Nafais Holding Company K.S.C. (Closed)
and its Subsidiaries
State of Kuwait

Consolidated financial statements and independent auditors' report for the year ended 30 June 2009

Nafais Holding Company K.S.C. (Closed)
and its Subsidiaries
State of Kuwait

Contents ***Page***

KPMG

بوبيان لتدقيق الحسابات
BOUBYAN Auditing Office
محاسبون قانونيون - مستشارون ماليون

KPMG Safi Al-Mutawa & Partners
Rakan Tower, 18th Floor
Fahad Al-Salem Street
P.O.Box 24, Safat 13001
Kuwait
Telephone : + 965 2247 5090
Fax : + 965 2249 2704

Boubyan Auditing Office
P.O.Box 17445, Khaldiya 72455
Kuwait
Telephone : + 965 2249 4040
Fax : + 965 2249 6565

Independent auditors' report on consolidated financial statements

The Shareholders
Nafais Holding Company K.S.C. (Closed)
State of Kuwait

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Nafais Holding Company K.S.C. (Closed) ("the Parent Company") and its subsidiaries (together referred as "the Group"), which comprise the consolidated balance sheet as at 30 June 2009, and the consolidated statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatements, 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 relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement.

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

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

Opinion

In our opinion, based on our audit, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2009, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 2 to the consolidated financial statements, where material uncertainty about the Group's ability to continue as a going concern has been summarized.

Report on other legal and regulatory requirements

We further report that we have obtained the information and explanations that we required for the purpose of our audit and the consolidated financial statements include the information required by the Kuwait Commercial Companies Law of 1960, as amended, and the Parent Company's articles and memorandum of association. In our opinion, proper books of account have been kept by the Parent Company, an inventory count was carried out in accordance with recognized procedures and the accounting information given in the board of directors' report agrees with the books of account. We have not become aware of any contravention of the Kuwait Commercial Companies Law of 1960, as amended, or of the Parent Company's articles and memorandum of association, as amended, that would materially affect the Group's activities or its consolidated financial position.

Safi A. Al-Mutawa
License No 138 "A"
of KPMG Safi Al-Mutawa & Partners
Member firm of KPMG International

Yahia Abdullah Al-Foudri
License No 83 "A"
Of Boubyan Auditing Office

Kuwait: 29 September 2009

Nafais Holding Company K.S.C. (Closed)
and its Subsidiaries
State of Kuwait

Consolidated balance sheet
as at 30 June 2009

	Note	2009 KD	2008 KD
Assets			
Property, plant and equipment	*5*	33,971,958	30,873,501
Intangible assets		29,823	33,417
Goodwill	*6*	12,010,455	14,699,740
Property under development	*7*	4,646,198	-
Investment in associates	*8*	68,140,571	44,269,712
Available for sale investments	*9*	8,214,234	15,222,533
Other assets		110,497	73,395
Total non-current assets		127,123,736	105,172,298
Inventories	*10*	850,795	860,519
Trade and other receivables	*11*	3,819,213	6,909,549
Due from related parties	*19*	6,052,930	373,766
Term deposits	*12*	-	4,826,798
Cash and cash equivalents	*12*	1,637,002	743,804
Total current assets		12,359,940	13,714,436
Total assets		139,483,676	118,886,734
Equity and liabilities			
Equity			
Share capital	*13*	62,336,968	62,336,968
Treasury shares	*14*	(1,221,334)	(694,486)
Share premium		11,979,978	11,979,978
Statutory reserve	*15*	612,240	612,240
Voluntary reserve	*16*	557,922	557,922
Foreign currency translation reserve		82,607	(246,957)
Cumulative changes in fair value		(836,536)	(3,546,055)
(Accumulated losses) / retained earnings		(23,543,552)	3,206,602
Equity attributable to shareholders of the Parent Company		49,968,293	74,206,212
Minority interest		5,875,841	5,218,570
Total equity		55,844,134	79,424,782
Liabilities			
Islamic financing	*17*	18,717,660	7,878,630
Post employment benefits		2,110,727	1,792,293
Due to related party	*19*	11,910,540	-
Total non-current liabilities		32,738,927	9,670,923
Islamic financing	*17*	29,400,826	13,770,333
Due to related parties	*19*	13,685,759	10,978,142
Trade and other payables	*18*	7,814,030	5,042,554
Total current liabilities		50,900,615	29,791,029
Total liabilities		83,639,542	39,461,952
Total equity and liabilities		139,483,676	118,886,734

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

Chairman and Managing Director

Nafais Holding Company K.S.C. (Closed)
and its Subsidiaries
State of Kuwait

Consolidated statement of income
for the year ended 30 June 2009

	Note	2009 KD	2008 KD
Operating revenues	*20*	21,423,262	9,867,874
Operating costs	*21*	(13,226,473)	(6,682,072)
Gross profit		8,196,789	3,185,802
Other income		2,549,865	339,712
Gain from sale of investments at fair value through profit or loss		-	3,850
General and administrative expenses	*22*	(8,580,368)	(2,371,433)
Impairment of available for sale investments		(5,852,530)	-
Impairment of goodwill	*6*	(6,902,991)	-
Results from operating activities		(10,589,235)	1,157,931
Finance costs		(7,254,913)	(722,367)
Impairment of investment in associate	*8*	(5,890,611)	-
Share of (loss) / profit from associates	*8*	(3,012,580)	767,280
(Loss) / profit before Board of Director's remuneration, contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST) and Zakat		(26,747,339)	1,202,844
Board of Directors' remuneration		-	(35,000)
Contribution to KFAS		-	(2,838)
NLST		-	(10,014)
Zakat		-	(6,559)
Net (loss) / profit for the year		(26,747,339)	1,148,433
Net (loss) / profit attributable to:			
Shareholders of the Parent Company		(26,750,154)	1,219,714
Minority interest		2,815	(71,281)
		(26,747,339)	1,148,433
(Loss) / earnings per share (fils)	*24*	(43.37)	35.91

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

Nafais Holding Company K.S.C. (Closed)
and its Subsidiaries
State of Kuwait

Consolidated statement of changes in equity
for the year ended 30 June 2009

	Share capital KD	Treasury shares KD	Share premium KD	Statutory reserve KD	Voluntary reserve KD	Foreign currency translation reserve KD	Cumulative changes in fair value KD	Retained earnings KD	Equity attributable to shareholders of the Parent Company KD	Minority interest KD	Total equity KD
Balance at 1 July 2007	2,247,167	(204,377)	1,232,105	547,306	492,988	-	-	2,116,756	6,431,945	-	6,431,945
Foreign currency translation	-	-	-	-	-	(246,957)	-	-	(246,957)	-	(246,957)
Change in fair value of available for sale investments	-	-	-	-	-	-	(3,546,055)	-	(3,546,055)	-	(3,546,055)
Net loss directly recognised in equity	-	-	-	-	-	(246,957)	(3,546,055)	-	(3,793,012)	-	(3,793,012)
Net profit for the year	-	-	-	-	-	-	-	1,219,714	1,219,714	(71,281)	1,148,433
Total recognised (loss) / gain for the year	-	-	-	-	-	(246,957)	(3,546,055)	1,219,714	(2,573,298)	(71,281)	(2,644,579)
Issue of share capital	60,089,801	-	-	-	-	-	-	-	60,089,801	-	60,089,801
Purchase of treasury shares	-	(490,109)	-	-	-	-	-	-	(490,109)	-	(490,109)
Increase in share premium	-	-	10,747,873	-	-	-	-	-	10,747,873	-	10,747,873
Transfer to reserves	-	-	-	64,934	64,934	-	-	(129,868)	-	-	-
Acquisition of minority interest	-	-	-	-	-	-	-	-	-	5,289,851	5,289,851
Balance at 30 June 2008	62,336,968	(694,486)	11,979,978	612,240	557,922	(246,957)	(3,546,055)	3,206,602	74,206,212	5,218,570	79,424,782

Nafais Holding Company K.S.C. (Closed)
and its Subsidiaries
State of Kuwait

Consolidated statement of changes in equity
for the year ended 30 June 2009

	Share capital KD	Treasury shares KD	Share premium KD	Statutory reserve KD	Voluntary reserve KD	Foreign currency translation reserve KD	Cumulative changes in fair value KD	Retained earnings / (accumulated losses) KD	Equity attributable to shareholders of the Parent Company KD	Minority interest KD	Total equity KD
Balance at 1 July 2008	62,336,968	(694,486)	11,979,978	612,240	557,922	(246,957)	(3,546,055)	3,206,602	74,206,212	5,218,570	79,424,782
Foreign currency translation	-	-	-	-	-	329,564	-	-	329,564	-	329,564
Impairment loss recognised	-	-	-	-	-	-	3,256,831	-	3,256,831	-	3,256,831
Change in fair value of available for sale investments	-	-	-	-	-	-	(547,312)	-	(547,312)	(46,336)	(593,648)
Net gain / (loss) recognised directly in equity	-	-	-	-	-	329,564	2,709,519	-	3,039,083	(46,336)	2,992,747
Net loss for the year	-	-	-	-	-	-	-	(26,750,154)	(26,750,154)	2,815	(26,747,339)
Total recognised gain / (loss) for the year	-	-	-	-	-	329,564	2,709,519	(26,750,154)	(23,711,071)	(43,521)	(23,754,592)
Purchase of treasury shares	-	(526,848)	-	-	-	-	-	-	(526,848)	-	(526,848)
Increase in minority interest	-	-	-	-	-	-	-	-	-	700,792	700,792
Balance at 30 June 2009	62,336,968	(1,221,334)	11,979,978	612,240	557,922	82,607	(836,536)	(23,543,552)	49,968,293	5,875,841	55,844,134

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

Nafais Holding Company K.S.C. (Closed)
and its Subsidiaries
State of Kuwait

Consolidated statement of cash flows
for the year ended 30 June 2009

	Note	2009 KD	2008 KD
Cash flow from operating activities:			
Net (loss) / profit for the year		(26,747,339)	1,148,433
Adjustments for:			
(Reversal) / provision for doubtful debts		(7,660)	14,536
Depreciation		1,263,861	615,326
Amortization of intangible assets		3,594	-
Gain on investments at fair value through profit or loss		-	(3,850)
Impairment of investment in associate		5,890,611	-
Impairment of goodwill		6,902,991	-
Impairment of available for sale investments		5,852,530	-
Finance costs		7,254,913	722,367
Post employment benefits		540,232	1,037,062
Share of loss / (profit) from associates		3,012,580	(767,280)
Foreign currency translation reserve		329,564	(246,957)
		4,295,877	2,519,637
Decrease / (increase) in inventories		9,724	(144,899)
Decrease / (increase) in trade and other receivables		3,169,476	(2,150,312)
Increase in due from related parties		(5,574,572)	(214,386)
Increase / (decrease) in due to related parties		1,185,814	(28,518,871)
Decrease in trade and other payables		(332,139)	(256,096)
Cash from / (used in) operating activities		2,754,180	(28,764,927)
Post employment benefits paid		(231,348)	(142,961)
Net cash from /(used in) operating activities		2,522,832	(28,907,888)
Cash flow from investing activities:			
Acquisition of subsidiaries		(6,204,509)	(23,000,476)
Sale proceeds from investment at fair value through profit or loss		-	17,602
Acquisition of shares in associates		(10,800,061)	(12,391,400)
Acquisition of available for sale investments		(2,937,010)	(5,360,199)
Increase in other assets		(37,102)	(46,222)
Acquisition of property under development		(4,646,198)	-
Term deposits		4,826,798	1,173,202
Acquisition of property, plant and equipment		(4,318,086)	(1,189,659)
Net cash used in investing activities		(24,116,168)	(40,797,152)
Cash flows from financing activities:			
Proceeds from issue of share capital		-	70,837,674
Purchase of treasury shares		(526,848)	(490,109)
Islamic financing borrowings		64,870,523	-
Islamic financing repayments		(38,401,000)	(1,446,331)
Change in minority interest		700,792	(71,281)
Finance costs paid		(4,156,933)	(722,367)
Net cash from financing activities		22,486,534	68,107,586
Net increase / (decrease) in cash and cash equivalents		893,198	(1,597,454)
Cash and cash equivalents at beginning of the year		743,804	2,341,258
Cash and cash equivalents at end of the year	*12*	1,637,002	743,804

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

1. Status and activities

Nafais Holding Company K.S.C. (Closed) ("the Company") was established in Kuwait on 31 October 1984 as a Kuwaiti Closed Shareholding Company and was listed on the Kuwait Stock Exchange on 3 May 2005.

The registered office of the Company is located at Al-Wazzan Building, Free Trade Zone, P.O. Box 3306, Kuwait.

The objectives of the Company are:

- Owning stocks and shares in Kuwaiti and non-Kuwaiti companies and participation in the establishment of new companies making investments therein and managing them;
- Lending to companies in which the Company owns shares and acting as a guarantor for these companies;
- Owning industrial equities such as patents, industrial trademarks, royalties or any other related rights and franchising them to other companies or using them;
- Owning real estate and movable properties to conduct its operations;
- Investing surplus cash through investing in portfolios managed by fund management organizations.

The Company may also have an interest in or participate in any manner with other entities carrying out similar or complementary activities in order to achieve its objectives inside and outside of Kuwait, and to acquire or merge with those entities.

The Company manages the following schools in the State of Kuwait:

- Al-Takamul International School
- Gulf English School
- Al-Mansour School
- Al-Rawad School

The consolidated financial statements comprise of Nafais Holding Company K.S.C. (Closed), its subsidiaries and associates (together referred to as "the Group"). A list of significant directly and indirectly owned subsidiaries and associates is as follows:

Name of the Company	Country	Percentage of ownership 2009	2008	Principal activities
Subsidiaries				
Al-Mowasat Holding Company K.S.C. (Closed)	Kuwait	64.82%	64.82%	Investment activities
Al-Tafawoq Educational Services Company W.L.L.	Kuwait	100%	100%	School operations
Al-Andulas Educational Services Company W.L.L.	Kuwait	100%	100%	School operations
Al-Malee Educational Services Company W.L.L.	Kuwait	100%	100%	School operations
Al Rawada Educational Services Company W.L.L.	Egypt	100%	100%	School operations

Al-Mouzon Real Estate Company W.L.L.	Kuwait	100%	100%	Real Estate activities
Bronze Vision Company W.L.L.	Kuwait	100%	-	General trading and contracting
Kids Garden Company L.L.C.	KSA	75%	-	School operations
Associates				
United Capital Bank P.L.C.	Sudan	18.75%	18.75%	Banking operations
Educational Holding Group K.S.C. (Closed)	Kuwait	32.26%	32.26%	Investment activities
Al-Khat Printing Press Company W.L.L.	Kuwait	25%	25%	Printing and publishing
Warba Group GCC Company W.L.L.	Kuwait	25%	25%	Publicity and advertisements
Athman Investment Company K.S.C. (Closed)	Kuwait	26.43%	-	Investment activities
Rawa Real Estate Company S.J.S.C (Closed)	KSA	34.88%	-	Real estate activities
Mazaya Medical Company W.L.L.	Kuwait	37.5%	-	Dormant

Ownerships in certain subsidiaries are held by affiliates of the Company as nominees. Such affiliates have issued letters acknowledging that they hold shares on behalf and for the benefit of the Company.

The consolidated financial statements were approved for issue by the Board of Directors on 29 September 2009. The shareholders of the Company have the power to amend these consolidated financial statements at the annual general assembly.

2. Fundamental accounting concept

Although the Group has incurred a loss of KD 26,747,339 for the year ended 30 June 2009 (30 June 2008: profit of KD 1,148,433) and its current liabilities exceeded current assets by KD 38,540,675 as at 30 June 2009 (30 June 2008: KD 16,076,593), the consolidated financial statements have been prepared on a going concern basis.

The ability of the Group to continue as a going concern is dependent on the availability of continued support from financial institutions and shareholders and the ability of the Group to improve profitability and cash flows. During the year, the Group successfully negotiated restructuring of certain short term facilities amounting to KD 10,973,927. Further, the management is in the process of negotiating the terms of the settlement of its remaining short term facilities with financial institutions whereby these short term facilities will be converted into medium and long term facilities. The management is confident that they will be able to renegotiate the terms of these facilities.

If the Group is unable to continue its operational existence for the foreseeable future, it may be unable to discharge its liabilities in the normal course of business. Accordingly, adjustments may have to be made to reflect the situation that assets may need to be realized other than in normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the consolidated balance sheet. In addition, the Group may have to reclassify non-current assets and liabilities as current assets and liabilities respectively. No such adjustments have been made to these consolidated financial statements.

3. Basis of preparation

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), the requirements of the Kuwait Commercial Companies Law of 1960, as amended, the Company's articles of association and Ministerial Order No. 18 of 1990.

b) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except for certain investments which are measured at fair value.

The consolidated financial statements are presented in Kuwaiti Dinars ("KD"), which is the Parent Company's functional currency.

c) Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Critical judgments in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in this note, management has made the following judgments that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

Impairment of investments and receivables

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

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether the goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of cash generating units to which goodwill is allocated. Estimating the value in use requires the Group to make estimates or "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 these cash flows.

Impairment of inventories

Inventories are held at the lower of cost and net realizable value. When inventories expire or become obsolete, an estimate is made of their net realizable value. For individually significant amounts, this estimate is made 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 ageing or obsolescence, based on historical selling prices.

Impairment of investment in associate

After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss on the Group's investment in its associated companies, at each balance sheet date based on existence of any objective evidence that the investment in associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated statement of income.

Valuation of unquoted equity investments

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

- recent arm's length market transactions;
- current fair value of another instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- other valuation models.

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

d) Standards and interpretations not yet effective

At the date of authorisation of these consolidated financial statements, the following standards and interpretations were in issue but not yet effective:

• IAS 23 (Revised) *Borrowing Costs*	Effective for annual periods beginning on or after 1 January 2009
• IFRS 8 *Operating Segments*	Effective for annual periods beginning on or after 1 January 2009
• Revised IAS 1 *Presentation of Financial Statements*	Effective for annual periods beginning on or after 1 January 2009
• Amendment to IAS 32 *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidations*	Effective for annual periods beginning on or after 1 January 2009
• Revised IFRS 3 *Business Combination (2008)*	Effective for annual periods beginning on or after 1 July 2009
• Amended IAS 27 *Consolidated and Separate Financial Statements (2008)*	Effective for annual periods beginning on or after 1 July 2009
• Amendments to IAS 39 *Financial Instruments: Recognition and Measurement – eligible for hedged items.*	Effective for annual periods beginning on or after 1 July 2009
• IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*	Effective for annual periods beginning on or after 1 October 2008
• Amendment to IFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*	Effective for annual periods beginning on or after 1 January 2009
• IAS 16 (Revisions) *Property, plant and equipment*	Effective for annual periods beginning on or after 1 January 2009
• IAS 19 (Revisions) *Employee Benefits*	Effective for annual periods beginning on or after 1 January 2009
• IAS 20 (Revisions) *Accounting for Government Grants and Disclosure of Government Assistance*	Effective for annual periods beginning on or after 1 January 2009
• IAS 28 (Revisions) *Investments in associates*	Effective for annual periods beginning on or after 1 January 2009
• IAS 29 (Revisions) *Financial Reporting in Hyperinflationary Economies*	Effective for annual periods beginning on or after 1 January 2009
• IAS 31 (Revisions) *Investment in Joint Ventures*	Effective for annual periods beginning on or after 1 January 2009

• IAS 36 (Revisions) *Impairment of Assets*	Effective for annual periods beginning on or after 1 January 2009
• IAS 38 (Revisions) *Intangible Assets*	Effective for annual periods beginning on or after 1 January 2009
• IAS 40 (Revisions) *Investment Property*	Effective for annual periods beginning on or after 1 January 2009
• IAS 41 (Revisions) *Agriculture*	Effective for annual periods beginning on or after 1 January 2009
• IFRS 1 (Revisions) *First Adoption of International Financial Reporting Standards*	Effective for annual periods beginning on or after 1 January 2009
• IFRS 5 (Revisions) *Non-current Assets Held for Sale and Discontinued Operations*	Effective for annual periods beginning on or after 1 July 2009
• IFRIC 15 *Agreements for the Construction of Real Estate*	Effective for annual periods beginning on or after 1 January 2009

The International Accounting Standard Board made certain amendments to existing standards as part of its first annual improvement project. The effective dates for these amendments vary by standard and most will be applicable to the Group's 2009-2010 consolidated financial statements.

The directors anticipate that the adoption of these Standards and Interpretations once effective will have no material financial impact on the consolidated financial statements of the Group in the period of initial application.

4. Significant accounting policies

The accounting policies set below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by the Group.

a) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of the subsidiaries have been changed wherever necessary to align with the policies adopted by the Group.

Associates

Associates are those companies in which the Group has significant influence but not control over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Associates are accounted for using the equity method and are recognised initially at cost. The Group's investments include goodwill identified on acquisition net of any accumulated impairment losses (refer note 4(n)). The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group from the date that significant influence commences until the date that significant influence ceases.

Transactions eliminated on consolidation

Intra group balances and transactions, and any unrealized income and expenses arising from intra group transactions are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

b) Foreign currency transactions

Foreign currency transactions are recorded in Kuwaiti Dinars at the rate of exchange ruling at the date of transactions. All monetary assets and liabilities denominated in foreign currencies are translated into Kuwaiti Dinars at the rates of exchange ruling at the balance sheet date. Resulting gains or losses on exchange are taken to the consolidated statement of income.

Non-monetary assets and liabilities denominated in foreign currency, which are stated at historical cost, are recorded at the exchange rate ruling at the date of transaction.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that fair value was determined.

Foreign operations

The assets and liabilities of foreign operations are translated to KD at exchange rates at the balance sheet date. The income and expenses of foreign operations are translated to KD at exchange rates at the dates of the transactions.

Foreign currency gains or losses are recognised directly in the consolidated statement of changes in equity in the foreign currency translation reserve ("FCTR"). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to consolidated statement of income.

c) Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses (refer note 4 (n)). Land is stated at cost less impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from the disposal with the carrying amount of property, plant and equipment and are recognised in the consolidated statement of income.

Depreciation is recognised in consolidated statement of income on a straight line basis over the estimated useful lives of the property, plant and equipment. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

	Years
Building on owned land	30
Building on leasehold land	30
Improvements on leasehold building	5 – 7
Furniture and fixtures	7
Educational appliances	5
Office equipment	5
Vehicles	5

Depreciation method, useful lives and residual values are reviewed at each balance sheet date.

d) Intangible assets

Goodwill

Goodwill (negative goodwill) arises on the acquisition of subsidiaries, associates and joint ventures.

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is immediately recognised in the consolidated statement of income.

Goodwill is measured at cost less accumulated impairment losses (refer note 4 (n)). In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment.

Other intangible assets

Other intangible assets acquired by the Group which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses (refer note 4 (n)).

Amortisation is recognised in the consolidated statement of income on a straight line basis over the estimated useful lives of intangible assets other than goodwill, from the date they are available for use.

e) Property under development

Property that is being constructed for future use as an investment property is classified as property under development (development projects) and stated at cost until construction is complete, at which time it is reclassified and subsequently accounted for as an investment property. At the date of transfer, the difference between fair value and cost is recognised in the consolidated statement of income.

f) Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on the weighted average cost principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

g) Financial instruments

Non derivative financial instruments are recognised initially at fair value plus any directly attributable transaction cost, except for instruments at fair value through profit or loss. Subsequent to initial recognition, non-derivative financial instruments are measured as described below;

Available for sale financial assets

Investments which are not classified as financial assets at fair value through profit or loss, or a held to maturity investment or a loan or receivable are classified as available for sale and are stated at fair value, with any resultant gain or loss, other than impairment losses and foreign exchange gains or losses on available for sale monetary items, are recognised directly in equity. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in the consolidated statement of income.

Fair value of the quoted investments is determined based on their quoted bid price at the balance sheet date.

Unlisted equity securities whose fair value can not be reliably measured are classified as available for sale investments and they are carried at cost, including transaction costs less impairment losses (refer note 4 (n)).

Financial instruments are recognised or derecognised on the trade date i.e., on the date the Group commits to purchase or sell the instruments.

Trade and other receivables

Trade and other receivables are stated at amortised cost less impairment losses (refer note 4 (n)).

Cash and cash equivalents

Cash and cash equivalents represent cash on hand and at bank and term deposits maturing within a period not exceeding three months from the date of placement.

Trade and other payables

Trade and other payables are stated at amortised cost.

Islamic financing

Islamic financing represent Murabaha payables, Istisna, Tawaroq and Wakala.

Murabaha payables represent the amount payable on a deferred settlement basis for assets purchased under murabaha agreements. Murabaha payables are stated at the gross amount of the payable, net of deferred profit payable. Profit payable is expensed on a time apportionment basis taking account of the profit rate attributable and the balance outstanding.

Istisna is a sale contract between a contract owner and contractor whereby the contractor based on an order from the contract owner undertakes to manufacture or otherwise acquire the subject matter of the contract according to the contract specifications and sells it to the contract owner for an agreed upon price in the agreed upon method of settlement whether that be in advance, by instalment or deferred to a specific future time. The goods ordered are recorded at the cost and the difference between the cost and the actual price is deferred and recognised as an expense over the term of istisna.

Tawaroq payables represent amounts due arising from an Islamic financing investments where the liability is settled on a deferred payment basis. Tawaroq payables are stated at the net of deferred profit payable. Profit payable is expensed on a time proportionate basis taking account of the profit rate and the balance outstanding.

Wakala is an agreement whereby the Group obtains a sum of money from financial institutions under an agency arrangement, as an agent, and then invests it according to specific conditions in return for a fee. The agent is obliged to return the amount in case of default, negligence or violation of any terms and conditions of the Wakala.

Obligations under finance leases represent assets acquired under finance leases which are capitalised at the present value of the minimum lease payments at the inception of the lease term and are included in property, plant and equipment. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant cost on the remaining balance of the liability.

Offsetting

Financial assets and financial liabilities are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

h) Provisions for employees' indemnity

Kuwaiti employees

Pensions and other social benefits for Kuwaiti employees are covered by the Public Institution for Social Security Scheme, to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis. The Company's share of contributions to this scheme, which is a defined contribution scheme under International Accounting Standard (IAS) 19 – Employee Benefits are charged to income in the year to which they relate.

Expatriate employees

Expatriate employees are entitled to an end of service indemnity payable under the Kuwait Labor Law and the Company's by-laws based on the employees' accumulated periods of service and latest entitlements of salaries and allowances. Provision for this unfunded commitment which represents a defined benefit plan under International Accounting Standard (IAS) 19 – Employee Benefits, has been made by calculating the notional liability had all employees left at the balance sheet date.

i) Provisions

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

j) Treasury shares

The cost of the Company's own shares purchased, including directly attributable costs, is classified as treasury shares under equity. Gains or losses arising on sale of treasury shares are separately disclosed under equity and these amounts are not available for distribution. These shares are not entitled to cash dividends or rights issues. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

k) Revenue recognition

- Revenues from tuition fees are recognised upon delivery of the service
- Service income is recognised upon performance of services
- Revenue from sale of goods is recognised when the significant risk 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 customers

- Interest income is recognised as it accrues using the effective interest method
- Dividend income is recognised when the right to receive payment is established
- Other income is recognised as it accrues

l) <u>Finance costs</u>

Finance costs comprise interest expense on borrowings. All financing costs are recognised in the consolidated statement of income.

m) <u>Earnings per share</u>

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Parent Company by the weighted average number of ordinary shares outstanding during the year.

n) <u>Impairment</u>

Property, plant and equipment, goodwill and other intangible assets, investment in associates, receivables and available for sale investments are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Property, plant and equipment, goodwill and other intangible assets and investments in associates

An impairment loss is recognised whenever the carrying amount of the asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the consolidated statement of income.

The recoverable amount of assets is the greater of their net selling price 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 the current market assessment of the time value of money and the risks specific to the asset. For an asset that does not generate cash flows largely independent of those from other assets, the recoverable amount is determined for the cash generating unit to which the asset belongs.

An impairment loss is only reversed to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been determined if no impairment loss had been recognised. Impairment loss on goodwill is not reversed.

Receivables

The recoverable amount of receivables is calculated as the total amount of expected collections. Receivables with a short-term duration are not discounted. An impairment loss in respect of receivable is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

Available-for-sale investments

The recoverable amount of an equity instrument is its fair value. Where the investment is impaired, and a decline in value of the investment was previously recognised directly in equity, the write down is transferred to the consolidated statement of income and recognised as part of the impairment loss. Where an increase in the fair value of the asset was previously recognised in equity, the increase in fair value of the asset recognised in equity is reversed to the extent the asset is impaired. Any additional impairment loss is recognised in the consolidated statement of income.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through the consolidated statement of income.

5. Property, plant and equipment

	Land KD	Building on owned land KD	Buildings on leasehold land KD	Improvements on leasehold buildings KD	Furniture and fixtures KD	Educational appliances KD	Office equipment KD	Vehicles KD	Total KD
Cost									
As at 1 July 2008	7,267,102	10,118,185	10,901,746	1,698,527	2,888,124	1,283,594	242,745	47,846	34,447,869
Acquisitions of subsidiaries	-	-	-	-	26,827	9,012	5,125	3,268	44,232
Additions during the year	-	847,180	118,426	621,879	2,562,312	110,370	57,919	-	4,318,086
As at 30 June 2009	7,267,102	10,965,365	11,020,172	2,320,406	5,477,263	1,402,976	305,789	51,114	38,810,187
Accumulated depreciation and impairment losses									
As at 1 July 2008	-	395,865	363,594	1,076,645	546,616	1,025,339	156,300	10,009	3,574,368
Charge for the year	-	229,156	168,002	483,774	108,974	158,746	108,033	7,176	1,263,861
As at 30 June 2009	-	625,021	531,596	1,560,419	655,590	1,184,085	264,333	17,185	4,838,229
Net Book Value									
As at 30 June 2009	7,267,102	10,340,344	10,488,576	759,987	4,821,673	218,891	41,456	33,929	33,971,958

	Land KD	Building on owned land KD	Buildings on leasehold land KD	Improvements on leasehold building KD	Furniture and fixtures KD	Educational appliances KD	Office equipment KD	Vehicles KD	Total KD
Cost									
As at 1 July 2007	1,852,005	1,874,880	2,410,064	1,172,275	1,776,941	1,138,895	188,270	10,203	10,423,533
Acquisitions of subsidiaries	5,415,097	8,116,581	8,409,613	444,770	355,801	60,124	2,793	37,643	22,842,422
Additions during the year	-	126,724	82,069	81,482	755,382	92,320	51,682	-	1,189,659
Disposals	-	-	-	-	-	(7,745)	-	-	(7,745)
As at 30 June 2008	7,267,102	10,118,185	10,901,746	1,698,527	2,888,124	1,283,594	242,745	47,846	34,447,869
Accumulated depreciation and impairment loss									
As at 1 July 2007	-	241,438	139,320	1,058,141	485,164	896,820	129,185	8,974	2,959,042
Charge for the year	-	154,427	224,274	18,504	61,452	128,519	27,115	1,035	615,326
As at 30 June 2008	-	395,865	363,594	1,076,645	546,616	1,025,339	156,300	10,009	3,574,368
Net Book Value									
As at 30 June 2008	7,267,102	9,722,320	10,538,152	621,882	2,341,508	258,255	86,445	37,837	30,873,501

- Buildings on a leasehold land represent buildings which are built on a land leased from State of Kuwait under a BOT renewable contract for 20 years ending 2022. Additions to those buildings include an amount of KD Nil (30 June 2008: KD 59,424) financed by Istisna contract with a local financial institutions.
- The title deed of the buildings on leasehold land is in the name of Institute of Private Education, erstwhile name of the Company. This building is mortgaged to a local financial institution as collateral for facilities obtained by the Company.
- Building on owned land and owned land are pledged against bank facilities.
- Depreciation charged to the consolidated statement of income is as follows;

	2009 KD	2008 KD
Operating costs (note 21)	296,213	387,592
General and administrative expenses (note 22)	967,648	227,734
	1,263,861	615,326

6. Acquisition of subsidiaries

On 31 March 2009, the Group acquired 100% and 75% of the share capital of Bronze Vision Company W.L.L. and Kids Garden Company L.L.C. for KD 17,281,785 and KD 871,275 respectively.

Bronze Vision Company W.L.L. was acquired from a related party. Pursuant to the agreement the purchase consideration is payable by July 2010. As at 30 June 2009, KD 11,910,540 was payable on account of this acquisition and is reflected in due to related parties (non-current liabilities) presented in the balance sheet. This balance does not bear any interest and payable in July 2010.

The provisional values of identifiable assets and liabilities as at the date of acquisition are shown below. These provisional values will be reviewed within one year of the acquisition date.

	Bronze Vision Company W.L.L. KD	Kids Garden Company L.L.C. KD	Total KD
Property and equipment	-	44,232	44,232
Advance for investment	15,218,027	-	15,218,027
Trade and other receivable	-	71,480	71,480
Partners current account	-	104,592	104,592
Cash and cash equivalents	490	118,401	118,891
Provision for employees indemnity	-	(9,550)	(9,550)
Trade and other payable	-	(5,635)	(5,635)
Contingent liabilities	(1,521,803)	-	(1,521,803)
Net identifiable assets and liabilities	13,696,714	323,520	14,020,234
Minority interest	-	(80,880)	(80,880)
Goodwill on acquisition	3,585,071	628,635	4,213,706
Purchase consideration	17,281,785	871,275	18,153,060
Cash acquired	(490)	(118,401)	(118,891)
Net cash outflow	17,281,295	752,874	18,034,169

Goodwill movement during the year is as follows:

	2009 KD	2008 KD
Balance as at 1 July	14,699,740	-
Additions to goodwill	4,213,706	14,699,740
Impairment during the year	(6,902,991)	-
Balance as at 30 June	12,010,455	14,699,740

During the year, the Group recognised an impairment loss on goodwill amounting to KD 6,902,991 in respect of their investment in Mowasat Holding Company K.S.C. (Closed), a subsidiary (the "Subsidiary"). The Subsidiary was acquired by the Group on 31 March 2008 for a purchase consideration of KD 22,648,850, which resulted in accounting of goodwill of KD 12,902,170. During the year, based on the current market conditions and adverse operational factors affecting the Subsidiary, management believes that there are objective evidences of impairment in value of the Subsidiary. The management computed the net recoverable value of the Subsidiary, based on the value-in-use, and determined that the net recoverable value is lower than the carrying value by KD 6,902,991. The impairment loss was allocated against goodwill.

The value-in-use was computed based on the current cash flow projections for the Subsidiary, which was discounted using appropriate weighted average cost of capital.

7. Property under development

Property under development represents land in Sudan which is being developed to operate hospitality services. The amount includes the cost of land and all direct cost attributable to the design and construction of the property including capitalized borrowing costs amounting to KD 372,562. The estimated capital commitment for the completion of the development is KD 1.25 million.

8. Investment in associates

The Group's share of loss in equity accounted investees for the year was KD 3,012,580 (30 June 2008: profit of KD 767,280).

	2009 KD	2008 KD
Carrying value at 1 July	44,269,712	31,684,116
Cost of acquisitions	32,381,913	12,359,735
Total	76,651,625	44,043,851
Group's share of results of associates	(2,620,443)	225,861
Impairment of investment in associate	(5,890,611)	-
Carrying value at 30 June	68,140,571	44,269,712

Cost of acquisitions includes KD 2,357,629 paid to a related party as arrangement fees on acquisition of an investment.

The fair market value of listed associates amounted to KD 16,346,833 (carrying value: KD 31,124,202) as at 30 June 2009 (30 June 2008: KD 28,502,519).

The Group owns 18.75% share capital of United Capital Bank, Sudan. Although the Group owns less than 20% of the share capital of this entity, it exercises significant influence over the financial and operational policies through representation on the Board of Directors. Accordingly this investment is classified as an associate.

During the year, the Group recognised an impairment loss amounting to KD 5,890,611 in respect of its investment in Educational Holding Group K.S.C. (Closed), an associate (the "Associate"). The Associate was acquired by the Group on 30 June 2007 for a purchase consideration of KD 31,652,451, which resulted in goodwill, amounted to KD 9,289,305 included in the carrying amount of the investment in the Associate. During the year, based on the current market conditions and adverse operational factors affecting the Associate, management believes that there is objective evidence of impairment in the carrying value of the Associate. The Management has computed the recoverable value of the Associate, based on value-in-use and determined that net recoverable value of the Associate is lower than the carrying value by KD 5,890,611. The impairment loss was allocated against the goodwill recognised on acquisition.

The value-in-use was computed based on the current cash flow projections for the Associate, which was discounted using appropriate weighted average cost of capital.

Summary of the financial information for the equity accounted investee, not adjusted for the percentage held by the Group is as follows;

	Carrying value KD	Ownership %	Total assets KD	Total liabilities KD	Revenues KD	Expenses KD	(Loss) / profit KD
2009							
Educational Holding Group K.S.C. (Closed)	22,139,243	32.26	70,393,913	29,621,258	2,511,551	(15,949,408)	(13,437,857)
Al Khat Printing Press Company W.L.L.	2,542,935	25	11,994,628	8,105,359	2,449,935	(2,068,541)	381,394
Warba Group GCC Company W.L.L.	1,807,613	25	3,997,810	3,008,916	171,486	(127,750)	43,736
United Capital Bank P.L.C.	8,984,959	18.75	69,483,694	35,462,655	3,200,268	(2,066,007)	1,134,261
Athman Investment Company K.S.C. (Closed)	6,385,588	26.43	27,501,415	5,719,470	745,158	(580,476)	164,682
Rawa Real Estate Company S.J.S.C (Closed)	26,261,485	34.88	67,233,292	1,949	925,157	(3,583)	921,574
Mazaya Medical Company W.L.L.	18,748	37.5	-	-	-	-	-
	68,140,571		250,604,752	81,919,607	10,003,555	(20,795,765)	(10,792,210)
2008							
Educational Holding Group K.S.C. (Closed)	31,607,345	32.26	85,927,398	38,417,373	6,704,614	(5,603,843)	1,100,771
Al – Khat Printing Press Company W.L.L.	2,310,010	25	13,992,566	10,665,401	687,245	(308,366)	378,879
Warba Group GCC Company W.L.L.	1,785,750	25	8,057,179	7,175,967	386,505	(363,861)	22,644
United Capital Bank P.L.C.	8,566,607	18.75	51,314,070	14,442,808	2,910,658	(950,481)	1,960,177
	44,269,712		159,291,213	70,701,549	10,689,022	(7,226,551)	3,462,471

9. Available for sale investments

	2009 KD	2008 KD
Quoted equity securities-local	6,207,934	6,761,945
Unquoted equity securities-local	2,006,300	8,460,588
	8,214,234	15,222,533

Unquoted investments are carried at cost less impairment losses as the fair value of these investments can not be reliably determined. There is no active market for these investments and there has not been any recent transactions that provide evidence of the current fair value.

10. Inventories

	2009 KD	2008 KD
Uniforms	84,735	110,504
Provision for obsolescence	(33,902)	(6,355)
	50,833	104,149
Educational books and stationary	37,952	44,032
Pharmacy stock	374,024	246,662
Medicine and supplies	387,986	465,676
	850,795	860,519

11. Trade and other receivables

	2009 KD	2008 KD
Trade receivables	2,466,784	4,607,136
Provision for doubtful debts	(102,127)	(109,787)
	2,364,657	4,497,349
Contractor receivables	-	1,854
Staff receivables	-	1,595
Prepaid expenses	1,366,414	2,076,585
Other debit balances	88,142	332,166
	3,819,213	6,909,549

12. Cash and cash equivalents

	2009 KD	2008 KD
Cash on hand	74,018	14,565
Bank balances – current accounts	1,562,984	729,239
	1,637,002	743,804
Deposits with original maturities exceeding three months	-	4,826,798
Average interest rates	-	3%-6.13%

13. Share capital

The Company's authorized and issued share capital amounted to KD 62,336,968 comprised of 623,369,677 shares of 100 fils each (30 June 2008: KD 62,336,968 comprised of 623,369,677 shares).

14. Treasury shares

	2009 KD	2008 KD
Number of owned shares (share)	6,628,000	1,924,000
Percentage to issued shares	1.06%	0.31%
Cost	1,221,334	694,486
Market value	676,056	654,160

15. Statutory reserve

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

16. Voluntary reserve

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

17. Islamic financing

	2009 KD	2008 KD
Murabaha payables	12,182,947	3,450,028
Projects financing	331,047	1,229,045
Istisna	2,271,547	1,339,882
Interest bearing loan	-	7,169,438
Wakala	18,351,479	-
Obligations under finance lease	1,948,968	2,690,718
Tawaroq	13,032,498	5,769,852
	48,118,486	21,648,963
Current portion	29,400,826	13,770,333
Non-current portion	18,717,660	7,878,630
	48,118,486	21,648,963
Effective rate of return	10.63%	9.32%

Islamic financing include KD 9,983,209 borrowed from different related parties to the Group in the form of murabaha payables, wakala and tawaroq.

The effective yield of profit on Islamic financings as at 30 June 2009 was as follows:

Financing	**Effective yield**		**Collateral**	
	2009	**2008**	**2009**	**2008**
Murabaha payables	9% - 13.27%	8% - 12.75%	Unsecured	Unsecured
Projects financing	8.5%	8.5%	Land and building on owned land	Land and building on owned land
Istisna	9.5%	9.5%	Land and building on owned land	Land and building on owned land
Interest bearing loan	-	7.5%	-	Unsecured
Wakala	8% - 13.5%	-	Shares of listed companies held by the Group	-
Obligations under finance lease	9.33%	9.33%	Building on owned land	Building on owned land
Tawaroq	7.75% - 8%	5%	Building and shares of listed companies held by the Group	Unsecured

Reconciliation between the total of minimum lease payments at the balance sheet date and their present value is as follows:

Obligations under finance lease

	2009		**2008**	
	Minimum lease payments KD	**Present value of minimum lease payments KD**	**Minimum lease payments KD**	**Present value of minimum lease payments KD**
Not later than one year	2,004,730	1,948,968	1,411,888	1,195,876
Later than one but not later than five years	-	-	1,559,852	1,494,842
	2,004,730	1,948,968	2,971,740	2,690,718
Future finance charges	(55,762)	-	(281,022)	-
Present value of finance lease liabilities	1,948,968	1,948,968	2,690,718	2,690,718

Obligations under finance lease represent credit facilities obtained for the construction of hospital premises.

For maturity profile of Islamic financing refer to Note 26.

18. Trade and other payables

	2009 KD	2008 KD
Revenue received in advance	771,285	453,082
Accrued staff remuneration	350,000	88,316
Accrued expenses and leave provision	754,466	85,885
Arrangement fee	804,883	-
Payable to suppliers	3,722,758	2,089,244
Provision for Zakat	554	7,113
Board of Directors remuneration	-	35,000
KFAS	3,427	8,612
NLST	-	26,059
Others	1,406,657	2,249,243
	7,814,030	5,042,554

19. Related parties transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions. Related parties include significant shareholders, subsidiary companies, associates, directors and executive officers of the Parent Company, close members of their families and companies of which they are the principal owners or which they are able to exercise significant influence.

Related party balances reflected in the balance sheet do not bear any interest. There are no agreed repayment terms, except as disclosed below in respect of certain balances. Accordingly these balances are treated as recoverable / payable on demand.

Due to related party – non current portion represents the remaining balance of acquisition value of a subsidiary (refer Note 6). This amount is payable in July 2010.

Significant related party transactions other than the one disclosed elsewhere in this consolidated financial statements are as follows:

	2009 KD	2008 KD
Transactions		
Tuition fees	3,822	-
Share of (loss) / profit from associates	(3,012,580)	767,280
Key management compensation		
Short term employees benefits	355,923	384,251
Post employment benefits	56,629	47,108

20. Operating revenues

	2009 KD	2008 KD
Tuition fees	7,954,947	6,889,874
Service income-health care	10,291,292	2,323,891
Pharmacy sales	3,177,023	654,109
	21,423,262	9,867,874

21. Operating costs

	2009 KD	2008 KD
Cost of pharmaceuticals	2,119,316	406,757
Staff costs	10,340,217	5,179,416
Rent	25,000	228,041
Educational books	105,230	200,118
Depreciation	296,213	387,592
Others	340,497	280,148
	13,226,473	6,682,072

22. General and administrative expenses

	2009 KD	2008 KD
Staff costs	5,835,678	965,848
Bank charges	13,670	14,140
Professional fees	480,770	63,645
Cleaning expenses	54,027	87,408
Advertising expenses	20,588	-
Utilities	60,896	32,773
Rent	272,480	481,698
Expansion cost	141,655	38,727
Depreciation	967,648	227,734
Others	732,956	459,460
	8,580,368	2,371,433

23. Staff costs

	2009 KD	2008 KD
Operating costs (Note 21)	10,340,217	5,179,416
General and administrative expenses (Note 22)	5,835,678	965,848
	16,175,895	6,145,264

24. (Loss) / earnings per share

	2009	2008
Net (loss) / profit attributable to shareholders of the Parent Company (KD)	(26,750,154)	1,219,714
Weighted average number of shares issued	623,369,677	35,568,632
Weighted average number of treasury shares	(6,628,000)	(1,604,000)
Net weighted average number of shares issued	616,741,677	33,964,632
(Loss) / earnings per share (fils)	(43.37)	35.91

25. Segment reporting

Business Segments

The Group manages the following main business segments:

Educational service: Providing educational services through a network of schools inside and outside Kuwait

Healthcare services: Managing hospitals providing healthcare services

Geographical segments

Educational services are provided through schools in Kuwait, Egypt and the Kingdom of Saudi Arabia (KSA).

The Group has considered business segments as its primary reporting segment and geographical segment as secondary reporting segment.

Business segments

	Educational Services KD	Healthcare services KD	Other operations KD	Consolidated KD
2009				
Total segment revenue	7,954,947	13,468,315	-	21,423,262
Segment results	(7,732,245)	(6,028,517)	(2,719,084)	(16,479,846)
Net finance costs				(7,254,913)
Share of loss of equity accounted investee	(4,000,780)	-	988,200	(3,012,580)
Loss for the year				(26,747,339)
Segment assets	28,225,067	38,254,030	4,864,008	71,343,105
Investment in equity accounted investees	60,481,567	18,479	7,640,525	68,140,571
Total assets				139,483,676
Segment liabilities	57,290,668	21,017,021	5,331,853	83,639,542
Capital expenditure	356,081	3,962,005	-	4,318,086
Depreciation	475,121	788,740	-	1,263,861
Amortization of intangible assets	-	3,594	-	3,594
2008				
Total segment revenue	6,889,874	2,978,000	-	9,867,874
Segment results	951,661	160,431	45,839	1,157,931
Unallocated expenses				(54,411)
Result from operating activities				1,103,520
Net finance costs				(722,367)
Share of profit of equity accounted investee	355,108	-	412,172	767,280
Profit for the year				1,148,433
Segment assets	50,064,178	24,552,844	-	74,617,022
Investment in equity accounted investees	31,663,815	-	12,605,897	44,269,712
Total assets				118,886,734
Segment liabilities	19,967,002	19,494,950	-	39,461,952
Capital expenditure	1,189,659	-	-	1,189,659
Depreciation	418,426	196,900	-	615,326

Geographical segments

	2009			
	Kuwait KD	**Egypt KD**	**KSA KD**	**Consolidated KD**
Revenue from external customers	20,302,338	300,899	820,025	21,423,262
Segment assets	136,955,405	2,396,515	131,756	139,483,676
Capital expenditure	4,318,086	-	-	4,318,086

	2008			
	Kuwait KD	**Egypt KD**	**KSA KD**	**Consolidated KD**
Revenue from external customers	9,842,199	25,675	-	9,867,874
Segment assets	117,837,563	1,049,171	-	118,886,734
Capital expenditure	1,189,659	-	-	1,189,659

26. Financial instruments and capital management

Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing such risks. Further quantitative disclosures are included throughout these financial statements.

The Group's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the trade and other receivables, due from related parties and bank balances.

Receivables are managed by each company in the Group subject to the Group's established policy, procedures and controls. Credit limits are established for all customers and other parties based on rating criteria. Exposure to receivables is monitored on an ongoing basis for impairment. The Group has established an allowance for impairment that represents its estimate of unrealized losses in respect of receivables.

Bank balances are maintained only with reputable local financial institutions and banks with high credit ratings.

The carrying amount of financial assets as at 30 June 2009 represents the maximum credit exposure is as follows:

	2009 KD	2008 KD
Trade receivables	2,466,784	4,607,136
Contractor receivable	-	1,854
Staff receivables	-	1,595
Other debit balances	88,142	332,166
Due from related parties	6,052,930	373,766
Term deposits	-	4,826,798
Bank balances	1,562,984	729,239
	10,170,840	10,872,554

The maximum exposure to credit risk for financial assets at the reporting date by geographic regions was:

	2009 KD	2008 KD
Kuwait	9,909,084	10,772,577
Egypt	261,756	99,977
	10,170,840	10,872,554

The age analysis of trade receivable and related provision for doubtful debt at the balance sheet date was:

	2009		2008	
	Gross KD	Provision KD	Gross KD	Provision KD
Not past due	1,233,292	-	2,303,568	-
Past due 60-90 days	925,043	76,589	1,727,676	82,340
Past due more than 90 days	308,449	25,538	575,892	27,447
	2,466,784	102,127	4,607,136	109,787

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group manages its cash flows through a central treasury from where all cash receipts and payments are received and settled, respectively. The Group also draws from its significant shareholders and its related parties, when required, to settle the obligations. Refer Note 2 for more details.

The following are the contractual maturities of financial liabilities:

	Carrying amounts KD	1 year or less KD	More than 1 year KD
30 June 2009			
Non-derivative financial liabilities			
Islamic financing	48,118,486	29,400,826	18,717,660
Trade and other payables	7,042,745	7,042,745	-
Due to related parties	25,596,299	13,685,759	11,910,540
30 June 2008			
Non-derivative financial liabilities			
Islamic financing	21,648,963	13,770,333	7,878,630
Trade and other payables	4,589,472	4,589,472	-
Due to related parties	10,978,142	10,978,142	-

The following is the maturity profile of Islamic financing:

Facility type	**Outstanding balance KD**	**1 to 6 months KD**	**6 months to 1 year KD**	**1 year to 3 years KD**	**3 to 5 years KD**	**Above 5 years KD**
2009						
Istisna	2,271,547	314,713	281,325	1,020,364	655,145	-
Murabaha payables	12,182,947	8,046,500	96,658	4,023,003	16,786	-
Projects financing	331,047	13,706	28,636	185,037	103,668	-
Wakala	18,351,479	9,717,925	-	8,633,554	-	-
Obligations under finance lease	1,948,968	1,948,968	-	-	-	-
Tawaroq	13,032,498	8,709,205	243,190	1,084,389	1,273,049	1,722,665
Total	48,118,486	28,751,017	649,809	14,946,347	2,048,648	1,722,665
2008						
Istisna	1,339,882	85,526	85,842	646,647	521,867	-
Murabaha payables	3,450,028	222,577	1,505,046	440,629	812,265	469,511
Projects financing	1,229,045	22,502	409,462	266,673	331,814	198,594
Obligations under finance lease	2,690,718	597,938	597,938	1,494,842	-	-
Interest bearing loan	7,169,438	7,169,438	-	-	-	-
Tawaroq	5,769,852	2,035,168	1,038,896	529,736	1,980,044	186,008
Total	21,648,963	10,133,149	3,637,184	3,378,527	3,645,990	854,113

Market risk

Market risk is the risk that changes in the market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Egyptian Pound (EGP) and Saudi Riyal (SAR).

Management requires Group companies to manage their foreign exchange risk against their functional currency. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

At the balance sheet date, following is the foreign currency exposure of the Group on notional basis is as follows:

	2009		2008	
	EGP	SAR	EGP	SAR
Trade and other receivables	2,976,308	2,516,078	535,266	-
Other assets	-	-	74,520	-
Due from related parties	-	2,505,146	-	-
Cash and cash equivalents	689,350	286,525	1,362,146	-
Islamic financing	(1,243,709)	-	-	-
Trade and other payables	(5,033,773)	(100,912)	(1,293,758)	-
Net exposure	(2,611,824)	5,206,837	678,174	-

The following significant exchange rates applied during the year,

	Average rates		Spot rates	
	2009	2008	2009	2008
Saudi Riyal	0.0771	-	0.0739	-
Egyptian pound	0.0520	0.0504	0.0498	0.0507

A ten percent strengthening of the Kuwaiti Dinar against the following currency would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remains constant. This analysis is performed on the same basis for 2008.

	Equity KD	Profit or (loss) KD
Effect for 2009		
Saudi Riyal	40,145	40,145
Egyptian pound	(13,581)	(13,581)

Effect for 2008		
Egyptian pound	5,158	5,158

Equity price risk

Equity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in equity market prices, whether caused by factors specific to an individual investment, issuer or all factors affecting all instruments traded in the market.

The Group's quoted investments are primarily listed on Kuwait Stock Exchange. The effect on equity as a result of changes in fair value of equity instruments classified as available for sale arising from a fifteen percent increase / decrease in equity market index, with all other variables held constant is KD 931,038 (30 June 2008: KD 162,842).

The Group's investments in unquoted equities are of strategic nature and are intended to be held for long term. The value of these investments is not significantly sensitive to the volatility in the equity markets.

Yield rate risk

Yield rate risk is the risk that the fair value or future cash flows of Group's financial instrument will fluctuate because of changes in market yield rates.

The Group is exposed to yield rate risk on all of its borrowings from different financial institutions.

The Group analyses its yield rate exposure by taking into consideration refinancing, renewal of existing positions and alternative financing.

At 30 June 2009, if yield rates at that date had been 150 basis points higher/ lower with all other variables held constant, the loss for the year would have (increased)/ decreased by KD 107,404 (profit for the year 2008 : KD 10,836).

Fair value

The fair value of a financial instrument is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arms length transaction.

The fair values of financial instruments carried at amortised cost are not significantly different from their carrying values.

Capital management

The Group's capital management objectives are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the costs of capital. In order to determine or adjust the capital structure, the Group monitors capital on the basis of gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as murabaha, wakala, tawaroq and other Islamic borrowings, due to related parties less cash and cash equivalents. Total capital is calculated as equity as shown in the consolidated balance sheet plus net debt.

The gearing ratios at the balance sheet date are as follows:

	2009 KD	2008 KD
Total Islamic borrowings	48,118,486	21,648,963
Due to related parties	25,596,299	10,978,142
Less: cash and cash equivalents	(1,673,002)	(743,804)
Net debt	72,041,783	31,883,301
Total equity	55,844,134	79,424,782
Total capital	127,885,917	111,308,083
Gearing ratio	56.33%	28.64%

27. Commitments

As at 30 June 2009, the Group has a commitment of KD Nil (30 June 2008: KD 377,070) in respect of improvement of leasehold land.

28. Comparative figures

Where necessary, certain comparative figures were reclassified to conform to current year consolidated financial statements presentation.