million and KD 19.9 million respectively in the previous year. While other income contributed another KD2.9 million in comparison with KD 2.5 million made during the previous year. More importantly, this was achieved while maintaining one of the healthiest balance sheets among its peer group utilizing nominal leverage and maintaining a robust cash balance.

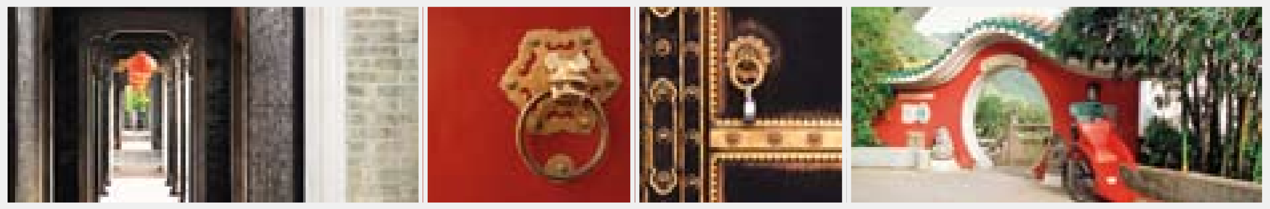
The coming year will represent an important milestone for KCIC, the firm looks to developing its inroads into the Asian markets while remaining focused on servicing its institutional clients in the Gulf. We believe that Asia will carry on offering attractive opportunities and investors will continue to see Asia as a choice destination for their investment. This coming year will also be the year in which KCIC will open its representative office in China.

Finally, it is my pleasure to express, on behalf of KCIC's Board of Directors, employees and myself, our sincere gratitude and appreciation to H.H. The Emir of Kuwait Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah, H.H. The Crown Prince Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah, H.H. The Prime Minister Sheikh Nasser Al-Mohammed Al-Sabah, as well as to members of our government for their continued support of Kuwait's national institutions and companies, praying to God the Almighty to bestow upon our beloved homeland, blessing of safety, security and prosperity.

I would also like to express my sincere gratitude and appreciation to the company's management and its staff members for their commitment and dedication to KCIC without which none of the outstanding performance of the past year could have been achieved. KCIC's aim will continue to become one of the leading financial institutions in Kuwait as well as a respected firm in its respective markets in order to continue delivering a first class service to its clients and shareholders. This will only be possible through the dedication of the firm to excellence at the highest levels.

Omar Kutayba Al-Ghanim
Chairman of the Board





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AUDITORS' REPORT

Independent to the Shareholders of Kuwait China Investment Company K.S.C.

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for 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 the management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

AUDITORS' REPORT (Continued)

Independent to the Shareholders of Kuwait China Investment Company K.S.C.

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Commercial Companies Law of 1960, as amended, and by the Parent Company's articles of association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Commercial Companies Law of 1960, as amended, nor of the Parent Company's articles of association have occurred during the year ended 31 December 2009 that might have had a material effect on the business of the Group or on its financial position.

We further report that, during the course of our audit, we have not become aware of any material violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations during the year ended 31 December 2009.

WALEED A.AL OSAIMI
LICENCE NO.68 A
OF ERNST & YOUNG

ALI A.AL HASAWI
LICENCE NO.30 A
RÖDL MIDDLE EAST
BURGAN - INTERNATIONAL ACCOUNTANTS

31 March 2010
Kuwait

CONSOLIDATED STATEMENT OF INCOME

Year ended 31 December 2009

	Note	2009 KD	2008 KD
Realised gains (losses) on investments at fair value through statement of income		**8,606,160**	(2,891,130)
Unrealised gains (losses) on investments at fair value through statement of income		**5,910,035**	(19,902,097)
Realised gain on sale of financial assets available for sale		**369,870**	1,071,675
Interest income		**1,317,109**	2,063,538
Management and advisory fees		**238,724**	228,913
Dividend income		**464,642**	229,315
Gain (loss) on foreign currencies		**889,598**	(56,383)
Other income		**19,095**	22,324
TOTAL INCOME		**17,815,233**	(19,233,845)
Finance costs		**2,758**	8,300
Staff costs		**3,579,051**	1,065,443
General and administrative expenses		**754,704**	349,375
Impairment loss on money market fund	4	**2,932,880**	733,220
Provision for impairment		**1,480,869**	(526,317)
TOTAL EXPENSES		**8,750,262**	1,630,021
PROFIT (LOSS) BEFORE CONTRIBUTION TO KFAS, NLST, ZAKAT AND DIRECTORS' REMUNERATION		**9,064,972**	(20,863,866)
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		**(29,111)**	-
National Labour Support Tax (NLST)		**(226,624)**	-
Zakat		**(90,650)**	-
Directors' remuneration		**(35,000)**	-
PROFIT (LOSS) FOR THE YEAR		**8,683,587**	(20,863,866)
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE	3	**10.9 Fils**	(26.1) Fils

The attached notes 1 to 25 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For year ended 31 December 2009

	2009 KD	2008 KD
Profit (loss) for the year	**8,683,587**	(20,863,866)
Other comprehensive income (loss)		
Change in fair value of financial assets available for sale	**1,270,067**	56,583
Gain realised during the year	**(369,870)**	(1,071,675)
Other comprehensive income (loss) for the year	**900,197**	(1,015,092)
Total comprehensive income (loss) for the year	**9,583,784**	(21,878,958)

The attached notes 1 to 25 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	Note	2009 KD	2008 KD
ASSETS			
Cash and balances with banks and other financial institutions	4	**31,488,137**	35,457,477
Financial assets at fair value through statement of income	5	**25,361,489**	16,543,427
Financial assets available for sale	6	**29,509,995**	25,391,531
Other assets	7	**1,617,380**	4,116,461
TOTAL ASSETS		**87,977,001**	81,508,896
LIABILITIES AND EQUITY			
LIABILITIES			
Accounts payable and accruals	8	**3,546,737**	6,662,416
EQUITY			
Share capital	9	**80,000,000**	80,000,000
Statutory reserve	10	**2,015,417**	1,691,958
Voluntary reserve	11	**526,317**	-
Cumulative changes in fair values		**(114,895)**	(1,015,092)
Retained earnings /(accumulated losses)		**2,003,425**	(5,830,386)
TOTAL EQUITY		**84,430,264**	74,846,480
TOTAL LIABILITIES AND EQUITY		**87,977,001**	81,508,896

Jassim Mustafa Boodai
Vice Chairman

Fahad Khaled Al-Zamami
Board Member

The attached notes 1 to 25 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2009

	Note	2009 KD	2008 KD
OPERATING ACTIVITIES			
Profit (loss) before contribution to KFAS, NLST, Zakat and Directors' remuneration		**9,064,972**	(20,863,866)
Adjustments for:			
Unrealised (gains)/loss on financial assets at fair value through statement of income		**(5,910,035)**	19,902,097
Realised gain on financial assets available for sale		**(369,870)**	(1,071,675)
Interest income		**(1,317,109)**	(2,063,538)
Dividend income		**(464,642)**	(229,315)
Finance costs		**2,758**	8,300
(Gain)/loss on foreign currencies		**(889,598)**	56,383
Impairment loss on money market fund	4	**2,932,880**	733,220
Provision for impairment		**1,480,869**	(526,317)
		4,530,225	(4,054,711)
Decrease (increase) in operating assets and liabilities:			
Financial assets at fair value through statement of income		**6,925,318**	19,834,501
Other assets		**2,821,147**	(3,858,194)
Accounts payable and accruals		**(2,607,466)**	6,153,034
Cash from operations		**11,669,224**	18,074,630
Payment of contribution to KFAS		**-**	(101,071)
Payment to Zakat		**-**	(6,862)
Payment of Directors' fees		**-**	(35,000)
Net cash from operating activities		**11,669,224**	17,931,697
INVESTING ACTIVITIES			
Purchase of financial assets available for sale		**(16,083,017)**	(10,899,034)
Investment in money market fund		**-**	(3,666,100)
Proceeds from sale of financial assets available for sale		**3,173,870**	2,033,269
Interest income received		**1,222,450**	2,221,473
Dividend income		**464,642**	229,315
Net cash used in investing activities		**(11,222,055)**	(10,081,077)
FINANCING ACTIVITIES			
Finance costs paid		**(2,758)**	(8,300)
Net cash used in financing activities		**(2,758)**	(8,300)
INCREASE IN CASH AND CASH EQUIVALENTS		**444,411**	7,842,320
Cash and cash equivalents at 1 January		**32,659,471**	24,817,151
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	4	**33,103,882**	32,659,471

The attached notes 1 to 25 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Share capital KD	Statutory reserve KD	Voluntary reserve KD	Cumulative changes in fair values KD	Retained earning (accumulated losses) KD	Total KD
Balance at 1 January 2009	**80,000,000**	**1,691,958**	**-**	**(1,015,092)**	**(5,830,386)**	**74,846,480**
Profit for the year	**-**	**-**	**-**	**-**	**8,683,587**	**8,683,587**
Other comprehensive income	**-**	**-**	**-**	**900,197**	**-**	**900,197**
Total comprehensive income	**-**	**-**	**-**	**900,197**	**8,683,587**	**9,583,784**
Transfer to reserve	**-**	**323,459**	**526,317**	**-**	**(849,776)**	**-**
Balance at 31 December 2009	**80,000,000**	**2,015,417**	**526,317**	**(114,895)**	**2,003,425**	**84,430,264**
Balance at 1 January 2008	80,000,000	1,691,958	-	-	15,033,480	96,725,438
Loss for the year	-	-	-	-	(20,863,866)	(20,863,866)
Other comprehensive loss	-	-	-	(1,015,092)	-	(1,015,092)
Total comprehensive loss	-	-	-	(1,015,092)	(20,863,866)	(21,878,958)
Balance at 31 December 2008	80,000,000	1,691,958	-	(1,015,092)	(5,830,386)	74,846,480

The attached notes 1 to 25 form part of these consolidated financial statements.

1- COPORATE INFORMATION

The Group comprises Kuwait China Investment Company K.S.C. (the "Parent Company") and its subsidiaries (collectively "the Group"). The Parent Company is a Kuwaiti shareholding company incorporated on 12 December 2005 under the Commercial Companies Law No. 15 of 1960 and amendments thereto. The Parent Company is regulated by the Central Bank of Kuwait ("CBK") as an investment company.

The Group is engaged in investment activities and related financial services. The Parent Company's registered office is at Dhow Tower, 19th Floor, Khaled Bin Al-Waleed Street, Sharq, Kuwait.

The consolidated financial statements for the year ended 31 December 2009 were authorised for issue in accordance with a resolution of the Parent Company's Board of Directors on 31 March 2010 and are subject to the approval of the General Assembly of the shareholders of the Parent Company. The Annual General Assembly of the shareholders has the power to amend these consolidated financial statements after issuance.

2-1 BASIS OF PREPARATION

Statement of compliance

The consolidated financial statements have been prepared in accordance with the regulations of the Government of Kuwait for financial services institutions regulated by the Central Bank of Kuwait. These regulations require adoption of all International Financial Reporting Standards (IFRS) except for the IAS 39 requirement for collective provision, which has been replaced by the CBK's requirement for a minimum general provision as described under the accounting policy for impairment of financial assets.

Basis of preparation

The consolidated financial statements are prepared under the historical cost convention as modified for the revaluation at fair value of financial assets fair value through statement of income, financial assets available for sale, and derivatives financial instruments.

The consolidated financial statements have been presented in Kuwaiti Dinars (KD), which is the Parent Company's functional and presentation currency.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December each year. 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.

A subsidiary is fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continues to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies for like transactions and other events in similar circumstances.

2-1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

The financial statements of subsidiaries are consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Significant inter-company balances and transactions, including inter-company profits and unrealised profits and losses are eliminated on consolidation.

The consolidated financial statements comprise the financial statements of the Parent Company and its established subsidiaries as stated below:

		Effective equity interest as at	
Name of company	**Country of incorporation**	**2009**	2008
KCIC Asset Management (Cayman) Ltd.	Cayman Islands	**100%**	-
KCIC Asia Gateway Fund Limited	Cayman Islands	**100%**	-

2-2 CHANGES IN ACCOUNTING POLICIES

The significant accounting policies used in preparation of the consolidated financial statements are consistent with those used in the previous financial year except as noted below:

- IFRS 7: Financial Instruments: Disclosures (Amended)
- IFRS 8: Operating Segments
- IAS 1: Presentation of Financial Statements (Revised)
- IAS 10: Events after the Reporting period (Amended)
- IAS 16: Property, Plant and Equipment (Amended)
- IAS 27: Consolidated and separate Financial Statements (Revised)
- IAS 32: Financial instruments: Presentation (Amended)
- IAS 36: Impairment of assets (Amended)
- IAS 39: Financial instruments: recognition and measurement (Amended)

IFRS 7 Financial Instruments: Disclosures:

The amended standard requires additional disclosures about fair value measurement. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The fair value measurement disclosures are presented in Note 24.

IFRS 8 'Operating segments'

The new standard, which replaced IAS 14 'Segment reporting', requires a management approach for segment reporting under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision maker.

2-2 CHANGES IN ACCOUNTING POLICIES (continued)

IAS 1 'Presentation of Financial Statements' (Revised):

The revised standard requires only owner changes in equity to be presented in the consolidated statement of changes in equity. All non-owner changes in equity (i.e. other comprehensive income) are required to be presented separately from owner changes in equity in a performance statement (consolidated statement of other comprehensive income). Components of other comprehensive income are not permitted to be presented in the statement of changes in equity. The Group has elected to present the consolidated statement of income and the consolidated statement of other comprehensive income separately.

IAS 27 Consolidated and Separate Financial Statements (Revised 2008)

The revised standard becomes effective for financial years beginning on or after 1 July 2009. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in the consolidated statement of income. The changes in IAS 27 will affect future acquisitions or loss of control and transactions with minority interests.

Improvement to IFRSs

In May 2008 and April 2009 the IASB issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments, relevant to the Group, has resulted in changes to certain accounting polices but did not have any impact on the financial position or performance of the Group.

- IFRS 7 Financial Instruments: Disclosures: the amendment removed the reference to 'total interest income' as a component of finance costs. This had no impact to the accounting policy and financial position of the Group as this policy was already applied.
- IAS 10 Events after the Reporting period: the amendment clarifies that dividends declared after the end of the reporting period are not obligations. This had no impact to accounting policy and financial position of the Group as this was already applied.
- IAS 16 Property, Plant and Equipment: replaces the term 'net selling price' with 'fair value less costs to sell'. The change in accounting policy did not impact the Group's financial position.
- IAS 18 Revenue: the amendment replaces the term 'direct costs' with 'transaction costs' as defined in IAS 39.
- IAS 27 (Amended) Consolidated and Separate Financial statements: this amendment requires that any subsidiaries held in accordance with IAS 39 continue to be treated at that value when they meet the definition of held for sale. The change in accounting policy did not impact the Group's financial position, as no subsidiaries meet the criteria under IFRS 5, and the Group does not account for any subsidiaries at fair value on subsequent measurement.
- IAS 36 Impairment of Assets: when discounted cash flows are used to estimate 'fair value less cost to sell' additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate 'value in use'. This amendment has no immediate impact on the disclosures of the consolidated financial statements of the Group because the recoverable amount of its cash generating units is currently estimated using 'value in use'.

2-2 CHANGES IN ACCOUNTING POLICIES (continued)

New and revised International Accounting Standards Board (IASB) Standards and International Financial Reporting Interpretations Committee (IFRIC) Interpretations relevant to the Group, issued, but not yet effective

The following IASB Standards and IFRIC Interpretations relevant to the Group have been issued but are not yet mandatory, and have not yet been adopted by the Group:

- IFRS 3: Business Combinations (Revised) (effective for annual periods beginning1 July 2009)
- IFRS 9: Financial Instruments: Classification and Measurement (effective 1 January 2013)
- IAS 27: Consolidated and separate financial statements (Revised) (effective 1 July 2009)
- IFRIC Interpretation 9: Reassessment of Embedded Derivatives (effective 1 July 2009)

IFRS 3R introduces a number of changes in the accounting for business combinations occurring after this date that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27R requires that a change in the ownership interest of subsidiaries (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiaries as well as the loss of control of subsidiaries. Other consequential amendments were made to IAS 7 Statement of Cash Flows, IAS 12 Income Taxes, IAS 21 The Effects of Changes in Foreign Exchange Rates, IAS 28 Investment in Associates and IAS 31 Interests in Joint Ventures. The changes by IFRS 3R and IAS 27R will affect future acquisitions or loss of control and transactions with minority interests. These standards may be early applied. However, the Group does not intend to take advantage of this possibility.

IFRS 9: Financial Instruments: Classification and Measurement

On 13 November 2009, the IASB issued the chapters of IFRS 9 relating to the classification and measurement of financial assets. IASB intends that IFRS 9 will ultimately replace IAS 39 in its entirety. However, in response to requests from interested parties that the accounting for financial instruments should be improved quickly, IASB divided its project to replace IAS 39 into three main phases. As the IASB completes each phase, as well as its separate project on the derecognition of financial instruments, it will delete the relevant portions of IAS 39 and create chapters in IFRS 9 that replace the requirements in IAS 39. IASB aims to replace IAS 39 in its entirety by the end of 2010. The Group has not early adopted this standard for year ended 31 December 2009.

Adoption of other IASB Standards and IFRIC Interpretations will not have material effect on the financial performance, position or the consolidated financial statements of the Group. Additional disclosures will be made in the consolidated financial statements when these standards and interpretations become effective.

2-3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received. The following specific recognition criteria must also be met before revenue is recognised:

Dividend

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

Interest income

Interest income is recognised as interest accrues using the effective yield method.

Fee income

Placement and advisory fees are recognised when specific advisory services are rendered. Management fees relating to portfolios, fund management and custody services are recognised when earned. Incentive fees are recognised when earned, being the time the risk of realisation of such fees no longer exists.

Taxation

Kuwait Foundation for the Advancement of Sciences (KFAS)

The Group calculates the contribution to KFAS at 1% share of profit for the period in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that the transfer to statutory reserve should be excluded from profit for the period when determining the contribution.

National Labour Support Tax (NLST)

The Group calculates the NLST in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit for the period. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST have been deducted from the profit for the year.

Zakat

Contribution to Zakat is calculated at 1% of the profit of the Group in accordance with the Ministry of Finance resolution No. 58/2007 effective from 10 December 2007.

Cash and cash equivalents

For purposes of the statement of cash flows, cash and cash equivalents includes cash and balances with banks and financial institutions, less blocked deposit and due to bank and other short-term borrowings due within three months of the contract date.

Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through statement of income, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, or derivates as appropriate. The Group determines the classification of its financial assets at initial recognition.

2-3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Initial recognition and measurement (continued)

Financial assets are recognised initially at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within frame established by regulation or convention in the market place (regular way purchases) are recognised on the trade date, i.e., the date that Group commits to purchase or sell the asset.

The Group's financial assets include quoted and unquoted financial instruments, other assets and derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through statement of income

Financial assets at fair value through statement of income includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through statement of income. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on financial assets held for trading are recognised in the consolidated statement of income. Financial assets are designated at fair value through statement of income if they are managed and their performance is evaluated on reliable fair value basis in accordance with documented investment strategy. After initial recognition financial assets at fair value through statement of income are remeasured at fair value with all changes in fair value recognised in the consolidated statement of income.

Derivative instruments are categorised as held for trading unless they are designated as hedging instruments.

The Group evaluated its financial assets at fair value through statement of income (held for trading) whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances.

Financial assets available for sale

Financial assets available for sale are those non-derivative financial assets that are designated as available for sale or are not classified as investments at fair value through statement of income, investments held-to-maturity or loans and receivables.

After initial measurement, financial assets available for sale are subsequently measured at fair value with gains or losses being recognised as other comprehensive income in the cumulative changes in fair values reserve until the investment is derecognised or impaired at which time the cumulative gain or loss is recognised in the consolidated statement of income. Investments whose fair value cannot be reliably measured are carried at cost less impairment losses, if any.

2-3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Financial assets available for sale (continued)

The Group evaluated its financial assets available for sale whether the ability and intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management intent significantly changes to do so in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through statement of income and loan and borrowings, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value and in the case of loans and borrowings, including directly attributable transaction costs.

The Group's financial liabilities include accounts payable and accruals.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2-3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated statement of income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the consolidated statement of income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the statement of income.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

Available for sale investments

For available-for-sale investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of income – is removed from cumulative changes in fair value and recognised in the statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income; increases in their fair value after impairment are recognised directly in other comprehensive income.

2-3 SIGNIFICANT ACCOUNTING POLICIES (continued)
Impairment of financial assets (continued)
Available for sale investments (continued)
In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of income.

Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the consolidated statement of income the impairment loss is reversed through the consolidated statement of income.

In addition, in accordance with Central Bank of Kuwait instructions, a minimum general provision is made on all applicable credit facilities (net of certain categories of collateral) that are not provided for specifically.

In March 2007, the Central Bank of Kuwait issued a circular amending the basis of making general provisions on facilities changing the rate from 2% to 1% for cash facilities and from 2% to 0.5% for non-cash facilities. The required rates were applied effective from 1 January 2007 on the net increase in facilities, net of certain restricted categories of collateral, during the reporting period.

Derecognition of financial assets and 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 when:
- The rights to receive cash flows from the asset have expired;
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group 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 or has entered into a pass-through arrangement, 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. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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.

2-3 SIGNIFICANT ACCOUNTING POLICIES (continued)
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, and the difference in the respective carrying amounts is recognised in the consolidated statement of income.

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

For mutual fund investments, fair value is determined based on net asset values reported by the fund managers.

For investments where there is no quoted market price, a reasonable estimate of the fair value is determined by using valuation techniques, such as recent arm's length transactions, reference to the current fair value of another instrument that is substantially the same, an earnings multiple, or is based on the expected cash flows of the investment discounted at current rates applicable for items with similar terms and risk characteristics. Fair value estimates take into account liquidity constraints and assessment for any impairment.

Investments with no reliable measures of their fair values and for which no fair value information could be obtained are carried at their initial cost less impairment in value.

The fair value of interest bearing financial instruments is estimated based on discounted cash flows using interest rates for items with similar terms and risks characteristics.

The fair value of unquoted derivatives is determined either by discounted cash flows or by reference to a broker's quotes.

An analysis of fair value of financial instruments and further details as to how they are measured are provided in Note 24.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to off set the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Provisions
Provisions are recognised when the Group has a present obligation (legal or contractual) arising from a past event and the costs to settle the obligation are both probable and measurable.

2-3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

The consolidated financial statements are presented in Kuwaiti Dinars, which is the Parent Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

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

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at closing rate.

Group companies

As at the reporting date, the assets and liabilities of foreign subsidiaries are translated into the Parent Company's presentation currency (Kuwaiti Dinars) at the rate of exchange ruling at the reporting date, and the statements of income translated at the weighted average exchange rates for the year. Exchange differences arising on translation are included in the consolidated statement of comprehensive income as foreign exchange translation adjustments within equity. On disposal of a foreign entity, the deferred cumulative amount recognised in other comprehensive income relating to the particular foreign operation is recognised in the consolidated statement of income.

Derivatives

Derivative instruments are initially recognised in the statement of financial position at cost (including transaction costs) and subsequently measured at their fair value.

The Group enters into derivative financial instruments including equity and index options. Derivatives are stated at fair value. The fair value of a derivative is the equivalent of the unrealised gain or loss from marking to market the derivative using prevailing market rates or internal pricing models. Derivatives with positive market values (unrealised gains) are included in other assets and derivatives with negative market values (unrealised losses) are included in accounts payable and accruals in the consolidated statement of financial position.

The resultant gains and losses from derivatives are included in the consolidated statement of income.

2-3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Segment information

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products and services within a particular economic environment (geographic segment), which is subject to risks and rewards that are different from those of other segments.

Contingencies

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

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

2-4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Judgements

The preparation of the Group's consolidated financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about the assumptions and estimates could result in outcomes that require a material adjustment to the amount of the asset or liability affected in future periods.

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Classification of financial assets

Management decides on acquisition of a financial asset whether it should be classified as held for trading, at fair value through statement of income, or available for sale.

The Group classifies financial assets as held for trading if they are acquired primarily for the purpose of selling in near term.

Classification of financial assets as fair value through statement of income depends on how management monitor the performance of these financial assets. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported in the statement of income in the regular management accounts, they are classified as at fair value through statement of income.

All other financial assets are classified as available for sale.

Impairment of investments

The Group treats available for sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgement. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

2-4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgements (continued)

Impairment of investments (continued)

In the case of debt instruments investments classified as available for sale investments, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of income. If, in a subsequent year, the fair value of a debt instruments increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Valuation of unquoted equity investments

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

- recent arm's length market transactions;
- current fair value of another instrument that is substantially the same;
- an earnings multiple or industry specific earnings multiple;
- 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. There are a number of investments where this estimation cannot be reliably determined. As a result, these investments are carried at cost less impairment.

3- BASIC AND DILUTED EARNING (LOSS) PER SHARE

	2009	2008
Profit (loss) for the year (KD)	8,683,587	(20,863,866)
Number of shares outstanding during the year	800,000,000	800,000,000
Basic and diluted earnings (loss) per share	10.8 fils	(26.1) fils

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
At 31 December 2009

4- CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes the following:

	2009 KD	2008 KD
Cash and bank balances	10,419,846	290,602
Balances with a foreign financial institution	7,148,202	2,134,552
Balances with local financial institutions	8,078,725	13,487,383
Investment in foreign money market fund	7,457,109	16,746,934
Investment in local money market fund	3,666,100	3,666,100
	36,769,982	36,325,571
Less: General provision	(1,615,745)	(134,874)
Impairment loss on local money market fund	(3,666,100)	(733,220)
Cash and balances with bank and financial institutions	31,488,137	35,457,477
Add: General provision	1,615,745	134,874
Less: Investment in local money market fund (net of impairment loss)	-	(2,932,880)
Cash and cash equivalents as per statement of cash flows	33,103,882	32,659,471

In accordance with the Central Bank of Kuwait's regulations (note 2), management has taken general provision against a placement with a local financial institution of KD 1,615,745 (2008: KD 134,874).

5- FINANCIAL ASSETS AT FAIR VALUE THROUGH STATEMENT OF INCOME

	2009 KD	2008 KD
Financial assets held for trading:		
Foreign quoted securities	658,690	4,371,256
Financial assets designated at fair value through statement of income:		
Mutual fund investments	22,115,722	9,697,006
Foreign unquoted securities	2,587,077	2,475,165
	24,702,799	12,172,171
	25,361,489	16,543,427

The mutual fund investments are carried at net asset values provided by the fund managers.

The hierarchy for determining and disclosing the fair values of financial instruments by valuation technique are presented in Note 23.

6- FINANCIAL ASSETS AVAILABLE FOR SALE

Financial assets available for sale represent investments in private equity funds focusing on pan-asian markets. These financial assets are carried at net assets values provided by investment managers. Due to the nature of private equity investments and the unpredictability of their cash flows, the value of these investments on eventual disposal could vary significantly from the reported net asset values. There is no active market for these financial assets and the Group intends to hold them for the long term. Management has performed a review of its unquoted equity investments to assess whether impairment has occurred in the value of these investments. Based on the latest available financial information, management is of the view that no impairment provision is required as at 31 December 2009 in respect of these investments.

The hierarchy for determining and disclosing the fair values of financial instruments by valuation technique are presented in Note 23.

7- OTHER ASSETS

	2009 KD	2008 KD
Positive fair value of derivatives (Note 15)	**1,169,185**	3,753,296
Accrued interest income	**94,659**	58,589
Other assets	**244,343**	144,044
Furniture and equipment	**109,193**	160,532
	1,617,380	4,116,461

8- ACCOUNTS PAYABLE AND ACCRUALS

	2009 KD	2008 KD
Negative fair value of derivatives (Note 16)	**-**	6,264,078
Staff bonus	**2,963,005**	291,672
Other staff payables	**139,784**	97,923
Kuwait Foundation for the Advancement of Sciences	**29,111**	-
National Labour Support Tax	**226,624**	-
Zakat	**90,650**	-
Directors fees	**35,000**	-
Other liabilities	**62,563**	8,743
	3,546,737	6,662,416

9- SHARE CAPITAL

The authorised, issued and fully paid share capital in cash as of 31 December 2009 comprised 800,000,000 (2008: 800,000,000) shares of 100 fils each.

At the annual general assembly of the shareholders of the Parent Company held on 14 July 2009, the shareholders approved the financial statements for the year end 31 December 2008 with no dividends declaration.

For the year ended 31 December 2009, the Parent Company's Board of Director's meeting held on 31 March 2010 proposed not to distribute any dividends for the year end 31 December 2009. This proposal is subject to the approval of the annual general assembly of the shareholders of the Parent Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
At 31 December 2009

10- STATUTORY RESERVE

As required by the Commercial Companies Law of Kuwait and the Parent Company's articles of association, 10% of the profit for the year after adjusting for brought forward accumulated loss before contribution to KFAS, NLST, Zakat and Directors' remuneration is to be transferred to statutory reserve. The Group may resolve to discontinue such annual transfers when the reserve equals or exceeds 50% of paid up share capital.

Distribution of the Group's 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 accumulated profits are not sufficient for the payment of a dividend of that amount.

11- VOLUNTARY RESERVE

In March 2007, the Central Bank of Kuwait issued a circular amending the basis of making general provisions on facilities changing the rate from 2% to 1% for cash facilities and from 2% to 0.5% for non cash facilities. The required rates were applied effective from 1 January 2007 on the net increase in facilities, net of certain restricted categories of collateral, during the reporting period. The general provision in excess of the present 1% for cash facilities and 0.5% for non cash facilities was retained as a general provision until a circular was issued in November 2008 by the Central Bank of Kuwait allowing investment companies to reverse the retained excess general provision to the income statement for the year ended 31 December 2008 and stipulating that an amount equal to the released provision should be transferred from retained earnings to voluntary reserve. Accordingly, the provision reversed during the year ended 31 December 2008 has been transferred from retained earnings to voluntary reserve.

12- RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, directors and key management personnel of the Group, and entities which are controlled by them or over which they have significant influence. Pricing policies and terms of these transactions are approved by the Group's management.

Transactions with related parties included in these financial statements are as follows:

	2009 KD	2008 KD
Consolidated statement of income:		
Interest income	**796,274**	1,092,528
Consolidated statement of financial position:		
Cash and balances with bank and financial institutions	**8,078,725**	13,487,384

Compensation of key management personnel

The remuneration of key management personnel of the Group during the period were as follows:

	2009 KD	2008 KD
Short-term benefits	**1,961,925**	720,000
Employees' end of service benefits	**47,546**	25,265
	2,009,471	745,265

13- CAPITAL COMMITMENTS

At 31 December 2009, the Group had capital commitments amounting to KD 9,863,773 (31 December 2008: KD 14,836,049) in respect of financial assets available for sale.

14- SEGMENT INFORMATION

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products and services within a particular economic environment (geographic segment), or in providing products and services within a particular economic environment (geographic segment), which is subject to risks and rewards that are different from those of other segments.

For management purposes, the Group is organised into three geographical segments based on the location of assets: Kuwait, Pan Asia (including India and China) and Cayman Island. This is the basis on which the Group reports its segment information as follows:

	31 December 2009			31 December 2008		
	Kuwait KD	Pan Asia KD	Total KD	Kuwait KD	Pan Asia KD	Total KD
SEGMENT REVENUE	796,274	17,018,959	17,815,233	1,394,128	(20,627,973)	(19,233,845)
SEGMENT RESULTS	(5,243,616)	13,927,203	8,683,587	(1,686,406)	(19,177,460)	(20,863,866)
Segment assets	17,109,145	70,867,856	87,977,001	16,860,402	64,648,494	81,508,896
Segment liabilities	3,546,737	-	3,546,737	398,338	6,264,078	6,662,416
Other segmental information:						
Impairment loss on money market fund	2,932,880	-	2,932,880	733,220	-	733,220

15- DERIVATIVES

In the ordinary course of business the Group enters into various types of transactions that involve financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instrument, reference rate or index. Derivative financial instruments traded by the Group are mainly equity and index options.

The table below shows the positive and negative fair values of derivative financial instruments, which are equivalent to the market values, together with the notional amounts. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year end and are not indicative of the credit risk. The market risk on options purchased is limited to the premiums paid to purchase these options.

31 December 2009

				Notional amounts by term to maturity	
	Positive fair value KD	Negative fair value KD	Contract/ Notional amount Total KD	Within 1 year KD	1- 5 years KD
Purchased equity and index options	880,713	-	18,093,600	18,093,600	-
Interest rate swaps	288,472	-	28,720,000	-	28,720,000
	1,169,185	-	46,813,600	18,093,600	28,720,000

31 December 2008

				Notional amounts by term to maturity	
	Positive fair value KD	Negative fair value KD	Contract/ Notional amount Total KD	Within 1 year KD	1- 5 years KD
Purchased equity and index options	3,753,296	6,264,078	57,022,538	8,981,375	48,041,163

All derivative transactions are for trading purposes.

16- MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below summarises the maturity profile of the Group's financial assets and liabilities. The maturities of assets and liabilities have been determined according to when they are expected to be recovered or settled. The maturity profile for financial assets at fair value through statement of income and financial assets available for sale is determined based on management's estimate of liquidation of those assets.

The maturity profile of assets and liabilities at 31 December was as follows:

31 December 2009	**Within 3 months KD**	**Over one year KD**	**Total KD**
ASSETS			
Cash and balances with banks and financial institutions	**31,488,137**	**-**	**31,488,137**
Financial assets at fair value through statement of income	**-**	**25,361,489**	**25,361,489**
Financial assets available for sale	**-**	**29,509,995**	**29,509,995**
Other assets	**122,518**	**1,494,862**	**1,617,380**
TOTAL ASSETS	**31,610,655**	**56,366,346**	**87,977,001**

	Within 3 months KD	**Over one year KD**	**Total KD**
LIABILITIES			
Accounts payable and accruals	**3,456,678**	**90,059**	**3,546,737**

31 December 2008	Within 3 months KD	Over one year KD	Total KD
ASSETS			
Cash and balances with banks and financial institutions	35,457,477	-	35,457,477
Financial assets at fair value through statement of income	-	16,543,427	16,543,427
Financial assets available for sale	-	25,391,531	25,391,531
Other assets	363,165	3,753,296	4,116,461
TOTAL ASSETS	35,820,642	45,688,254	81,508,896

	Within 3 months KD	Over one year KD	Total KD
LIABILITIES			
Accounts payable and accruals	398,338	6,264,078	6,662,416

17- RISK MANAGEMENT

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities.

The Group's principal financial liabilities, other than negative fair value of the derivatives, comprise of accounts payable. The Group has various financial assets such as investments and cash and balances with foreign and local financial institutes, which arise directly from its operations.

The Group is exposed to credit risk, liquidity risk and market risk. Market risk is subdivided into interest risk, foreign currency risk and equity price risk. These risks are monitored through the Group's strategic planning process.

The Parent Company's Board of Directors is ultimately responsible for the overall risk management approach and for approving the risk strategies and principles.

18- CREDIT RISK

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

Maximum exposure to credit risk

With respect to credit risk arising from the other financial assets of the Group, which comprise bank balances with financial institutions and other assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The maximum credit exposure to a single counter party is KD 8,078,725 (2008: KD 16,746,933).

Risk concentration of the maximum exposure to credit risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location.

18- CREDIT RISK (continued)

Risk concentration of the maximum exposure to credit risk (continued)

The table below illustrates the maximum exposure to credit risk for the components of the consolidated statement of financial position analysed by geographical sector:

31 December 2009

	Kuwait KD	Other KD	Total KD
ASSETS			
Balances with banks and financial institutions	**16,882,826**	**14,605,311**	**31,488,137**
TOTAL CREDIT EXPOSURE	**16,882,826**	**14,605,311**	**31,488,137**

31 December 2008

	Kuwait KD	Other KD	Total KD
ASSETS			
Balances with banks and financial institutions	16,575,991	18,881,486	35,457,477
TOTAL CREDIT EXPOSURE	16,575,991	18,881,486	35,457,477

The table below illustrates the maximum exposure to credit risk for the components of the statement of financial position analysed by industry sector:

31 December 2009

	Banks and other financial institutions KD	Total KD
ASSETS		
Balances with banks and other financial institutions	**31,488,137**	**31,488,137**

31 December 2008

	Banks and other financial institutions KD	Total KD
ASSETS		
Balances with banks and other financial institutions	35,457,477	35,457,477

The Group did not have any past due but impaired financial assets as at 31 December 2009 and 31 December 2008.

19- LIQUIDITY RISK

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. To guard against this risk, the Group's management have diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash, cash equivalents, and readily marketable securities.

The liquidity profile of financial liabilities reflects the projected cash flows which includes future interest payments over the life of these financial liabilities. The liquidity profile of financial liabilities at 31 December was as follows:

31 December 2009	3 to 12 months KD	1 to 5 years KD	Total KD
Accounts payable and accruals	**3,456,678**	**90,059**	**3,546,737**
Commitments	**-**	**9,863,773**	**9,863,773**

31 December 2008	3 to 12 months KD	1 to 5 years KD	Total KD
Accounts payable and accruals	8,744	6,653,672	6,662,416
Commitments	-	14,836,049	14,836,049

20- 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. The Parent Company's Board of Directors has set limits on positions by currency. Positions are monitored on a regular basis.

The Group had the following net long exposures denominated in foreign currencies as of 31 December 2009:

	2009 KD Equivalent long	2008 KD Equivalent long
US Dollars	37,891,218	33,877,688
Hong Kong Dollars	489,899	2,304,521
British Pound Sterling	2,587,077	2,475,165

The tables below indicate the currencies to which the Group had significant exposure at 31 December 2009 on its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Kuwaiti Dinar, with all other variables held constant on the profit and the fair value reserve (due to the change in fair value of available for sale financial assets).

Currency	Change in currency rate in % 2009	Effect on profit 2009 KD	Change in currency rate in % 2008	Effect on profit 2008 KD
US Dollars	+5	1,894,561	+5	1,693,884
Hong Kong Dollars	+5	24,495	+5	115,226
British Pound	+5	129,354	+5	123,758

21- INTEREST RATE RISK

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the value of the financial instruments. The Group is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off statement of financial position instruments that mature or reprice in a given period.

The following table illustrates the sensitivity of the profit for the year to a reasonably possible change in interest rates of +0.25% and -0.25% (2008: +0.25% and -0.25%) with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market condition. The calculations are based on the Group's financial instruments exposed to interest rate risk held at each financial position date. All other variables are held constant. There is no impact on the equity.

	2009		2008	
	+ 0.25 % KD	- 0.25 % KD	+ 0.25 % KD	- 0.25 % KD
Gain / (loss) for the year	56,723	(56,723)	80,935	(80,935)

22- EQUITY PRICE RISK

Equity price risk arises from changes in the fair values of equity investments. The Group manages this through diversification of investments in terms of geographical distribution and industry concentration. The majority of the Group's quoted investments are listed on the Hong Kong Stock Exchange.

The effect on equity (as a result of a change in the fair value of investments available for sale at 31 December 2009) and Group's profit (as a result of a change in the fair value of financial assets at fair value through statement of income at 31 December 2009) due to a reasonably possible change in market indices, with all other variables held constant is as follows:

	2009		2008	
Market indices	Change in equity price %	Effect on profit KD	Change in equity price %	Effect on profit KD
Hong Kong	+5	603,757	+5	115,226
Others	+5	664,317	+5	129,100

23- OPERATIONAL RISK

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

The Group has a set of policies and procedures, which is approved by the Parent Company's Board of Directors and are applied to identify, assess and supervise operational risk in addition to other types of risks. Operational risk is managed by the operational risk function, which ensures compliance with policies and procedures and monitors operational risk.

The operational risk function of the Group is in line with the CBK instructions concerning the general guidelines for internal controls and the sound practices for managing and supervising operational risks in the Group.

24- FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash and bank balances, investments carried at fair value through statement of income, available for sale investments and receivables. Financial liabilities consist of accounts payables and accruals.

The fair values of financial instruments, with the exception of certain financial assets at fair value through statement of income and financial assets available for sale carried at cost are not materially different from their carrying values.

Fair value hierarchy

As at 31 December 2009, the Group held the following financial instruments measured at fair value:

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation technique:
Level 1: quoted (unadjusted) prices in an active market for identical assets and liabilities;
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
Level 3: other techniques which use inputs which have a significant effect on the recorded fair value are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

2009	Level: 1 KD	Level: 2 KD	Level: 3 KD	Total fair value KD
Assets measured at fair value				
Financial assets held for trading:				
Quoted securities	658,690	-	-	658,690
Financial assets designated at fair value through statement of income:				
Unquoted securities	-	-	2,587,077	2,587,077
Mutual funds	10,530,475	11,585,247	-	22,115,722
Financial assets available for sale:				
Mutual funds	-	-	29,509,995	29,509,995
Derivatives:				
Purchased equity and index options	-	-	880,713	880,713
Interest rate swaps	-	-	288,472	288,472
	11,189,165	11,585,247	33,266,257	56,040,669

24- FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The following table shows a reconciliation of the opening and closing amount of level 3 financial assets and liabilities which are recorded at fair value.

	At 1 January 2009 KD	Gain /(loss) recorded in the consolidated statement of income KD	Gain /(loss) recorded in equity KD	Net purchases, sales and settlements KD	At 31 December 2009 KD
Financial assets at fair value through statement of income:					
Unquoted securities	2,475,165	111,913	-	-	2,587,078
Financial assets available for sale:					
Unquoted equity investments	25,391,531	-	900,197	3,218,267	29,509,995
Derivatives:					
Purchased equity and index options	(2,510,782)	157,708	-	3,233,787	880,713
Interest rate swaps	-	69,697	-	218,775	288,472
	25,355,914	339,318	900,197	6,670,829	33,266,258

Following the amendments to IFRS 7, the Group is exempted from disclosing comparative information.

During the period, there have been no transfers between the hierarchies.

25- CAPITAL MANAGEMENT

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the year ended 31 December 2009. Capital comprises share capital, statutory reserve, voluntary reserve and retained earnings (accumulated losses) and is measured at KD 84,545,159 as at 31 December 2009 (31 December 2008: KD 75,861,572).