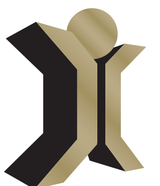
YIACO Medical Company

Annual Report 2009



YIACO Medical Company

Annual Report 2009

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in the name of Allah
the most gracious the most mercifull

H.H. Shiekh
Sabah Al Ahmad Al Jaber Al Sabah
Amir of the State of Kuwait

H.H. Shiekh
Nawaf Al Ahmad Al Jaber Al Sabah
Crown Prince of the State of Kuwait

H.H. Shiekh
Naser Al Mohammad Al Ahmad Al Sabah
Prime Minister of the State of Kuwait

Our Vision

To serve as Focal Point In healthcare services in the state of Kuwait while being the landmark of all Regional Healthcare business relation.

Our Mission

To be the first choice in our region when it comes to healthcare supplies:

- Representing the largest number of world wide recognized multinational pharmaceutical principals.
- Providing the highest quality and latest technology in medical equipments business.
- Being the best healthcare provider in our business entities.

Our Values

- **Excellence:** We are dedicated for excellence in all our offerings and services.
- **Leadership:** In the market we seek to maintain our leading position and role models.
- **Improvement Innovation:** Stand still is unacceptable; we improve whenever it serves our customers, patients and colleagues.
- **Professionalism:** We believes in efficient processes, in structures, and in systematic analyses when dealing with each other internally, with our market partners, and with our competitors.
- **Honesty:** When dealing with the market, we strive for transparency and open exchange.
- **International Business:** If necessary, we have no problem in going the “extra mile” or even on detour; not only for our principals and patients but also for our colleagues, our subordinates, and our superior.
- **Flexibility:** When ever there is a better way, we make the effort and try to take it.
- **Relationship:** Trust is the basis of our business; we prefer long term orientation when developing relationship and net works.
- **Organization:** Learning organization as hard as we may try, we know that we can always do even better; progress is improvement which has been achieved.

Overview

Yiaco Medical Company (YIACO), Yusuf Ibrahim Alghanim & Co., was incorporated as a Kuwaiti W.L.L. Company in 1969 with a capital of KD 2 million at an aim to market multinational research based pharmaceutical manufacturers, medical supplies and other health care services in Kuwait.

In 2001, the company was bought by The Securities House and became known as Yiaco Medical Company that reflects the abbreviation for the name of Yusuf Ibrahim Alghanim & Company. YIACO was listed on the Kuwait Stock Exchange in November 2007 and currently has a paid-up capital of KD 16.50 Million divided into 165 million shares.

The principal activity of the company is focused on sales, marketing and distribution of health care products that includes pharmaceuticals, skincare, veterinary, Medical and Dental Equipments. YIACO, currently represents more than 80 top diversified multinational researched based companies such as Sanofi Aventis, GSK, Schering, Pfizer, Merck, Abott, Bayer, Intervet, Roche, Phillips, Johnson & Johnson, Astra Zenica which was acquired recently and many more.

Meanwhile the company owns and provides superior health care services through its largest chain of 28 pharmacies in different areas in the State of Kuwait.

The top management has clearly indicated that it is committed to work on the defined future strategy; focus on the core activities. Accordingly, YIACO's sales has grown more than double in past five years. In term of market leadership, Yiaco has maintained its lead position by sharing 34.3% (2007:27%) of total Kuwaiti Pharma market share.

Further, a move to support its expansion plans, currently the company runs its business in three countries, Egypt, Kuwait and UAE through its subsidiaries where the group has influential interest in equity stake. Also to mark its presence in the Home Care Services, the company acquired 100.00% stake in Al Raya Health Care Company W.L.L. during 2007.

After listing on KSE, the management has given utmost attention to improving the operations in order to increase efficiency. This required tremendous and continuous effort on the part of the management during 2008 and 2009.

One of the most important undertakings of the company in 2008 & 2009 is strategy implementation, which includes following through the growth path, improving performance, and focusing on the prospects of increasing profitability. This was achieved with the cooperation of a foreign consultancy company. Most of the personnel also participated in determining the objectives, growth and directions of the company. It has reviewed its activities and made very important decisions that improved performance and efficiency.

The management had undertaken an organizational restructuring and, as a result, hired new employees in accordance with the professional qualifications required by company standards. This was done to support the continuous growth of its operations and increase its competitiveness in the field of medical services.

The work in progress is on the plan to direct the company operations, reevaluate its activities, analyze overhead costs, and reduce operating expenses. All these utilized the company's efforts in 2008 & 2009. Another work in progress is improving the IT infrastructure to address the growing need of the company for a reliable management information system and improving the efficient warehousing and logistics services.

The company has restructured Human Resources department and formulated and implemented HR policies and procedures and initiated manpower training programs. This is an investment in human resource which is in accordance with the objectives and policies of developing the skills of those working in the company.

The management is working on the preparation and maintenance of written standard policies and operating procedures as well as control and administrative procedures with cooperation of internal auditor. When these have been completed, staff will be trained to the extent necessary to understand and apply them. The management is also restructured and reorganized the finance department including documenting accounting policies, procedures and control which is still under process.

Also, the loan facilities have been restructured from conventional to Islamic after negotiation for better profit rate. Also the Insurance contracts has been restructures and converted them into Islamic.

The company is also striving to expand its presence in the local market by developing new services through acquiring new international agencies and new technologies according to the needs of the Kuwaiti community

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Agenda Of the Ordinary & Extraordinary General Assembly

Agenda Of the Ordinary General Assembly

1. Hearing the Report of the Board of directors for the Financial Year ended 31st December 2009, discussing and approving the same.
2. Hearing and approval of the Independent Auditor's Report for the Financial Year ended 31st December 2009.
3. Discussing and approval of the consolidated financial statements of the company for the Financial Year ended 31st December 2009.
4. Approving on the Board of Directors' proposal to distribute cash dividend for e Financial Year ended 31st December 2009 at 5% of the nominal value. i.e (fils 5 per share) to the shareholders registered in the company's records as on the date of the General Assembly meeting after approval of the concerned authorities.
5. Approving the Company's dealing with related parties.
6. Approving of the recommendation of Board of Directors to remunerate the Members of the Board of Directors for the Financial Year ended 31st December 2009.
7. Release the Members of the Board of Directors from liabilities related to their legal actions for the Financial Year ended 31st December 2009.
8. Elect and appoint Board of Directors for the upcoming three years.
9. Appoint or re-appoint the Company's Accounts Auditors for the Financial Year ended 31st December 2010 and authorize the Board of Directors to determine their Fees.

Agenda Of the Extra Ordinary General Assembly

The Current Text:

The company is administered by the Board of Directors of (5) members who are appointed by party of parties that may assign representatives to the board of Directors by their position of shares in the company and the General Assembly shall elect the remaining members by secret ballot.

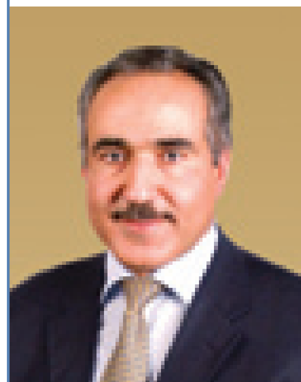
The Proposed Text:

The company is administered by the Board of Directors of (7) members who are appointed by party of parties that may assign representatives to the board of Directors by their position of shares in the company and the General Assembly shall elect the remaining members by secret ballot.

(After the approval of the concerned authorities)

Board Of Directors

Dr. Hamed Ahmed Rashed Hamadah
Chairman and Managing Director



Mr. Mahmoud Khaled Ahmed Al Jassar
Vice Chairman

Mr. Waleed Abdulrehman Al Sumaie
Board Member

Mr. Abdullah Bader Al Mukhaizem
Board Member

Dr. Nasser Madahi Al Enezi
Board Member

Report of the Board of Directors

For the year ended 31 December 2009

Dear shareholders,

It is the pleasure of the members of the Board to welcome you and present to you the annual report, which includes the key activities of the company for the financial year ended 31 December 2009, as well as the consolidated financial statements, and the independent auditors' report for the financial year ended December 31, 2009.

Performance Overview:

The company had a good performance in 2009 and was very much focused on its tasks of cushioning the residual effects of the global economic crisis in order to protect the overall profitability. Its business remains focused on its core activities of marketing of medicine, medical and dental equipment and medical centers and pharmacies in the State of Kuwait. Also, in 2009 the company undertook organizational restructuring and, as a result, hired new employees in accordance with the professional qualifications required by company standards. This was done to support the continuous growth of its operations and increase its competitiveness in the field of medical services. The company has given utmost attention to improving the operations in order to increase efficiency. This required tremendous and continuous effort on the part of the management during 2009. As a matter of strategy, the company has controlled the operating costs in order to improve profitability; however, the budget for training and promotion was not affected by such measure for obvious business reasons. In fact, The Company has always aimed at achieving its objectives by initiating manpower training programs. This is an investment in human resource which is in accordance with the objectives and policies of developing the skills of those working in the company.

Report of the Board of Directors (Continued)

For the year ended 31 December 2009

The company has witnessed growth during 2009 with the acquisition of new international agencies. Likewise, the executive management has reviewed the company's activities and operating units in order to implement strategic decisions designed to improve performance and efficiency.

The company has adopted certain conservative strategy intended primarily to protect its operations, control borrowings within acceptable levels, and utilize facilities as deemed necessary; but, such a strategy was also flexible enough to consider and accommodate other business opportunities.

The company is also aiming at achieving its objectives by initiating manpower training programs. This is an investment in human resource which is in accordance with the objectives and policies of developing the skills of those working in the company.

The company consists of three Departments intended to serve and meet the demands of the Kuwait local market; namely, Pharma & Business Development, Medical Scientific & Dental, and Medical Centers.

Pharma has a great presence and share in the Kuwait local market and has achieved the number one position in that market within a short span of time. The increase in Pharma's market share was mainly attributable to the Pharmaceutical and skin care products. Therefore, Pharma's market share stood at 34.4% in 2009. Also, the Department operates an increasing number of Pharmacies which are totaling 28 presently.

There has been a continuous growth in the market for Medical Scientific & Dental department. Hence, market share stood at 14% in 2009. YIACO has been considered as the biggest supplier of medical service industry, which includes the Ministry of Health, Ministry of Defense, Oil Companies, Private Hospitals and Clinics, Universities, Research Institutions and Private Pharmacies.

Medical Centers has been operating the very first B.O.T project in Kuwait, which is Radiology & Nuclear Medicine Laboratory Center. Also, it operates Yiaco Apollo Clinic in Salmiya.

Report of the Board of Directors (Continued)

For the year ended 31 December 2009

The company has played a big role with the Ministry of Health in implementing the Kuwait government's program to curb the spread of the "Swine Flu" virus and eradicate it. For this purpose, several Swine Flu Laboratories were set up and Swine Flu Kits were provided to the Ministry of Health. Protective masks were also supplied to Hospitals, Medical Centers and pharmacies.

The activities description of the company for the year ended 31 December 2009 is as follows:

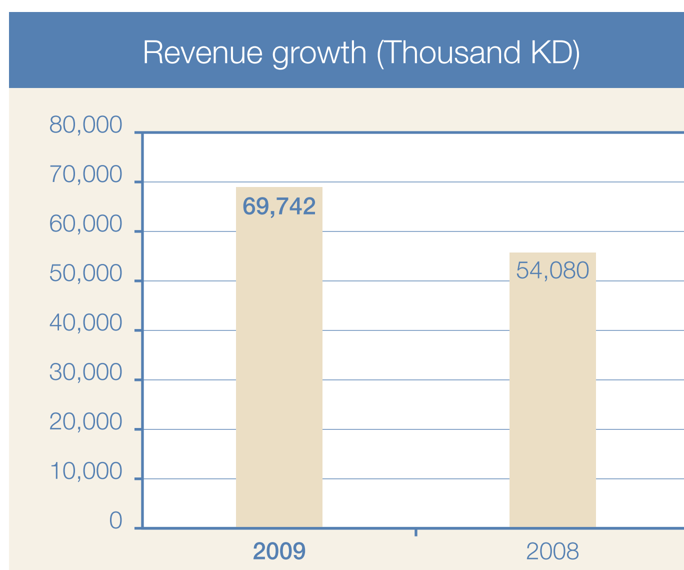
Consolidated income statement for the year ended 31 December 2009

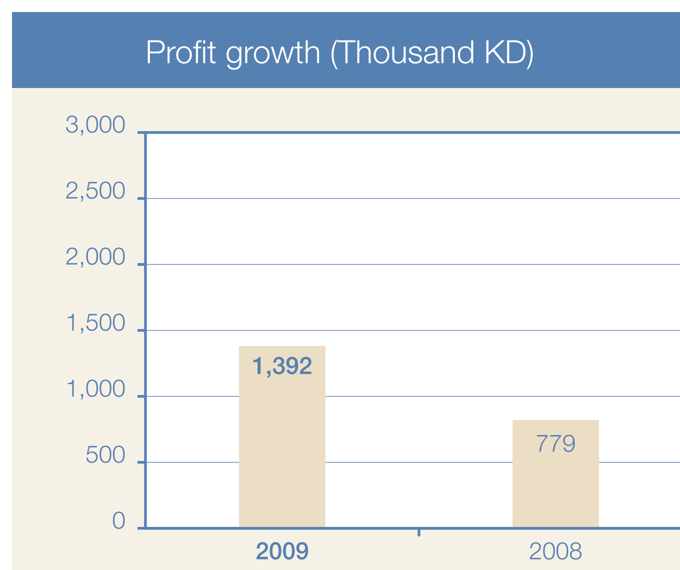
The company has achieved growth in its operations compared to the year ended 31 December 2009. This growth was reflected positively on the income statement figures. The following table analyzes some of the major items in the income statement.

Statement	**2009**	2008	Variance	
	KD	KD	KD	%
Sales	**69,742,486**	54,079,909	15,662,577	29%
Gross Profit	**17,683,804**	14,731,502	2,952,302	+20%
Operating Profit	**2,985,656**	3,785,899	(800,243)	-21%
Net profit	**1,392,442**	778,786	613,656	+79%
Earning per share (fils)	**8.44**	4.72	3.72	+79%

The Board of Directors has performed a comprehensive review of the current assets in order to determine the extent of impairment that may have to be effected on the value of receivables and inventory.

The following charts analysis some of the major items in the income statement with comparative ration analysis:



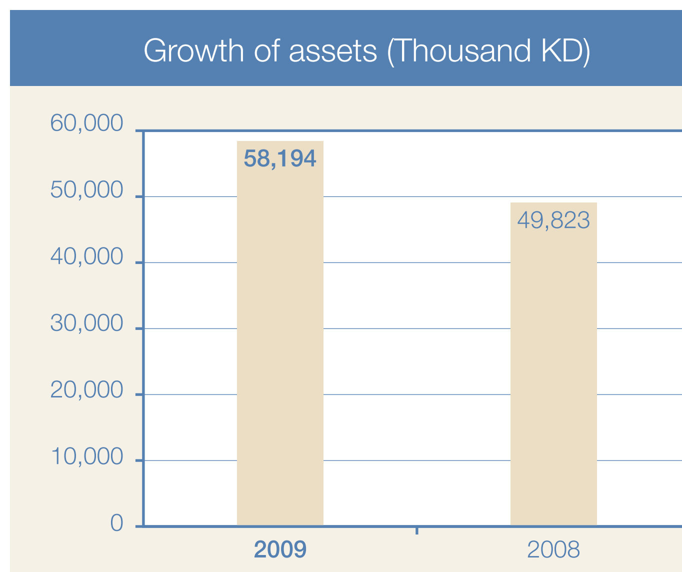


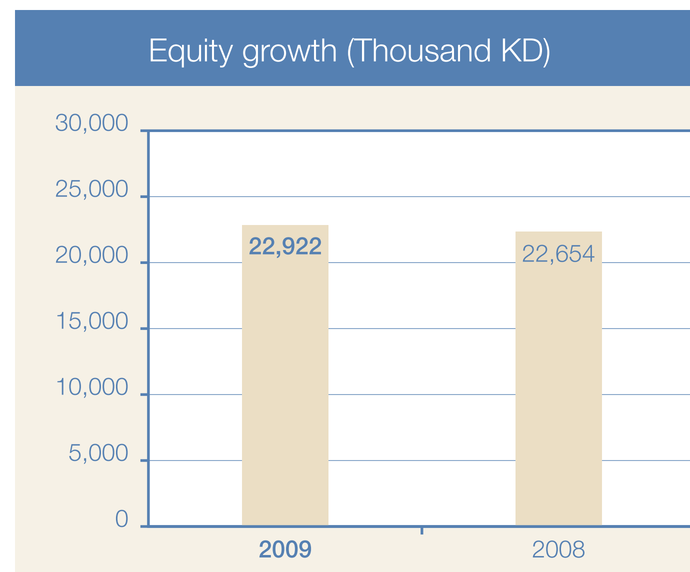
Report of the Board of Directors (Continued)

For the year ended 31 December 2009

- YIACO Medical Company achieved an increase in sales by 29% to reach KD 69.742 million, in comparison with KD 54.080 million during the same period in 2008.
- The gross profit increased by 20% to reach KD 17.7 million in comparison with KD 14.7 million in 2008.
- The operating profit decreased by 21% from KD 3.8 million in 2008 to KD 3 million. The decline resulted from additional provisions provided for the company.
- Net profit increased by 79% from KD 0.779 million in 2008 to KD 1.392 million.
- Earnings per share increased from 4.72 fils in 2008 to 8.44 fils

The following charts show certain financial indicators:





Some financial indicators for 2009 are as follows:

- Total assets increased by 16.8% from KD 49.8 million in 2008 to KD 58.2 million.
- Return on assets is 2.4% compared to 1.6% in 2008
- Shareholders' equity increased by 1.2% from KD 22.7 million in 2008 to KD 23 million.
- Return on equity is 6% compared to 3.4% in 2008

Credit facilities

The gearing ratio slightly increased to 58% from 52% in 2008 due to sales growth resulting from increase in activities. Also, the loan facilities have been restructured from conventional to Islamic.

The company has the required liquidity to its operatinal activities that will provide adequate cash flow to cover operating expenses, finance charges and repayment of Morabaha.

Profit Distribution for the year ended 31 December 2009

The Board of Directors has recommended to the general assembly the distribution of cash dividend equivalent to 5 fils for each share (i.e. 5% of the nominal value).

Company's prospects for 2010

The activities of the company and its subsidiaries, being operational in nature, will be expected to provide more opportunities for growth in 2010, depending on the viability of the company's assets and without any financial obstacles standing in the way of its operational activities. One of the most important undertakings of the company in 2010 will be improving performance and focusing on the prospects of increasing profitability by expanding its presence in the local market, developing new services through the foreign agencies, and new technologies according to the needs of the Kuwaiti community.

The new policy of the company in the coming period is to diversify the sources of income, to engage in new activities which are operationally of similar nature and to enter promising markets, taking into account the concepts of prudence and due diligence. Additionally, it is also the company's policy to enter into partnership with firms dealing with business of similar nature, offering a flexible exit option.

Report of the Board of Directors (Continued)

For the year ended 31 December 2009

The work in progress is on the plan to direct the company operation, reevaluate its activities, analyze overhead costs, and reduce operating expenses. All these utilized the company's efforts in 2009. An evidence of this plan has been recently manifested through the elimination of non-profitable activity.

Another work in progress is improving the IT infrastructure to address the growing need of the company for a reliable management information system and improving the efficient warehousing and logistics services.

The growth of the medical services in Kuwait will increase the need or requirement for more specialized medical professionals and personnel specializing in other fields of profession. Consequently, this will have positive effect on the company's performance in the future.

Finally, the Board members would like to express their gratitude and appreciation to all those working in the company, for their hard work and sincere efforts aimed at achieving improvements and advance company interest. The Board also thanks all the subsidiary companies for their continuous support and cooperation. Also the Board would like to express its deepest gratitude to the shareholders for bestowing their trust, confidence and support upon the company and its management.

Peace be upon you

Dr. Hamed Ahmed Hamadah

Chairman & Managing Director

Consolidated financial statements and Independent Auditors' Report

31 December 2009

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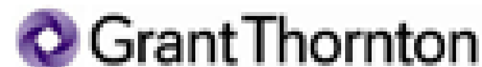

Auditors & Consultants
Souq Al Kabeer Building - Block A 9th Floor
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E-mail: gt@gtkuwait.com

Independent auditors' report

To the shareholders of YIACO Medical Company – KSC (Closed), Kuwait

We have audited the accompanying consolidated financial statements of YIACO Medical Company- KSC (Closed) (the "parent company") and its subsidiaries (together the "group"), which comprise the consolidated statement of financial position as at 31 December 2009 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

We did not audit the financial statements of Al Kamal Import and Marketing Company – W.L.L. and Universal Industrial Medical Company – E.S.C. Those financial statements have been audited by other independent auditors whose audit report thereon has been furnished to us and our report, in so far as it relates to the amounts included for these subsidiaries, is based solely on the unqualified report of other independent auditors. The total assets and profits of these subsidiaries included in these consolidated financial statements are KD 3,392,989 (2008: KD 3,459,693) and KD 305,965 (2008: KD 255,132) respectively.

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

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

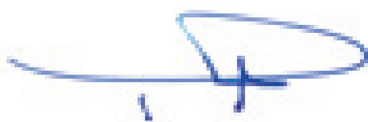
Independent auditors' report (Continued)

Opinion

In our opinion, based on our audit and the unqualified reports of other independent auditors, the consolidated 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.

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 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 that might have had a material effect on the business of the parent company or on its financial position.



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

ABDULLATIF M. AL-AIBAN (CPA)
(LICENCE NO. 94-A)
OF GRANT THORNTON – AL-QATAMI,
AL-AIBAN & PARTNERS

15 March 2010
Kuwait

Consolidated income statement

Year ended 31 December 2009

	Notes	2009	2008
		KD	KD
Sales		**69,742,486**	54,079,909
Cost of sales		**(52,058,682)**	(39,348,407)
Gross profit		**17,683,804**	14,731,502
Other income	3	**503,642**	765,621
Distribution costs		**(3,495,061)**	(2,821,378)
Administrative expenses		**(11,706,729)**	(8,889,846)
		2,985,656	3,785,899
Dividend income		**71,500**	101,000
Share of results of associates	11	**304,830**	235,773
Unrealised loss on investments carried at fair value through income statement		**(290,445)**	(735,718)
Allowance for bad and doubtful debts	15	**(720,580)**	(1,515,444)
Impairment of goodwill		**-**	(135,293)
Impairment of investment in associates	11	**-**	(12,500)
Finance costs	4	**(693,414)**	(766,998)
Management fees	5	**(91,814)**	(43,697)
Profit for the year before income taxes		**1,565,733**	913,022
Income taxes		**(79,604)**	(82,781)
Profit before Directors' fees, contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST) and Zakat		**1,486,129**	830,241
Directors' fees		**(15,000)**	(5,000)
Contribution to KFAS		**(10,191)**	(4,995)
NLST		**(40,283)**	(20,098)
Zakat		**(13,065)**	(8,039)
Profit for the year	6	**1,407,590**	792,109
Attributable to:			
Equity holders of the parent company		**1,392,442**	778,786
Non-controlling interests		**15,148**	13,323
		1,407,590	792,109
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	7	**8.44 Fils**	4.72 Fils

The attached notes 1 to 29 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income
Year ended 31 December 2009

	2009	2008
	KD	KD
Profit for the year	**1,407,590**	792,109
Other comprehensive income:		
Exchange differences arising on translation of foreign operations	**76,315**	(56,715)
Total other comprehensive income /(expenses)	**76,315**	(56,715)
Total comprehensive income for the year	**1,483,905**	735,394
Total comprehensive income attributable to:		
Equity holders of the parent company	**1,486,565**	750,164
Non-controlling interests	**(2,660)**	(14,770)
	1,483,905	735,394

The attached notes 1 to 29 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

Year ended 31 December 2009

	Notes	2009	2008
		KD	KD
Assets			
Non-current assets			
Property, plant and equipment	8	**8,612,473**	8,485,605
Inventory assigned to customers	9	**216,545**	359,584
Key money	10	**143,945**	71,333
Investment in associates	11	**5,599,395**	5,374,152
Investments at fair value through income statement	12	**1,327,600**	1,618,782
Available for sale investments	13	**117,600**	117,600
		16,017,558	16,027,056
Current assets			
Inventories	14	**18,350,787**	16,263,847
Accounts receivable and prepayments	15	**21,370,443**	15,970,235
Bank balances and cash	16	**2,455,082**	1,561,938
		42,176,312	33,796,020
Total assets		**58,193,870**	49,823,076
Equity and liabilities			
Equity			
Share capital	17	**16,500,000**	16,500,000
Statutory reserve	18	**2,182,345**	2,035,247
Voluntary reserve	18	**120,622**	120,622
General reserve	18	**637,472**	637,472
Foreign currency translation reserve		**174,495**	80,372
Retained earnings		**3,307,102**	3,280,482
Equity attributable to the equity holders of the parent company		**22,922,036**	22,654,195
Non-controlling interests		**86,315**	88,975
Total equity		**23,008,351**	22,743,170
Non-current liabilities			
Murabaha payable	20	**345,701**	509,500
Employees' end of service benefits	21	**1,176,420**	1,036,089
		1,522,121	1,545,589
Current liabilities			
Bank overdrafts	16	**-**	5,695,170
Accounts payable and accruals	22	**20,150,124**	15,068,281
Term loans	23	**1,167**	2,254,683
Murabaha payable	20	**13,512,107**	2,516,183
		33,663,398	25,534,317
Total liabilities		**35,185,519**	27,079,906
Total equity and liabilities		**58,193,870**	49,823,076

Dr. Hamed A. Hamadah

Chairman & Managing Director

The attached notes 1 to 29 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

Year ended 31 December 2009

	Notes	2009	2008
		KD	KD
OPERATING ACTIVITIES			
Profit for the year		**1,407,590**	792,109
Adjustments:			
Depreciation and amortisation	8, 10	**1,358,039**	1,241,254
Loss on disposal of property, plant and equipment		**4,089**	-
Share of results of associates	11	**(304,830)**	(235,773)
Unrealised loss on investments at fair value through income Statement		**290,445**	735,718
Provision for employees› end of service benefits	21	**224,737**	192,001
Dividend income		**(71,500)**	(101,000)
Finance costs		**693,414**	766,998
Allowance for bad and doubtful debts	15	**720,580**	1,515,444
Impairment of goodwill		**-**	135,293
Impairment of investments in associate		**-**	12,500
Income taxes		**79,604**	82,781
		4,402,168	5,137,325
Working capital changes;			
Inventories		**(2,364,799)**	(4,562,361)
Accounts receivable and prepayments		**(6,120,788)**	(1,917,652)
Accounts payable and accruals		**4,036,433**	843,239
Cash used in operations		**(46,986)**	(499,449)
Employees' end of service benefits paid	21	**(84,406)**	(87,739)
Income taxes paid		**(79,604)**	(82,781)
Net cash used in operating activities		**(210,996)**	(669,969)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(1,563,114)**	(1,670,743)
Proceeds from disposal of property, plant and equipment		**76,894**	15,165
Payment for key money		**(57,000)**	(14,000)
Net movement in inventory assigned to customers		**143,039**	356,178
Proceeds from disposal of investment at fair value through income statement		**737**	-
Dividend received from associate		**79,587**	-
Dividend received		**71,500**	101,000
Net cash used in investing activities		**(1,248,357)**	(1,212,400)
FINANCING ACTIVITIES			
Finance costs paid		**(588,869)**	(766,998)
Net drawdown /(payment) of murabaha		**10,832,125**	(3,707,464)
Net (payment)/drawdown of term loans		**(2,253,516)**	1,704,683
Net cash from (used in) financing activities		**7,989,740**	(2,769,779)
Net impact of foreign currency translation adjustment		**57,927**	(58,264)
Net increase/(decrease) in cash and cash equivalents		**6,588,314**	(4,710,412)
Cash and cash equivalents at 1 January	16	**(4,133,232)**	577,180
Cash and cash equivalents at 31 December	16	**2,455,082**	(4,133,232)
Non-cash transaction:			
Bonus Issue	19	**-**	1,500,000

The attached notes 1 to 29 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

Year ended 31 December 2009

	Attributable to equity holders of the parent company							Non-controlling interest	Total equity
	Share capital	Statutory reserve	Voluntary reserve	General reserve	Foreign currency translation reserve	Retained earnings	Sub-total		
	KD	KD	KD	KD	KD	KD	KD	KD	KD
Balance at 1 January 2009 (as previously stated	16,500,000	2,035,247	120,622	637,472	80,372	3,280,482	22,654,195	88,975	22,743,170
Prior year adjustment (Note 26)	-	-	-	-	-	(1,218,724)	(1,218,724)	-	(1,218,724)
Balance as at 1 January 2009 (after above adjustment)	16,500,000	2,035,247	120,622	637,472	80,372	2,061,758	21,435,471	88,975	21,524,446
Profit for the year	-	-	-	-	-	1,392,442	1,392,442	15,148	1,407,590
Other comprehensive income	-	-	-	-	94,123	-	94,123	(17,808)	76,315
Total comprehensive income for the period	-	-	-	-	94,123	1,392,442	1,486,565	(2,660)	1,483,905
Transfer to statutory reserve	-	147,098	-	-	-	(147,098)	-	-	-
Balance at 31 December 2009	16,500,000	2,182,345	120,622	637,472	174,495	3,307,102	22,922,036	86,315	23,008,351
Balance at 1 January 2008	15,000,000	1,953,555	120,622	637,472	108,994	4,083,388	21,904,031	103,745	22,007,776
Profit for the year	-	-	-	-	-	778,786	778,786	13,323	792,109
Other comprehensive income	-	-	-	-	(28,622)	-	(28,622)	(28,093)	(56,715)
Total comprehensive income for the period	-	-	-	-	(28,622)	778,786	750,164	(14,770)	735,394
Issue of bonus shares (Note 19)	1,500,000	-	-	-	-	(1,500,000)	-	-	-
Transfer to statutory reserve	-	81,692	-	-	-	(81,692)	-	-	-
Balance at 31 December 2008	16,500,000	2,035,247	120,622	637,472	80,372	3,280,482	22,654,195	88,975	22,743,170

The attached notes 1 to 29 form an integral part of these consolidated financial statements.

1. Corporate Incorporation And Activities

The consolidated financial statements of YIACO Medical Company – KSC (Closed) (the 'parent company') and its subsidiaries (together the 'group') for the year ended 31 December 2009 were authorized for issue in accordance with a resolution of the Board of directors on 15 March 2010, and are subject to the approval of the general assembly of the shareholders.

The parent company was incorporated on 15 January 1969 in Kuwait. The group's principal activities are the import and sale of medical, chemical and dental products and equipment.

The parent company's shares are listed on the Kuwait Stock Exchange.
The address of the parent company's registered office is P.O. Box 435, Safat 13005, State of Kuwait.
The group mainly operates in Kuwait.

2. Significant Accounting Policies

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) and the applicable requirements of Ministerial order No. 18 of 1960.

Basis of preparation

The consolidated financial statements have been presented in Kuwaiti Dinar (KD), which is the functional currency of the group.

The consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of available for sale investments and investments at fair value through income statement.

Changes in accounting policy and disclosures

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:

During the year, the group has adopted the following new and amended International Accounting Standards Board (IASB) standards and International Financial Reporting Interpretations Committee (IFRIC) interpretations effective for annual periods beginning on or after 1 January 2009.

- IAS 1 : Presentation of financial statements (Revised)
- IFRS 7 : Financial Instruments Disclosures (Amended)
- IFRS 8 : Operating Segments

The adoption of these standards and interpretations did not have any material effect on the financial performance or position of the group.

IAS 1 Presentation of Financial Statements (Revised)

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income. This statement presents all items of recognised income and expense, either in one single statement, or in two linked statements. The group has elected to present two statements.

2. Significant Accounting Policies (Continued)

Changes in accounting policy and disclosures (continued)

IAS 1 Presentation of Financial Statements (Revised)

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income. This statement presents all items of recognised income and expense, either in one single statement, or in two linked statements. The group has elected to present two statements.

IFRS 7 Financial Instruments: Disclosures

The amended standard requires additional disclosures about fair value measurement and liquidity risk. 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, a 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 liquidity risk disclosures are not significantly impacted by the amendments and are presented in Note 28. The Company does not carry any financial instrument at fair value and consequently the disclosure requirements for fair valuation of financial instruments does not have any impact on the current financial statements.

IFRS 8 Operating Segments

This standard requires disclosure of information about the group's segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the group. Adoption of this standard did not have any effect on the financial position or performance of the group. Segment information is presented on the same basis as that used for internal reporting purposes.

Improvements to IFRSs

In May 2008 and April 2009, the International Accounting Standards Board (IASB) issued certain amendments to its standards primarily with a view to removing inconsistencies and clarifying wordings. The adoption of the following amendment resulted in changes to accounting policies of the group, but did not had any impact on the financial position or performance of the group.

IAS 1 Presentation of Financial Statements: Assets and liabilities classified as held for trading in accordance with
IAS 39 Financial Instruments: Recognition and Measurement are not automatically classified as current in the consolidated statement of financial position. The group analysed whether the expected period of realisation of financial assets and liabilities differed from the classification of the instrument. This did not result in any reclassification of financial instruments between current and non-current in the consolidated statement of financial position.

IAS 16 Property, Plant and Equipment: Replaces the term “net selling price” with “fair value less costs to sell”. The group amended its accounting policy accordingly, which did not result in any change in the financial position.

IAS 18 Revenue: The Board has added guidance (which accompanies the standard) to determine whether an entity is acting as a principal or as an agent. The features to consider are whether the entity:

- Has primary responsibility for providing the goods or service
- Has inventory risk
- Has discretion in establishing prices
- Bears the credit risk

2. Significant Accounting Policies (Continued)

Changes in accounting policy and disclosures (continued)

The group has assessed its revenue arrangements against these criteria and concluded that it is acting as principal in all arrangements.

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the group:

- IFRS 7 Financial Instruments: Disclosures
- IAS 19 Employee Benefits
- IAS 27 Consolidated and Separate Financial Statements
- IAS 38 Intangible Assets
- IAS 39 Financial Instruments: Recognition and Measurement

The following IASB Standards and IFRIC Interpretations relevant to the group have been issued but are not yet effective and have not been early adopted by the Group.

IFRS 3 (Revised): Business Combinations (effective for periods beginning on or after 1 July 2009)
IFRS 9: Financial instruments
IAS 27 (Revised): Consolidated and separate financial statement (effective for periods beginning on or after 1 July 2009)
IFRIC 17 Distributions of Non-cash Assets to Owners

IFRS 3 (Revised) 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 27 (Revised) requires that a change in the ownership interest of a subsidiary (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 subsidiary as well as the loss of control of a subsidiary. 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 3(Revised) and IAS 27(Revised) will affect future acquisitions or loss of control and transactions with non-controlling interests. The Standards may be early applied. However, the group does not intend to take advantage of this possibility.

IFRS 9 Financial Instruments

The standard was issues in November 2009 and becomes effective for financial year beginning on or after 1 January 2013. The new standard enhances the ability of investors and other users of financial information to understand the accounting of financial assets and reduce complexities. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value. The approach in IFRS 9 is based on how an entity manages it financial instruments (it business model) and contractual cash flow characteristics of the financial assets. The new standard as requires a single impairment method to be used.

2. Significant Accounting Policies (Continued)

Changes in accounting policy and disclosures (continued)

IFRIC 17 Distributions of Non-cash Assets to Owners

This interpretation is effective for annual periods beginning on or after 1 July 2009 with early application permitted. It provides guidance on how to account for non-cash distributions to owners. The interpretation clarifies when to recognise a liability, how to measure it and the associated assets, and when to derecognise the asset and liability. The group does not expect IFRIC 17 to have an impact on the consolidated financial statements as the Group has not made non-cash distributions to shareholders in the past.

The application of these standards will be made in the consolidated financial statement when these standards and interpretations become effective and are not expected to have a material impact on the consolidated financial statement of the group.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the parent company and its subsidiaries as at 31 December each year. The financial statements of subsidiaries are prepared to the parent company's reporting date using consistent accounting policies. Adjustments are made for non-uniform accounting policies that may exist.

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. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the parent company obtained control, and continue to be consolidated until the date that such control ceases.

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-group balances and transactions, including inter-company profits and unrealised profits and losses are eliminated on consolidation.

Non-controlling interest represent the portion of profit or loss and net assets not held by the group and is presented in the consolidated income statement and consolidated statement of comprehensive income separately and within equity in the consolidated statement of financial position, separately from the parent company's equity. Acquisition of non-controlling interest is accounted for using the parent entity extension method, whereby the difference between the consideration and the book value of the share of the net assets acquired is recognized as goodwill. Any amount of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. a discount on acquisition) is recognised directly in the consolidated income statement in the year of acquisition.

The consolidated financial statements include the financial statements of the parent company and the following subsidiaries as at 31 December:

2. Significant Accounting Policies (Continued)

Basis of consolidation (continued)

Name of company	Country of incorporation	Effective interest in equity % as at 31 December		Principal activities
		2009	2008	
Al Kamal Import and Marketing Co. W.L.L.	Egypt	95%	95%	Engaged in import, marketing and manufacturing medical raw material and medical and chemical equipment.
Universal Industrial Medical Co. E.S.C.	Egypt	100%	100%	Engaged in manufacturing laboratory chemicals, medical supplies, pharmaceuticals and children's food and packing of the company's products in Egypt.
Gulf International Co. for Tourism W.L.L.	Kuwait	100%	100%	Engaged in providing private travel services.
Al Raya Health Care Co. W.L.L.	Kuwait	100%	100%	Engaged in providing medical services.
City Medical for General Trading Co. W.L.L.	Kuwait	100%	100%	Engaged in providing medical services

Revenue recognition

Revenue is recognised to the extent that future economic benefits will flow to the group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received excluding discounts and rebates. The group assesses its revenue arrangements against following specific criteria in order to determine if it is acting as principal or agent. The group concluded that it is acting a principal in all of its income arrangement

The following specific recognition criteria must also be met before revenue is recognised:

- Revenue from sale of medical supplies is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably, normally on delivery to the customer.
- Revenue from rendering of services, included in sales, is recognised when the outcome of the transaction can be estimated reliably, by reference to the stage of completion of the transaction at the statement of financial position date.
- Dividend income is recognised when the group's right to receive the dividend is established.

Contribution to Kuwait Foundation for the Advancement of Sciences

The group has calculated the contribution to the Kuwait Foundation for the Advancement of Sciences in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states transfer to statutory reserves, should be excluded from profit for the year attributable to the shareholders of the group when determining the contribution.

Zakat

The group has provided for zakat in accordance with the requirements of Law No. 46 of 2006. The zakat charge calculated in accordance with these requirements is charged to the consolidated income statement.

2. Significant Accounting Policies (Continued)

National Labour Support Tax

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

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value.
Land is not depreciated. Depreciation is calculated on a straight-line basis over the estimated useful lives of all other assets as follows:

Buildings	10 - 50 years
Motor vehicles	3 years
Furniture and office equipment	6 to 10 years
Machinery and equipment	3 to 10 years
IMAGE Center	3 to 10 years

The above categories of property, plant and equipment includes buildings which are part of the Adan Hospital project under agreements for a period of 10 years from the date of signing of agreement. Hence the items forming a part of this agreement are depreciated as follows:
-If the actual useful life of asset is less than agreement period - depreciated over its useful life.
-If the actual useful life of asset is more than agreement period - depreciated over the agreement period.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the consolidated income statement as the expense is incurred.

Key money

Key money expense incurred in respect of new pharmacy premises is capitalised and is stated at cost less amortisation and impairment, if any. Amortisation is calculated using the straight-line method at rates calculated to write-off the expenditure over the estimated useful lives, ranging between 5 to 10 years.

Inventory assigned to customers

The cost of certain inventory items assigned for the use of customers, less any recovery, is treated as inventory assigned to customers. The cost of inventory assigned to customers is charged over the period of the respective customer agreement.

Business combinations and goodwill

Business combinations are accounted for using the acquisition accounting method. This involves recognising identifiable assets (including previously unrecognised intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value.

2. Significant Accounting Policies (Continued)

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of an acquisition over the group's share of the acquiree's fair value of the net identifiable assets as at the date of the acquisition. Following initial recognition, goodwill is measured at cost less impairment losses. Any excess, at the date of acquisition, of the group's share in the acquiree's fair value of the net identifiable assets over the cost of the acquisition is recognised in the consolidated income statement.

Goodwill is allocated to each of the group's cash-generating units or groups of cash generating units and is tested annually for impairment. Goodwill impairment is determined by assessing the recoverable amount of cash-generating unit, to which goodwill relates. The recoverable value is the value in use of the cash-generating unit, which is the net present value of estimated future cash flows expected from such cash-generating unit. If the recoverable amount of cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit prorated on the basis of the carrying amount of each asset in the unit. Any impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operations within that unit is disposed of, the goodwill associated with the operation disposed of, is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

When associates or subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation difference and goodwill is recognised in the consolidated income statement.

Investment in associate

The group's investments in its associate are accounted for under the equity method of accounting. An associate is an entity in which the group exercises significant influence and which are neither subsidiaries nor joint ventures. Investments in associate is carried in the consolidated statement of financial position at cost, plus post-acquisition changes in the group's share of net assets of the associate, less any impairment in value. The consolidated income statement reflects the group's share of the results of its associates.

Unrealised profits and losses resulting from transactions between the group and its associate are eliminated to the extent of the group's interest in the associate.

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

After application of the equity method, the group determines whether it is necessary to recognise an additional impairment loss of the group's investment in its associates. The group determines at each statement of financial position date whether there is any objective evidence that the investment in associate is impaired. If this is the case the group calculates the amount of impairment as being the difference between the fair value of the associate and the acquisition cost and recognises the amount in consolidated income statement.

2. Significant Accounting Policies (Continued)

Investments at fair value through income statement

Investments at fair value through income statement are measured initially at fair value (transaction price). Transaction costs on investments at fair value through income statement are expensed immediately.

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

After initial recognition investments at fair value through income statement are remeasured at fair value with all changes in fair value recognised in the consolidated income statement.

Available for sale investments

Available for sale investments are initially recognised at cost including transaction costs.
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, less impairment, if any.
Unrealised gain or loss on remeasurement of available for sale investments to fair value is recognised directly in the other comprehensive income in cumulative changes in fair value reserve until the investment is derecognised or determined to be impaired, at which time the cumulative gain or loss previously recognised in consolidated income statement in investment income/loss and removed from the cumulative changes in fair value reserve.

Impairment of non-financial assets

At each reporting date, the group reviews the carrying amounts of its non financial 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. Where a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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. In determining the fair value less costs to sell, an appropriate valuation model is used.

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 income statement.

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 income statement.

2. Significant Accounting Policies (Continued)

Recognition and de-recognition of financial assets and liabilities

A financial asset or a financial liability is recognised when the group becomes a party to the contractual provisions of the instrument. All "regular way" purchases and sales of financial assets are recognised on the trade date, i.e. the date that the group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

A financial asset (in whole or in part) is derecognised either when: (i) the rights to receive the cash flows from the asset have expired or (ii) the group has retained its right to receive cash flows from the assets but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or (iii) the group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. Where the group has transferred its right 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.
A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and the group intends to settle on a net basis.

Trade and settlement date accounting

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition, as follows:

- Goods in transit	- purchase cost incurred up to the statement of financial position date
- Goods for resale	- on weighted average basis

Net realisable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal.

Accounts receivable

Accounts receivable are stated at original invoice amount less allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Cash and cash equivalents

For the purpose of consolidated cash flow statement, cash and cash equivalents consist of cash in hand, bank balances net of outstanding bank overdrafts.

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.

2. Significant Accounting Policies (Continued)

Provisions

Provisions are recognised when the group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Term loans

The term loans are carried on the consolidated statement of financial position at their principal amounts. Instalments due within one year are shown as current liabilities. Interest is charged as an expense as it accrues, with unpaid amounts included in 'accounts payable and accruals'.

Murabaha payables

Murabaha payables represent amounts payable on a deferred settlement basis for assets purchased under murabaha arrangements. Murabaha payables are stated at the gross amount of the payable, net of deferred finance cost. Deferred finance cost is expensed on a time apportionment basis taking into account the borrowing rate attributable and the balance outstanding.

Impairment and uncollectibility of financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset or a group of financial assets may be impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If such evidence exists, any impairment loss is recognised in the consolidated statement of income. Impairment is determined as follows:

(a) For assets carried at fair value, impairment is the difference between initial cost and fair value, less any impairment loss previously recognised in the consolidated income statement;

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

(c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the financial asset no longer exist or have decreased and the decrease can be related objectively to an event occurring after the impairment was recognised. Reversals of impairment losses are recognised in the consolidated statement of income to the extent the carrying value of the asset does not exceed its amortised cost at the reversal date.

Employees' end of service benefits

The group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period in accordance with relevant labour law and the employees' contracts. The expected costs of these benefits are accrued over the period of employment.

With respect to its national employees, the group makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. The group's obligations are limited to these contributions, which are expensed when due.

2. Significant Accounting Policies (Continued)

Foreign currencies

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

The functional currencies of the subsidiaries are Egyptian Pounds.

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 in foreign currencies are initially recorded at the functional currency rate 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 statement of financial position date. All differences are taken to profit or loss. 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.

As at the reporting date, the assets and liabilities, both monetary and non-monetary, of foreign operations are translated from the functional currency into the presentation currency (Kuwaiti Dinars) at the rate of exchange ruling at the statement of financial position date and the income statement items are translated at the average exchange rates for the year. The resulting exchange differences on translation are recognised in other comprehensive income until the disposal of the foreign operation.

Segmental 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 or services within a particular economic environment (geographic segment), which is subject to risk and rewards that are different from those of the other segments.

Contingencies

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

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

Significant accounting judgments and estimates

The preparation of the consolidated financial statements requires management to make judgments, 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 these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the consolidated income statement.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of 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:

2. Significant Accounting Policies (Continued)

Significant accounting judgments and estimates (continued)

Classification of financial assets and liabilities

Management decides on acquisition of financial assets whether it should be classified as investment carried at fair value through income statement, or available for sale.

The group classifies financial assets as investments carried at fair value through income statement if they are acquired primarily for the purpose of short term profit making.

Classification of investments as fair value through income statement depends on how management monitor the performance of these investments. When investments have readily available fair values and the changes in fair values are reported as part of profit or loss in the management accounts, they are classified as investment carried at fair value through income statement. All other investments are classified as available for sale.

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.

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.

Impairment of goodwill

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

Impairment of accounts receivable

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis.

Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

2. Significant Accounting Policies (Continued)

Significant accounting judgments and estimates (continued)

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Impairment of key money

An impairment loss is recognised whenever the carrying amount exceeds its recoverable amount. The recoverable amount is the greater of their fair value less cost to sell and value in use. The impairment losses are recognised in the consolidated income statement.

3. Other Income

	2009	2008
	KD	KD
Compensation received	-	165,600
Miscellaneous income	503,642	600,021
	503,642	765,621

4. Finance Costs

	2009	2008
	KD	KD
Bank overdrafts interest	70,674	173,683
Term loan interest	371,314	489,354
Finance cost of murabaha payables	251,426	103,961
	693,414	766,998

5. Management Fees

Represents management fees payable to the chairman and managing director and chief financial officer based on 6.5% (2008: 5%) of the profit before directors' fees, KFAS, NLST and Zakat.

6. Profit for the year

The profit for the year is stated after charging:

	2009	2008
	KD	KD
Staff costs	**6,400,693**	4,970,451
Provision for closure of clinic	**400,000**	-
Rent	**964,874**	774,165

7. Basic and diluted earnings per share

Basic and diluted earnings per share are calculated by dividing the profit for the year by the weighted average number of shares outstanding during the year as follows:

	2009	2008
Profit for the year attributable to shareholders of the parent company (KD)	**1,392,442**	778,786
Weighted average number of shares outstanding during the year	**165,000,000**	165,000,000
Basic and diluted earnings per share	**8.44 Fils**	4.72 Fils

8. Property, plant and equipment

	Land	Buildings	Motor vehicles	Image center	Furniture and office equipment	Machinery and equipment	Assets under construction	Total
	KD	KD	KD	KD	KD	KD	KD	KD
Cost								
At 1 January 2009	871,928	3,469,217	362,222	344,885	3,161,850	4,805,943	407,651	13,423,696
Additions	-	-	-	-	196,091	1,365,201	149,021	1,710,313
Disposals	(75,230)	-	(5,739)	(344,885)	(280)	(952)	-	(427,086)
Foreign currency translation adjustment	3,302	8,782	10,306	-	751	2,158	-	25,299
Transfer to key money (Note 10)	-	-	-	-	-	-	(31,350)	(31,350)
Transfers	-	-	-	-	358,353	-	(358,353)	-
Write off of assets under construction	-	-	-	-	-	-	(147,199)	(147,199)
At 31 December 2009	800,000	3,477,999	366,789	-	3,716,765	6,172,350	19,770	14,553,673
Accumulated depreciation								
At 1 January 2009	-	829,146	153,525	335,558	1,946,199	1,673,663	-	4,938,091
Charge for the year	-	267,500	72,955	4,932	349,063	647,851	-	1,342,301
Relating to disposals	-	-	(4,425)	(340,490)	(277)	(911)	-	(346,103)
Foreign currency translation adjustment	-	1,273	4,147	-	294	1,197	-	6,911
At 31 December 2009	-	1,097,919	226,202	-	2,295,279	2,321,800	-	5,941,200
Net carrying amount								
at 31 December 2009	**800,000**	**2,380,080**	**140,587**	**-**	**1,421,486**	**3,850,550**	**19,770**	**8,612,473**

8. Property, plant and equipment (continued)

	Land	Buildings	Motor vehicles	Image center	Furniture and office equipment	Machinery and equipment	Assets under construction	Total
	KD	KD	KD	KD	KD	KD	KD	KD
Cost								
At 1 January 2008	871,655	3,398,492	262,547	344,885	2,796,088	4,014,653	150,836	11,839,156
Additions	-	70,000	118,163	-	270,370	812,715	1,165,770	2,437,018
Disposals	-	-	(19,219)	-	(47,349)	(21,569)	-	(88,137)
Foreign currency translation adjustment	273	725	731	-	61	144	-	1,934
Transfers	-	-	-	-	142,680	-	(142,680)	-
Write off of assets under construction	-	-	-	-	-	-	(766,275)	(766,275)
At 31 December 2008	871,928	3,469,217	362,222	344,885	3,161,850	4,805,943	407,651	13,423,696
Accumulated depreciation								
At 1 January 2008	-	568,516	120,021	327,905	1,718,687	1,170,986	-	3,906,115
Charge for the year	-	260,539	48,906	7,653	274,651	512,814	-	1,104,563
Relating to disposals	-	-	(15,601)	-	(47,159)	(10,212)	-	(72,972)
Foreign currency translation adjustment	-	91	199	-	20	75	-	385
At 31 December 2008	-	829,146	153,525	335,558	1,946,199	1,673,663	-	4,938,091
Net carrying amount								
at 31 December 2008	871,928	2,640,071	208,697	9,327	1,215,651	3,132,280	407,651	8,485,605

Write off of assets under construction reflects expenditure incurred on current projects underway against which future economic benefit is no longer expected to flow.

Depreciation charge for the year is included under administrative expenses in the consolidated income statement.

9. Inventory assigned to customers

	2009	2008
	KD	KD
Balance as at 1 January	**359,584**	715,762
Additions during the year	**16,034**	14,779
Utilised during the year	**(159,073)**	(370,957)
Balance as at 31 December	**216,545**	359,584

10. Key money

	2009	2008
	KD	KD
Cost		
At 1 January	**292,500**	278,500
Additions	**57,000**	14,000
Transfer from property, plant and equipment (Note 8)	**31,350**	-
At 31 December	**380,850**	292,500
Amortisation		
At 1 January	**221,167**	171,300
Charge for the year	**15,738**	49,867
At 31 December	**236,905**	221,167
Net carrying amount		
at 31 December	**143,945**	71,333

11. Investment in associates

The associated companies of the group dealt within these consolidated financial statements are as follows:

Name	Country of incorporation	2009	2008	Activities
Al Mazaya Medical Co. – WLL	Kuwait	25%	25%	Medical equipment and related products
Al Salam Hospital Co. K.S.C (Closed)	Kuwait	20%	20%	Medicines, medical equipment and related products

Al Salam Hospital Company K.S.C. (Closed) is a closed shareholding company registered in Kuwait and is engaged in providing inpatient and outpatient medical care services.

The movement in the carrying value of investment in associates is as follows:

	2009	2008
	KD	KD
Opening balance	**5,374,152**	12,500
Impairment of Al Mazaya Medical Company W.L.L.	**-**	(12,500)
Transfer from available for sale investment	**-**	5,138,379
Share of results of associates	**304,830**	235,773
Dividend received	**(79,587)**	-
	5,599,395	5,374,152

11.Investment in associates (Continued)

The investment in Al Mazaya Medical Company W.L.L. is unquoted and it has not commenced its operations as at the statement of financial position date. Accordingly the directors resolved to fully impair this investment in the previous year.

The following table illustrates summarised information of the group's investments in associated companies:

	2009	2008
	KD	KD
Carrying amount of investment in associated company:		
At 1 January	**5,374,152**	12,500
Write-off of Al Mazaya Medical Company W.L.L.	**-**	(12,500)
Transfer during the year	**-**	5,138,379
Share of results for the year	**304,830**	235,773
Dividend received	**(79,587)**	-
At 31 December	**5,599,395**	5,374,152
Aggregate of associates' statement of financial position:		
Current assets	**1,618,982**	1,421,173
Non-current assets	**4,884,994**	5,158,900
Current liabilities	**(1,430,522)**	(1,420,983)
Non-current liabilities	**(887,340)**	(1,198,219)
	4,186,114	3,960,871
Goodwill included in the associate's carrying value	**1,413,281**	1,413,281
	5,599,395	5,374,152
Aggregate of associates' revenue and profit:		
Revenue	**4,375,015**	3,519,868
Profit	**304,830**	235,773

Shares in Al-Salam Hospital Company are pledged against Murabaha payables (Note 20).

12. Investments at fair value through income statement

	2009	2008
	KD	KD
Equity securities funds	**1,327,600**	1,618,782

The underlying securities of one of the fund comprises unquoted investments, the valuation of which involves the exercise of judgment and is based on information available on the financial position and results of the activities of investee companies and information available on expected future earnings of these companies. Any recent, known, third party transaction prices for shares in the investee or similar companies are also taken into account.

13. Available for sale investments

	2009	2008
	KD	KD
Opening unquoted equity securities – Local	**117,600**	5,255,979
Transfer to investment in associates	**-**	(5,138,379)
Closing unquoted equity securities – Local	**117,600**	117,600

These investments are carried at cost due to the lack of other suitable methods for arriving at a reliable fair value. Management is not aware of any circumstances that would indicate any impairment in the value of these investments at the statement of financial position date.

14. Inventories

	2009	2008
	KD	KD
Goods in transit	**309,658**	321,474
Goods for resale	**18,041,129**	15,942,373
	18,350,787	16,263,847

During the year as a part of the prior year adjustment inventories amounting to KD 277,859 has been written off to opening retained earnings (Note 26).

15. Accounts receivable and prepayments

	2009	2008
	KD	KD
Trade accounts receivable	**18,221,166**	12,648,874
Amounts due from related parties (Note 25)	**19,329**	-
Other receivables	**562,792**	413,260
Reimbursable expenses	**1,771,984**	2,416,855
Advance to supplier	**469,047**	203,854
Prepaid expenses	**275,911**	226,717
Staff receivables	**50,214**	60,675
	21,370,443	15,970,235

As at 31 December 2009, trade receivables at nominal value of KD 2,000,925 (2008: KD 2,022,097) were impaired.
Movements in the allowance for impairment of receivables were as follows:

	2009	2008
	KD	KD
At the beginning of the year	**2,022,097**	506,653
Provided during the year	**720,580**	1,515,444
Unused amount reversed	**(741,752)**	-
At the end of the year	**2,000,925**	2,022,097

15. Accounts receivable and prepayments (Continued)

As at 31 December, the ageing of unimpaired trade receivables is as follows:

	Total	Neither past due nor impaired	Past due but not impaired			
			< 60 days	60 – 90 days	90 – 120 days	>120 days
	KD	KD	KD	KD	KD	KD
2009	**18,221,166**	**5,467,343**	**5,819,257**	**1,837,163**	**763,570**	**4,333,833**
2008	12,648,874	4,609,411	5,472,273	621,085	632,525	1,313,580

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the group to obtain collateral over receivables and the vast majority are, therefore, unsecured.

16. Cash and cash equivalents

Cash and cash equivalents included in the consolidated statement of cash flows comprise of the following consolidated statement of financial position amounts:

	2009	2008
	KD	KD
Bank balances and cash	**2,455,082**	1,561,938
Bank overdrafts	**-**	(5,695,170)
	2,455,082	(4,133,232)

Bank overdrafts carry interest rate of 2.00% to 2.5% per annum over Central Bank of Kuwait discount rate (2008: 2.75% per annum) and are unsecured.

17. Share Capital

	Authorised, Issued and fully paid	
	2009	2008
	KD	KD
Shares of fils 100 each	**16,500,000**	16,500,000

18. Reserves

Statutory reserve

In accordance with the Commercial Companies Law and the parent company's articles of association, 10% of the profit for the year before Directors' fee, contribution to KFAS, NLST and Zakat attributable to the shareholders of the parent company has been transferred to statutory reserve. The shareholders of the parent company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid up share capital.
Distribution of the 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.

Voluntary and general reserve

The parent company has resolved to discontinue the annual transfer of 10% of the profit before Directors' fee, contribution to KFAS, NLST and Zakat attributable to the shareholders of the parent company for the year to the voluntary and general reserves; there are no restrictions on distribution of these reserves.

19. Bonus and Proposed Dividend

The annual general assembly of the shareholders of the parent company held on 8 May 2008 approved the issue of 1 bonus share for every 10 shares resulting in an increase of number of shares issued by 15,000,000 and of share capital by KD 1,500,000.
The annual general assembly of the shareholders held on 13 May 2009 approved the consolidated financial statements for the year ended 31 December 2008.
During the year board of directors of the parent company has proposed the cash dividend of 5% (2008:Nil) of paid up share capital amounting to KD 825,000 (2008:KD Nil) which is subject to approval of the shareholders of the parent company in the annual general assembly.

20. Murabaha payable

Murabaha payable represents the value of commodities purchased on a deferred settlement basis and carries effective profit payable rates ranging from 5.5% to 9.5% (2008: 8% to 9.5%) per annum. The murabaha is payable on different dates ending 31 May 2015 and are secured over property, plant and equipment with net book value of KD 779,813 (2008: KD 817,157) and against shares in Al Salam Hospital (Note 11). Amounts payable within the next twelve months are shown as current liability.

21. Employees' end of service benefits

Movements in the provision recognised in the consolidated statement of financial position are as follows:

	2009	2008
	KD	KD
Provision as at 1 January	**1,036,089**	931,827
Provided during the year	**224,737**	192,001
Payments during the year	**(84,406)**	(87,739)
	1,176,420	1,036,089

22. Accounts payable and accruals

	2009	2008
	KD	KD
Trade payables	**15,476,458**	11,786,932
Amounts due to related parties (Note 25)	**9,104**	168,306
Other payables	**2,193,831**	854,919
Accrued expenses	**1,557,899**	977,395
Agency liabilities	**260,472**	275,104
Advances from customers	**652,360**	1,005,625
	20,150,124	15,068,281

23. Term loans

Term loans represent loans payable to local banks. The loans carry interest at an average rate of 2.5 % per annum (2008: 2.5% per annum) over Central Bank of Kuwait discount rate on the utilized portion and are unsecured. The loans are payable within one year from reporting date.

24. Contingent liabilities

At 31 December 2009 the group had contingent liabilities in respect of outstanding letters of guarantees arising in the ordinary course of business amounting to KD 16,790,032 (2008: KD 2,583,320), which includes a guarantee of KD 11,000,000 (2008: KD Nil) given against murabaha payable.

25. Related party transactions

Related parties represent major shareholders, directors and key management personnel of the group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the group's management.

Amounts due from and due to relate parties are disclosed in Notes 15 and 22 respectively.

Transactions with related parties included in the consolidated income statement are as follows:

	2009	2008
	KD	KD
Management fees	**91,814**	43,697

Compensation of key management personnel

The remuneration of directors and other members of key management during the year were as follows:

	2009	2008
	KD	KD
Short-term benefits	**196,540**	147,000
Employees' end of service benefits	**12,172**	78,771
	208,712	225,771

26. Prior year adjustment

1. During the year, as part of ongoing improvements to the group's operational effectiveness, management conducted a comprehensive review of the appropriateness of each of its inventory storage locations, ahead of a complete inventory count which was conducted as at 31 December 2009. Inventories counted at one of the location, were lower than the group's records indicated, by KD 277,859. The review highlighted that this location had only been subjected to sample counts in recent years. Therefore, since it is impracticable to determine the period-specific effects of this error on the comparative periods presented, opening retained earnings for the year have been adjusted by KD 277,859 to correct for this matter.

2. In prior years the group entered into debt factoring and collection arrangements (with legal recourse) with a local bank. Such arrangements ceased on 1 October 2007, at which time the group created its own credit control department.

   During the year, the local bank claimed re-payment of KD 940,865 in respect of receivable amounts that it had been unable to collect from customers during the period when the arrangements were effective. This was the first such notification that the group received from the local bank, who are unable to provide a detailed breakdown of such amounts. However, since the arrangements with the local bank were with legal recourse, management has resolved to pay the amounts due.

   Given the information available, management is unable to determine to which period the underlying receivables relate to. Therefore, since it is impracticable to determine the period-specific effects of this error on the comparative periods presented, opening retained earnings for the year have been adjusted by KD 940,865 to correct for this matter.

27. Segmental information

The group's primary basis of segment reporting is by business segments, which consist of medical and related activities and investments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, group financing (including finance costs and finance income) and income taxes are managed on a group basis and are not allocated to operating segments.

	Medical and related activities	**Investment**	**Total**
	KD	**KD**	**KD**
At 31 December 2009			
Segment revenue	**69,742,486**	**85,885**	**69,828,371**
Results	**1,400,244**	**85,885**	**1,486,129**
Unallocated expenses			**(78,539)**
Profit for the year			**1,407,590**
Operating assets	**51,149,275**	**7,044,595**	**58,193,870**
Operating liabilities	**(35,185,519)**	**-**	**(35,185,519)**
Other segment information			
Depreciation and amortisation	**(1,358,039)**	**-**	**(1,358,039)**
Provision for closure of clinic	**(400,000)**	**-**	**(400,000)**
Share of profit of an associate	**304,830**	**-**	**304,830**
Other disclosures			
Investment in an associate	**-**	**5,599,395**	**5,599,395**
Capital expenditure	**1,767,313**	**-**	**1,767,313**

	Medical and related activities	Investment	Total
	KD	KD	KD
At 31 December 2008			
Segment revenue	54,079,909	(546,738)	53,533,171
Segment result	1,376,979	(546,738)	830,241
Unallocated expenses	-	-	(38,132)
Profit for the year	-	-	792,109
Operating assets	42,712,542	7,110,534	49,823,076
Operating liabilities	(27,079,906)	-	(27,079,906)
Other segment information			
Depreciation and amortisation	(1,154,430)	-	(1,154,430)
Impairment of goodwill	-	(135,293)	(135,293)
Impairment of investments in associates	-	(12,500)	(12,500)
Share of profit of an associate	-	235,773	235,773
Other disclosures			
Investment in an associate	-	5,374,152	5,374,152
Capital expenditure	2,451,018	-	2,451,018

27. Segmental information (Continued)

Geographic information

The group reports its secondary segmental information according to geographical location of its customers and non-current assets, as follows:

	Kuwait	Egypt	Total
	KD	KD	KD
At 31 December 2009			
Segment revenue	**64,489,462**	**5,338,909**	**69,828,371**
Non-current assets	**8,972,963**	**7,044,595**	**16,017,558**
At 31 December 2008			
Segment revenue	49,491,611	4,041,560	53,533,171
Non-current assets	8,916,522	7,110,534	16,027,056

28. Risk management

Introduction

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 is exposed to credit risk, liquidity risk, market risk, the latter being subdivided into interest rate risk, foreign currency risk and equity price risk. It is also subject to operating risks. The independent risk control process does not include business risks such as changes in the environment technology and industry. They are monitored through the group's strategic planning process.

Maximum risk concentration

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.

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 is exposed to credit risk on its bank balances, accounts receivables and certain other assets reflected in the consolidated statement of financial position.

The group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables. The maximum exposure is the carrying amount as disclosed in Note 15. The group seeks to limit its credit risk with respect to banks by only dealing with reputable banks.

28. Risk management (Continued)

The group sells its products to a large number of customers. Receivable from Governmental bodies are 59% of outstanding trade accounts receivable at 31 December 2009 (2008: 55%).

With respect to credit risk arising from the other financial assets of the group, including bank balances and cash, 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.

Liquidity risk

Liquidity risk is the risk that the group will encounter difficulty in raising funds to meet commitments associated with financial instruments.

The group limits its liquidity risk by ensuring bank facilities are available. The group's terms of sales require amounts to be paid within 45-90 days of the date of sale. Trade payables are normally settled within 60 to 90 days of the date of purchase. The maturity profile is monitored by the group's management to ensure adequate liquidity is maintained.

The table below summarises the maturities of the group's undiscounted financial liabilities at 31 December 2009, based on contractual payment dates and current market interest rates.

31 December 2009	**On demand**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**> 5 years**	**Total**
Murabaha payable	**-**	**2,406,360**	**11,514,572**	**299,736**	**116,389**	**14,337,057**
Accounts payable and accruals	**9,104**	**14,016,132**	**5,472,528**	**-**	**-**	**19,497,764**
Total	**9,104**	**16,422,492**	**16,987,100**	**299,736**	**116,389**	**33,834,821**

31 December 2008	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Term loans	-	-	2,390,625	-	-	2,390,625
Murabaha payable	-	130,448	2,516,838	502,891	107,838	3,258,015
Accounts payable and accruals	168,306	12,750,637	2,149,338	-	-	15,068,281
Bank overdraft	5,695,170	-	-	-	-	5,695,170
Total	5,863,476	12,881,085	7,056,801	502,891	107,838	26,412,091

Market risk

Market risk is defined as the risk of losses in the value of on-or-off statement of financial position financial instruments caused by a change in market prices or rates, (including changes in interest rates, equity price and foreign exchange rates).

Market risk is managed on the basis of pre-determined asset allocations across various asset categories, diversification of assets in terms of geographical distribution and industry concentration, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value.

28. Risk management (Continued)

Interest rate risk (Continued)

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments.

The group is exposed to interest rate risk on its interest bearing liabilities (bank overdrafts, term loans, murabaha payables). The interest rates are disclosed in Note 16, 20 and 23.

The risk is managed by the group by maintaining an appropriate mix between fixed and floating rate.

The following table demonstrates the sensitivity of the profit for the year and equity to reasonably possible changes in interest rates, with all other variables held constant.

There is no impact on the group's equity.

	Increase/decrease in basis points	Effect on profit for the year KD
2009		
KD	**(+/-)100**	**138,578**
2008		
KD	(+/-)100	109,755

Equity price risk

Equity price risk arises from changes in the fair values of equity investments. Equity price risk is managed by the finance department of the parent company. The unquoted equity price risk exposure arises from the group's investments classified as fair value through income statement or available for sale.

The effect of change in the fair value of quoted equity instruments at the statement of financial position date due to a reasonable possible change in the equity indices, with all other variables held as constant, is not significant.

The group also has unquoted investments carried at cost where the impact of changes in equity prices will only be reflected when the investment is sold or deemed to be impaired, when the consolidated income statement will be impacted.

Foreign currency risk

The group incurs foreign currency risk on billings that are denominated in a currency other than the Kuwaiti Dinar. The group ensures that the net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the Kuwaiti Dinar.

Cash and cash equivalents includes an amount of KD 118,841 (2008: KD 113,973) due in foreign currencies mainly in US Dollars, Great Britain Pounds, Euro and Swiss Franc.

Reimbursable expenses includes an amount of KD 1,635,884 (2008: KD 2,416,855) due in foreign currencies mainly in US Dollars, Great Britain Pounds, Euro, Canadian dollars and Swiss Franc.

Trade accounts payable include an amount of KD 12,054,856 (2008: KD 9,112,687) due in foreign currencies mainly US Dollars, Great Britain Pounds, Euro, Canadian dollars, Swedish Kroner , Danish Kroner and Swiss Franc.

28. Risk management (Continued)

Foreign currency risk (continued)

The table below indicates the group's foreign currency exposure at 31 December, as a result of its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the KD currency rate against the foreign currencies, with all other variables held constant, on the consolidated income statement (due to the fair value of currency sensitive monetary assets and liabilities).

	Change in currency rate by 5%	
	Effect on profit before KFAS, directors' remuneration, NLST and Zakat	
	2009	2008
	KD	KD
USD	**352,695**	(210,486)
Euro	**152,617**	(122,890)
GBP	**10,498**	(8,229)
CHF	**19,402**	(17,028)
Others	**5,526**	(1,353)

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.

Capital Management

The primary objective of the group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

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 years ended 31 December 2009 and 31 December 2008.

The group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The group includes within net debt, term loans, murabaha payables and trade and other payables, less cash and cash equivalents. Capital represents total equity attributable to equity holders.

	2009	2008
	KD	KD
Term loans	**1,167**	2,254,683
Murabaha payables	**13,857,808**	3,025,683
Trade and other payables	**20,150,124**	15,068,281
(Less) / add: cash and cash equivalents	**(2,455,082)**	4,133,232
Net debt	**31,554,017**	24,481,879
Total capital	**22,922,036**	22,654,195
Capital and net debt	**54,476,053**	47,136,074
Gearing ratio	**58%**	52%

29. Fair values of financial instruments

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash and cash equivalents, receivables and investments. Financial liabilities consist of term loans, murabaha payable, accounts payables and amount due to related parties.

The fair values of financial instruments are not materially different from their carrying values except for available for sale investments (Note 13).

As at 31 December 2009, the group held the following financial assets measured at fair value:

The group uses the following hierarchy for determining and disclosing the fair value of financial assets by valuation technique:

Level 1 : quoted (unadjusted) prices in active markets for identical assets or 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.
Level 3 : techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

	Level 1	Level 2	Level 3	Total
	KD	KD	KD	KD
31 December 2009				
Financial assets carried at fair value through income statement	**282,600**	**1,045,000**	**-**	**1,327,600**

During the reporting period ending 31 December 2009, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.