

## Global Investment House (GLOB.KW)

## UNDERWEIGHT

**CMP** KWD 0.049  
**Target** KWD 0.044  
**Downside** 9.6%

MSCI GCC Index 406.75  
 KSE Price Index 6,430.90

## Key Stock Data

Sector Investments  
 Reuters Code GLOB.KW  
 Bloomberg Code GLOBAL KK Equity  
 Net Out. Shares (bn) 1.223  
 Market Cap (KWD bn) 0.060  
 Market Cap (USD bn) 0.208  
 Avg. 12m Vol. (mn) 4.026  
 Volatility (30 day) 49.789  
 Volatility (180 day) 49.579

## Stock Performance (%)

52 week high / low (KWD) 1.134 / 0.048

	1M	3M	12M
Absolute (%)	-27.9	-52.0	-55.5
Relative (%)	-25.3	-43.5	-48.1

## Shareholding Pattern

(%)

The Bank of New York International Nominees	11.43
Public Institution for Social Security	9.10
Dubai Capital Group	7.02
Bank of New York Nominees Ltd.	6.99
Public	65.46

## Global and KSE Price Index



## Quarterly Result Update

- Global Investment House (GIH) reported a total operating loss of KWD 0.39 million during 1Q10, compared to KWD 45.78 in the prior year period.
- Net loss stood at KWD 14.17 million during 1Q10 compared to a net loss of KWD 69.94 million in 1Q09.
- We have revised our FY2010E total operating income to KWD 29.85 million, while the net loss estimate for the year stands at KWD 16.82 million.
- We reiterate our UNDERWEIGHT recommendation on GIH with a revised target price of KWD 0.044, implying a downside of 9.6%.

## Overview

KWD Million	2008A	2009A	2010E	2011E	2012E
Net Operating Income	-40.75	-46.05	29.85	54.18	68.10
YoY Change	NA	NA	NA	81.5%	25.7%
Operating Profit	-61.10	-78.45	5.99	17.11	25.41
YoY Change	NA	NA	NA	185.7%	48.5%
Net Profit	-257.65	-148.83	-16.82	-5.72	1.13
YoY Change	NA	NA	NA	-66.0%	-119.8%
Adjusted EPS (KWD)	-0.211	-0.122	-0.014	-0.005	0.001
Total Assets	1,252.76	832.76	803.13	829.99	880.85
RoAE	-82.2%	-63.8%	-11.0%	-4.1%	0.8%

## Operating Income

GIH reported a net operating loss of KWD 0.39 million, down 99.1% from a total loss of KWD 45.78 million during the same quarter last year. Net loss on financial assets held for trading narrowed 97.1% to KWD 0.08 million from KWD 2.72 million. Furthermore, net gain on financial assets designated at fair value amounted to KWD 0.06 million as opposed to a net loss of KWD 14.09 million in 1Q09. The share of results (loss) of associates stood at KWD 5.42 million, down 80.6% from KWD 27.90 million. In addition, foreign exchange losses reduced 78.4% to KWD 2.40 million from KWD 11.09 million. Other operating income increased 36.7% to KWD 2.00 million. On the other hand, interest and similar income declined 79.5% to KWD 0.42 million from KWD 2.03 million, and fees and commission income dropped 15.7% to KWD 5.06 million. Furthermore, fair value of derivative financial instruments declined to KWD 0.47 million during the quarter.

## Expenses and Provisions

Total expenses were up by a marginal 0.1% to KWD 7.53 million from KWD 7.52 million due to higher personnel expenses, up 18.6% to KWD 2.91 million from KWD 2.45 million in the same quarter last year. However, other operating expenses declined 11.4% to KWD 3.95 million from KWD 4.46 million. In addition, interest and similar expenses dropped 37.1% to KWD 6.69 million from KWD 10.64 million. Credit losses reversed to KWD 0.02 million as against impairment charges of KWD 1.13 million in 1Q09. In addition, impairment of other financial assets and intangibles declined 84.5% to KWD 0.75 million from KWD 4.87 million.

**Net Profit**

GIH reported an operating loss of KWD 7.93 million, down 85.1% from KWD 53.31 million in 1Q09. Declines across interest and similar expenses, and lower impairment charges resulted in a 79.6% drop in net loss of KWD 14.17 million from a net loss of KWD 69.52 million in 1Q09.

**Peer Comparison**

For the purpose of peer comparison, we have considered International Financial Advisors (IFA), and National Investments Company (NIC).

Financial Performance of Comparable Companies						
(KWD Million)	IFA		NIC		GIH	
	2009	1Q10	2009	1Q10	2009	1Q10
Total Income/(Loss)	-0.04	-0.55	-21.26	5.31	-46.05	-0.39
YoY Growth	-99.9%	N/A	129.1%	-258.3%	13.0%	NA
Total Operating Profit	-21.43	-5.41	-26.08	3.62	-78.45	-7.93
YoY Growth	-69.9%	-14.3%	25.8%	-193.8%	28.4%	NA
Net Profit	-16.80	-3.37	-26.08	3.46	-148.83	-14.17
YoY Growth	-79.4%	-42.5%	25.8%	-189.7%	-42.2%	-79.6%
Total Investments	345.63	361.55	212.33	229.23	475.06	443.35
YoY Growth	23.4%	19.2%	-17.6%	-8.5%	205.9%	72.5%
Total Assets	622.51	637.04	227.49	248.95	832.76	799.82
YoY Growth	12.1%	9.2%	-18.0%	-6.4%	-33.5%	-32.9%
Total Liabilities	448.75	470.75	44.64	43.15	914.75	629.21
YoY Growth	22.3%	19.4%	-36.3%	-28.8%	50.0%	1.1%
Shareholders' Equity	145.46	139.49	182.84	205.80	162.83	145.78
YoY Growth	-7.3%	-10.0%	-11.8%	0.2%	-46.3%	-39.7%
Cost to Income ratio	55.5%	56.8%	93.3%	92.1%	57.0%	55.4%
Total Investments to Assets Ratio (x)	23.4%	21.9%	80.4%	82.7%	19.6%	18.2%
Equity to Total Assets Ratio (x)	-2.9%	-2.1%	-10.3%	5.8%	-14.3%	-6.9%
RoAA	-11.1%	-9.5%*	-13.4%	7.1%*	-63.8%	-36.7%*
RoAE	-0.04	-0.55*	-21.26	5.31*	-46.05	-0.39*

Source: Zawya, GIH's Financial Statements

NA— Not Applicable, N/M –Not Meaningful

\*Annualised

## New Projects and Updates

During June 2010, GIH signed an agreement with Gulf Bank for the latter to act as the sales agent of its investment funds. Earlier in March 2010, the firm sold its entire stake in Real Estate Mortgage House for KWD 2.41 million, realizing a profit of KWD 0.22 million. Further, on March 14, 2010, the company liquidated its subsidiary, Al Thouraiya Project Management Company for KWD 139.91 million. Earlier in December 2009, the company successfully repaid a KWD 20 million bond on the maturity date. At the same time, the firm reached a deal with creditors to reschedule USD 1.70 billion debt, and entered into new three-year facilities with each of its 53 lending banks.

## Risks and Concerns to Valuation:

- ❖ The economic downturn has led to a massive liquidity crunch across the GCC economies with lower oil prices proving detrimental to their budget surpluses. The liquidity crunch could impact demand across the real estate and construction sectors, which, in turn, affects investment banks that help arrange and structure financing for such projects.
- ❖ Over-exposure to investments in securities and financial instruments in a volatile financial market poses credit risks.

## Valuation Methodology:

We have used two valuation methods for arriving at GIH's fair value, as explained below:

- I. Target P/BV approach based on the Gordon Growth Model (GGM), and
- II. Comparative P/BV method.

## Target P/BV Multiple Approach using the Gordon Growth Model (GGM)

The model uses sustainable return on average equity (RoAE), cost of equity (Ke) and expected growth in earnings (g) to arrive at the target P/BV for the company using the formula:

$$\text{Target P/BV} = (\text{RoAE} - g) / (\text{Ke} - g)$$

Subsequently, we multiplied the target P/BV multiple for 2010E with the 2010E BVPS to arrive at the company's fair value over a medium-term investment horizon.

We have used the following assumptions to arrive at the target P/BV multiple for 2010:

- i. Sustainable RoAE has been taken as the 3-year average of the RoAE over 2010E-2014E.
- ii. The cost of equity (Ke) has been calculated as 17.82% using the Capital Asset Pricing Model (CAPM).
- iii. The terminal growth rate (g) has been taken as 2.00%.

GGM Valuation Summary	
Sustainable RoAE	7.16%
Cost of Equity (Ke)	17.82%
Perpetual Growth Rate	2.00%
<b>Target P/BV Multiple for 2010E (x)</b>	<b>0.33</b>
2010E BVPS (KWD)	0.117
<b>Fair Value per Share using Target P/BV (KWD)</b>	<b>0.038</b>
CMP (KWD)	0.049
<b>Upside/(-)Downside</b>	<b>-22.1%</b>

## Sensitivity Analysis

The following tables present a sensitivity analysis for the estimated fair value per share based on various terminal growth rate, cost of equity and RoAE scenarios. The shaded area represents the most probable outcomes.

Sensitivity Analysis - GGM (Ke vs. g)					
Terminal Growth Rate (g)					
Cost of Equity	1.00%	1.50%	2.00%	2.50%	3.00%
15.82%	0.049	0.046	0.044	0.041	0.038
16.82%	0.046	0.043	0.041	0.038	0.035
<b>17.82%</b>	0.043	0.041	<b>0.038</b>	0.036	0.033
18.82%	0.040	0.038	0.036	0.033	0.031
19.82%	0.038	0.036	0.034	0.031	0.029

Sensitivity Analysis - GGM (Ke vs. RoAE)					
Return on Average Equity (RoAE)					
Cost of Equity	5.16%	6.16%	7.16%	8.16%	9.16%
15.82%	0.027	0.035	0.044	0.052	0.061
16.82%	0.025	0.033	0.041	0.049	0.057
<b>17.82%</b>	0.023	0.031	<b>0.038</b>	0.046	0.053
18.82%	0.022	0.029	0.036	0.043	0.050
19.82%	0.021	0.027	0.034	0.040	0.047

Sensitivity Analysis - GGM (RoAE vs. g)					
Terminal Growth Rate (g)					
Return on Average Equity	1.00%	1.50%	2.00%	2.50%	3.00%
5.16%	0.029	0.026	0.023	0.020	0.017
6.16%	0.036	0.033	0.031	0.028	0.025
<b>7.16%</b>	0.043	0.041	<b>0.038</b>	0.036	0.033
8.16%	0.050	0.048	0.046	0.043	0.041
9.16%	0.057	0.055	0.053	0.051	0.049

## Comparative P/BV Multiple Based Valuation

P/BV Multiple Based Valuation Summary	
GIH's 2010E BVPS (KWD)	0.117
Target P/BV (x)	0.43
<b>Fair Value per Share using Target P/BV</b>	<b>0.050</b>
CMP (KWD)	0.049
<b>Upside/(Downside)</b>	<b>2.8%</b>

Banks	Outstanding Shares (Million)	CMP# (KWD)	Market Capitalisation (KWD Million)	BVPS (KWD)	P/BV
GIH	1,223	0.049	60	0.119	0.41
International Financial Advisors	720	0.052	37	0.194	0.27
Gulf Investment House	442	0.051	23	0.095	0.54
International investment group	457	0.044	20	0.123	0.36
Jeeran Holding Co.	143	0.124	18	0.175	0.71
Kuwait Investment Co.	525	0.099	52	0.225	0.44
Aref Investment Group	1,061	0.047	50	0.161	0.29
<b>Average TTM P/B</b>					<b>0.43</b>

Sources: Zawya and GIH' Financial Statements

# CMP as on July 10, 2010

## Weighted Average Fair Value

Applying equal weights (GGM – 50% and comparative P/BV – 50%), we arrived at a final fair value or target price of KWD 0.044, which implies a downside of 9.6% over the current market price of KWD 0.049 (as on July 10, 2010).

Weighted Average Fair Value			
Valuation Method	Fair Value per Share (KWD)	Weightage	Weighted Value per Share (KWD)
GGM based P/BV Multiple Method	0.038	50%	0.019
Comparative P/BV Multiple Method	0.050	50%	0.025
<b>Target Price</b>			<b>0.044</b>
CMP			0.049
<b>Upside/(-)Downside</b>			<b>-9.6%</b>

## Investment Opinion

Kuwait's economy grew at a CAGR of 4.3% during the past five years (2004-2009), whereas it contracted by 2.7% during 2009, according to the International Monetary Fund (IMF). Kuwait experienced rapid economic growth during the past several years, spurred by booming oil revenues. The country holds crude reserves of nearly 104 billion barrels, representing about 8% of global reserves. The slowdown in economic activity began around mid-2008, when oil prices started tumbling after touching historical highs. Since then, the central bank has taken several measures, such as reducing interest rates and guaranteeing deposits, in order to strengthen the overall economy.

Kuwait's investment sector had 100 companies as of May 2010, of which 46 are conventional and 54 are Islamic investment firms. These investment companies are engaged in investing in long-term assets through short-term financing. However, with the liquidity crunch, a majority of companies were unable to fulfil their short-term placements that led to default risk. However, government support in the form of stimulus packages, credit lines, and equity injections resulted in an overall improvement in M2, which increased 21.9% to KWD 24,862 million. In addition, interest rates on credit facilities to residents and non-residents were reduced from 6.6% in Mar-09 to 5.5% in Mar-10. Overall assets of the local banks stood at KWD 40.58 billion as of Mar-10, compared to KWD 39.52 billion in Mar-09, a marginal 2.7% increase in contrast to the robust CAGR of 16.9% during the period 2005-2009. Meanwhile, total deposits stood at KWD 28.54 billion, up 4.6% over KWD 27.29 billion in Mar-09 compared to the robust CAGR of 20.1% during 2005-2009. Private sector deposits (78.0% of total deposits) advanced 5.9% YoY to KWD 22.28 billion as of Mar-10, whereas government deposits were up 17.0% to KWD 3.71 billion. Going forward, in order to benefit from the improving economic activity in the region, investment companies will need to focus on investments that can create long-term value, stable dividends and provide easy exit.

GIH was affected by the financial turmoil that resulted in recognition of impairments close to KWD 160.43 million in 2008 and KWD 35.93 million in 2009. Accordingly, the company reported losses of KWD 257.65 million in 2008 and KWD 148.83 million in 2009. GIH's assets are mainly concentrated within the GCC countries, which have a share of 76.3%. Kuwait has the maximum share 49.2% of the total assets. The remaining assets are allocated between the Asian, European and American markets accounting for 13.1%, 4.4% and 6.3%, respectively. The valuation of these assets witnessed a heavy dip mainly led by the volatility in the global markets. Going forward, the company remains focused on restructuring its operations in order to achieve cost efficiency. The company is trying to rein in operational costs by restructuring employee-related expenses. Furthermore, the company made a first principal repayment of USD 28.9 million, which was funded by a mix of sale proceeds from investments and core cash flows. The company acted as the Sole Regional Advisor to Bharti Airtel during its bid to acquire Zain. Despite all these, we see this stock as an unattractive investment opportunity given the inherent risks associated with its investments.

We had initiated GIH on August 24, 2009 with an UNDERWEIGHT recommendation (target price of KWD 0.100, indicating a 8.8% downside). Currently, the bank's stock is trading at a negative P/E multiple on both 2010E and 2011E earnings, and a P/BV multiple of 0.42x and 0.44x on 2010E and 2011E BVPS, respectively. The stock has declined 50.5% since the beginning of this year compared to 8.2% loss posted by the KSE Price Index. Considering the above factors, we have arrived at a price target of KWD 0.044, implying a downside of 9.6% over the current price of KWD 0.049 (as on July 10, 2010). **Accordingly, we are reiterating our earlier UNDERWEIGHT recommendation on Global Investment House.**

## Financial Statements

Consolidated Income Statement							
(KWD '000)	2008A	2009A	1Q09A	1Q10A	2010E	2011E	2012E
Fees and commission income	50,999	21,532	6,000	5,060	23,685	27,238	34,047
Interest and similar income	19,468	5,182	2,033	416	3,342	3,700	4,915
Net (loss) gain on financial assets held for trading	-58,992	-7,112	-2,724	-78	-341	384	1,920
Net (loss) gain on financial assets designated at fair value through income statement	-60,009	-17,727	-14,093	59	338	988	2,933
Net gain on financial assets available for sale	1,686	10,522	-229	-600	10,898	12,274	14,143
Share of results of associates	7,493	-31,980	-27,897	-5,423	-12,545	3,171	3,396
Net gain on investment properties	11,999	-20,051	0	0	0	0	0
Loss on disposal of property under development	0	-5,422	0	0	0	0	0
(Loss)/ gain on disposal of associates	-6,471	-689	835	0	0	0	0
Gain on disposal of subsidiaries	2,391	-867	0	1,044	1,044	0	0
Change in fair value of derivative financial instruments	-13,897	3,813	-78	-467	-467	0	0
Foreign exchange losses	-4,287	-10,133	-11,090	-2,398	-2,398	0	0
Other operating income	8,873	6,880	1,459	1,995	6,298	6,424	6,745
<b>Net operating (loss) income</b>	<b>-40,747</b>	<b>-46,052</b>	<b>-45,784</b>	<b>-392</b>	<b>29,854</b>	<b>54,179</b>	<b>68,100</b>
Personnel expenses	-6,508	-11,935	-2,452	-2,907	-10,723	-18,105	-20,713
Depreciation of property and equipment	-1,921	-2,679	-613	-677	-2,693	-2,710	-2,913
Other operating expenses	-11,925	-17,782	-4,458	-3,949	-10,449	-16,254	-19,068
<b>Total expenses</b>	<b>-20,354</b>	<b>-32,396</b>	<b>-7,523</b>	<b>-7,533</b>	<b>-23,864</b>	<b>-37,069</b>	<b>-42,694</b>
<b>Operating profit</b>	<b>-61,101</b>	<b>-78,448</b>	<b>-53,307</b>	<b>-7,925</b>	<b>5,990</b>	<b>17,110</b>	<b>25,405</b>
Interest and similar expenses	-38,860	-35,021	-10,639	-6,692	-23,943	-23,468	-24,147
Impairment (charge)/ reversal for credit losses	-7,510	-700	-1,128	20	20	0	0
Impairment of other financial assets and intangibles	-152,916	-35,226	-4,865	-754	-754	0	0
<b>(Loss)/ Profit before taxation and director's fees</b>	<b>-260,387</b>	<b>-149,395</b>	<b>-69,939</b>	<b>-15,351</b>	<b>-18,687</b>	<b>-6,358</b>	<b>1,258</b>
Taxation	0	0	0	0	0	0	0
Directors' fees	0	0	0	0	0	0	0
<b>(Loss)/ Profit for the year</b>	<b>-260,387</b>	<b>-149,395</b>	<b>-69,939</b>	<b>-15,351</b>	<b>-18,687</b>	<b>-6,358</b>	<b>1,258</b>
Attributable to:							
<b>Equity holders of the parent company</b>	<b>-257,649</b>	<b>-148,826</b>	<b>-69,518</b>	<b>-14,173</b>	<b>-16,818</b>	<b>-5,722</b>	<b>1,133</b>
Minority interests	-2,738	-569	-421	-1,178	-1,869	-636	126

Consolidated Balance Sheet							
(KWD '000)	2008A	2009A	1Q09A	1Q10A	2010E	2011E	2012E
<b>Assets</b>							
Cash and cash equivalents	55,658	101,169	57,444	91,954	73,769	72,816	74,760
Financial assets held for trading	38,573	15,114	28,560	13,320	16,584	19,214	22,593
Financial assets designated at fair value	380,281	207,682	341,924	203,121	205,605	212,801	231,953
Murabaha receivables	12,635	11,773	13,485	12,026	12,960	13,477	14,391
Loans and advances	69,208	33,917	66,872	33,957	32,928	36,104	40,519
Financial assets available for sale	70,891	56,293	66,788	50,087	58,306	62,331	68,352
Investment in associates	274,594	171,845	241,012	167,208	158,546	161,717	165,113
Investment properties	129,570	28,847	135,546	23,540	29,424	30,454	32,281
Property under development	54,073	39,943	65,589	37,433	42,059	44,307	46,698
Property and equipment	21,100	19,422	21,442	19,631	19,765	20,881	22,791
Intangible assets	18,175	18,071	18,072	18,066	18,066	18,066	18,066
Other assets	128,005	128,683	135,925	129,475	135,117	137,819	143,332
<b>Total Assets</b>	<b>1,252,763</b>	<b>832,759</b>	<b>1,192,659</b>	<b>799,818</b>	<b>803,130</b>	<b>829,988</b>	<b>880,850</b>
<b>Liabilities &amp; Equity</b>							
<b>Liabilities</b>							
Short term borrowings	694,476	503,653	694,963	512,517	518,019	539,492	585,766
Bonds	103,908	75,118	102,134	75,164	75,164	75,164	75,164
Other liabilities	114,595	31,210	117,651	34,885	36,031	47,774	51,104
<b>Total liabilities</b>	<b>912,979</b>	<b>609,981</b>	<b>914,748</b>	<b>622,566</b>	<b>629,214</b>	<b>662,430</b>	<b>712,034</b>
<b>Attributable to the equity holders</b>							
Share capital	131,243	131,243	131,243	131,243	131,243	131,243	131,243
Share premium	397,084	230,323	397,084	230,323	230,323	230,323	230,323
Statutory reserve	27,765	0	27,765	0	0	0	113
General reserve	27,765	0	27,765	0	0	0	113
Treasury shares	-59,029	-58,998	-60,615	-58,998	-58,998	-58,998	-58,998
Treasury shares reserve	2,434	1,059	2,434	1,059	1,059	1,059	1,059
Fair value reserve	-620	4,407	2,537	890	890	890	890
Foreign currency translation reserve	-864	3,625	5,538	4,262	4,262	4,262	4,262
(Accumulated losses) retained earnings	-222,291	-148,826	-291,809	-162,999	-165,644	-171,367	-170,460
<b>Total equity</b>	<b>303,487</b>	<b>162,833</b>	<b>241,942</b>	<b>145,780</b>	<b>143,135</b>	<b>137,412</b>	<b>138,545</b>
Minority interests	36,297	59,945	35,969	31,472	30,781	30,145	30,271
<b>Total equity, minority interest and liabilities</b>	<b>1,252,763</b>	<b>832,759</b>	<b>1,192,659</b>	<b>799,818</b>	<b>803,130</b>	<b>829,988</b>	<b>880,850</b>

Consolidated Cash Flow Statement							
(KWD '000)	2008A	2009A	1Q09A	1Q10A	2010E	2011E	2012E
<b>OPERATING ACTIVITIES</b>							
(Loss) profit for the year	-260,387	-149,395	-69,939	-15,351	-18,687	-6,358	1,258
<b>Adjustments for:</b>							
(Reversal) cost of share based payment	-1,765	0	1,128	-20	-20	0	0
Depreciation of property and equipment	1,921	2,679	613	677	2,693	2,710	2,913
Impairment charge (reversal) for credit losses	7,510	700	0	0	0	0	0
Impairment of other financial assets and intangibles	152,916	35,226	4,865	754	754	0	0
Interest and similar income	-19,468	-5,182	-2,033	-416	-3,342	-3,700	-4,915
Dividend income	-8,766	-4,632	-1,459	-1,272	-6,298	-6,424	-6,745
Interest and similar expense	38,860	35,021	10,639	6,692	23,943	23,468	24,147
Share of results of associates	-7,493	31,980	27,897	5,423	12,545	-3,171	-3,396
Net loss/ (gain) on investment properties	-11,999	20,051	0	0	0	0	0
Loss on property under development	0	5,422	0	0	0	0	0
Loss (gain) on disposal of associates	6,471	689	-835	0	0	0	0
Change in fair value of derivative financial instruments	13,897	-3,813	78	467	467	0	0
Impairment of other financial assets and intangibles	0	0	0	0	0	0	0
Gain on disposal of subsidiaries	-2,391	867	0	-1,044	-1,044	0	0
<b>Operating cash flow before changes in operating</b>	<b>-90,694</b>	<b>-30,387</b>	<b>-29,046</b>	<b>-4,090</b>	<b>11,011</b>	<b>6,526</b>	<b>13,262</b>
<b>Changes in operating assets and liabilities:</b>							
Financial assets held for trading	-806	23,459	10,013	1,794	-2,224	-2,630	-3,380
Financial assets designated at fair value	126,615	101,302	38,357	5,760	1,610	-7,196	-19,152
Murabaha receivables	3,166	974	-754	-239	-1,167	-516	-914
Loans and advances	-52,120	7,154	1,114	-34	989	-3,176	-4,415
Financial assets available for sale	-24,096	13,895	-594	986	-2,013	-4,025	-6,022
Other assets	-61,762	734	-7,599	3,962	-6,434	-2,702	-5,513
Short-term borrowings	216,564	-34,384	487	-358	14,366	21,473	46,274
Wakala payables	-20,880	-30,662	0	0	0	0	0
Other liabilities	0	0	-3,024	3,307	4,821	11,743	3,331
<b>Cash from operations</b>	<b>95,988</b>	<b>52,085</b>	<b>8,954</b>	<b>11,088</b>	<b>20,958</b>	<b>19,496</b>	<b>23,472</b>
Interest and similar income received	19,351	5,655	1,712	734	3,342	3,700	4,915
Dividend income received	8,766	4,632	1,459	694	6,298	6,424	6,745
Interest and similar expense paid	-38,348	-39,333	-11,732	-3,145	-23,943	-23,468	-24,147
<b>Net cash from (used in) operating activities</b>	<b>85,757</b>	<b>23,039</b>	<b>393</b>	<b>9,371</b>	<b>6,654</b>	<b>6,152</b>	<b>10,985</b>
<b>INVESTING ACTIVITIES</b>							
Acquisition of subsidiaries, net of cash acquired	-52,085	28,093	-675	0	0	0	0
Proceeds from sale of subsidiaries	12,644	-537	14,079	-18,170	-25,497	0	0
Net investment/ proceeds in associates	-290,437	22,966	0	0	0	0	0
Dividend from associates	553	3,298	659	0	0	0	0
Purchase of property and equipment	-2,082	-1,708	-955	-103	-3,031	-3,827	-4,823
Net purchase/ proceeds from sale of investment properties	-45,124	33	-5,976	-198	-3,457	-1,030	-1,827
Purchase of property under development	-3,177	-6,237	-4,153	-115	-2,116	-2,249	-2,391
<b>Net cash used in investing activities</b>	<b>-379,709</b>	<b>45,908</b>	<b>2,979</b>	<b>-18,586</b>	<b>-34,100</b>	<b>-7,105</b>	<b>-9,041</b>

Consolidated Cash Flow Statement (contd..)							
(KWD '000)	2008A	2009A	1Q09A	1Q10A	2010E	2011E	2012E
<b>FINANCING ACTIVITIES</b>							
Proceeds from issue of shares	341,903	0	0	0	0	0	0
Proceeds from interest bearing loans and borrowings	0	0	0	0	0	0	0
Repayments of interest bearing loans and borrowings	0	0	0	0	0	0	0
Issue of bonds	38,908	-21,790	0	0	46	0	0
Purchase of treasury shares	-95,298	-1,562	-1,586	0	0	0	0
Proceeds from sale of treasury shares	38,030	218	0	0	0	0	0
Dividends paid to equity holders of the parent company	-42,730	0	0	0	0	0	0
Dividends paid to non-controlling interests	0	-302	0	0	0	0	0
<b>Net cash from financing activities</b>	<b>280,813</b>	<b>-23,436</b>	<b>-1,586</b>	<b>0</b>	<b>46</b>	<b>0</b>	<b>0</b>
<b>Net (decrease)/ increase in cash &amp; cash equivalents</b>	<b>-13,139</b>	<b>45,511</b>	<b>1,786</b>	<b>-9,215</b>	<b>-27,400</b>	<b>-953</b>	<b>1,944</b>
Cash and cash equivalents at the beginning of the period	68,797	55,658	55,658	101,169	101,169	73,769	72,816
<b>Cash and cash equivalents at the end of the period</b>	<b>55,658</b>	<b>101,169</b>	<b>57,444</b>	<b>91,954</b>	<b>73,769</b>	<b>72,816</b>	<b>74,760</b>

## Financial Ratios

	2008A	2009A	1Q09A	1Q10A	2010E	2011E	2012E
<b>Margins</b>							
Total Expenses to Net Operating Income/ (Loss)	-50.0%	-70.3%	NA	NA	79.9%	68.4%	62.7%
Finance Cost to Average Interest Bearing Liabilities	5.8%	5.1%	5.3%	4.6%	4.1%	3.9%	3.8%
<b>Profitability</b>							
Return on Average Equity	-82.2%	-63.8%	-102.0%*	-36.7%*	-11.0%	-4.1%	0.8%
Return on Average Assets	-23.8%	-14.3%	-22.7%*	-6.9%*	-2.1%	-0.7%	0.1%
<b>Leverage Ratios:</b>							
Shareholders' Equity to Total Assets Ratio (x)	0.24	0.20	0.20	0.18	0.18	0.17	0.16
Total Liabilities to Total Assets Ratio (x)	0.73	0.73	0.77	0.78	0.78	0.80	0.81
Total Investments to Total Assets Ratio (x)	0.39	0.34	0.37	0.33	0.35	0.35	0.37
Investment in Associates to Total Assets Ratio (x)	0.22	0.21	0.20	0.21	0.20	0.19	0.19
<b>Growth Rates:</b>							
YoY Growth in Net Operating Income	NA	13.0%	-187.1%	-99.1%	NA	81.5%	25.7%
YoY Growth in Operating Profit	NA	28.4%	-216.4%	-85.1%	-107.6%	NA	48.5%
YoY Growth in Net Profit	NA	-42.2%	-300.5%	-79.6%	-88.7%	NA	-119.8%
YoY Growth in Total Assets	37.2%	-33.5%	-4.8%	-32.9%	-3.6%	3.3%	6.1%
YoY Growth in Shareholders' Equity	-6.1%	-46.3%	-20.3%	-39.7%	-12.1%	-4.0%	0.8%
<b>Ratios used for Valuation:</b>							
Adj. EPS (KWD)	-0.211	-0.122	-0.227	-0.046	-0.014	-0.005	0.001
Adj. BVPS (KWD)	0.248	0.133	0.198	0.119	0.117	0.112	0.113
P/E Ratio (x)	NEG	NEG	NEG	NEG	NEG	NEG	52.93
P/BV Ratio (x)	0.20	0.37	0.25	0.41	0.42	0.44	0.43
Current Market Price** (KWD)	0.049	0.049	0.049	0.049	0.049	0.049	0.049

\* Annualised

NA – Not Applicable

\*\* Price as on July 10, 2010

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