Al Madina for Finance and Investment Company - KSC. (Closed)
And subsidiaries
State of Kuwait

Consolidated Financial Statements and
Independent Auditors' Report
For the year ended 31 December 2008

PRICEWATERHOUSECOOPERS

AL-ATEEQI
CERTIFIED
ACCOUNTANTS

Al Madina for Finance and Investment Company - KSC. (Closed)
And its subsidiaries
State of Kuwait

Consolidated Financial Statements
and
Independent Auditors' Report
For the year ended 31 December 2008

Contents

	Pages
Independent Auditors' Report	1 - 2
Consolidated Balance Sheet	3
Consolidated Statement of Income	4
Consolidated Statement of Changes in Equity	5
Consolidated Statement of Cash Flows	6
Notes to the Consolidated Financial Statements	7-28

PRICEWATERHOUSECOOPERS

Bader & Co. PricewaterhouseCoopers
P.O. Box 20174, Safat 13062
Dar Al-Awadi Complex, 7th Floor
Ahmed Al-Jaber Street, Sharq - Kuwait
Telephone (965) 2408844
Facsimile (965) 2408855
E-mail: pwc.kwt@kw.pwc.com

AL-ATEEQI
CERTIFIED ACCOUNTANTS

P O Box 636, Safat 13007 Kuwait
Tel : + 965 – 2412880 / 2410885
Fax : + 965 – 2454248
Ali Al-Salem Str., Thuwaini Bldg. 3rd Flr.
E-Mail : alateeqi@ateeqicpas.com
Website : www.ateeqicpas.com

Al Madina for Finance and Investment Company K.S.C. (Closed)
State of Kuwait

Independent auditors' report to the shareholders

We have audited the accompanying consolidated financial statements of Al Madina for Finance and Investment Company K.S.C. (Closed) "Parent Company" and its subsidiaries "together referred to as the Group" which comprise the consolidated balance sheet as of 31 December 2008, 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 financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2008, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted for use by the State of Kuwait.

Al Madina for Finance and Investment- KSC. (Closed)
And subsidiaries

Consolidated Balance Sheet as at 31 December 2008

(All amounts are in Kuwaiti Dinars)

	Note	2008	2007
Assets			
Cash and cash equivalent	5	1,078,422	24,313,623
Investments in Murabaha & Mudaraba	6	24,555,339	4,529,065
Investments at fair value through profit and loss	7	13,110,045	21,910,445
Finance lease receivables	8	127,413	3,198,640
Receivables and other debit balances	9	29,590,830	43,669,311
Land and real estate under development	10	8,752,932	33,868,098
Investment properties	11	45,738,178	31,577,418
Investments in associates	12	61,998,780	34,411,030
Intangible assets	13	840,469	7,947,890
Property and equipments	14	5,847,723	270,876
Total Assets		191,640,131	205,696,396
Liabilities and equity			
Liabilities			
Payables and other credit balances	15	22,238,342	34,219,754
Murabaha and Wakala payable	16	73,330,085	115,249,331
Employees' end of service indemnity		171,985	179,728
Total Liabilities		95,740,412	149,648,813
Equity			
Equity attributable to shareholders of the parent Company			
Share capital	17	37,780,875	17,422,500
Share premium		30,936,375	36,000
Statutory reserve	19	3,507,676	3,387,160
Voluntary reserve	19	3,409,102	3,288,586
Treasury shares	18	(5,077,087)	-
Other reserves	20	(1,174,947)	(113,250)
Retained earnings		8,314,232	17,946,343
		77,696,226	41,967,339
Minority interest		18,203,493	14,080,244
Total equity		95,899,719	56,047,583
Total liabilities and equity		191,640,131	205,696,396

The accompanying notes from (7) to (28) form an integral part of these consolidated financial statements.

Khalid Y Al Mutawa
Chairman & Managing Director

Sheikh Hmoud Shamlan Alsubah
Vice chairman

PRICEWATERHOUSECOOPERS

AL-ATEEQI CERTIFIED ACCOUNTANTS

Al Madina for Finance and Investment Company K.S.C. (Closed)
State of Kuwait

Independent auditors' report to the shareholders (Continued)

Report on other legal and regulatory matters

Furthermore, in our opinion, proper books of accounts have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Commercial Companies Law of 1960, as amended, and by the Parent Company's Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violation of provision of the Commercial Companies Law of 1960, as amended, or of the Articles of Association have occurred during the year ended 31 December 2008 that might have had a material effect on the business of the Group or on its consolidated financial position.

We further report that, during the course of our audit, we have not become aware of any material violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organization of banking business, and its related regulations, during the year ended 31 December 2008 except for what has been mentioned in Note (16) of these consolidated financial statements.

Bader A. Al-Wazzan
Licence No. 62A
PricewaterhouseCoopers

Barrak Al-Ateeqi
Licence No. 69 A
Independent Member of
B.K.R.International

Kuwait
26 March 2009

Consolidated Statement of Income for the year ended 31 December 2008

(All amounts are in Kuwaiti Dinars)

	Note	2008	2007
Revenues			
(Loss)/ gain from investments	21	(1,793,802)	7,069,991
(Loss)/ gain from trading on associate	12	(10,984,222)	12,972,266
Gain on disposal of associate	12	6,723,099	2,920,603
Group's share of results of associate	12	(2,067,119)	3,501,908
Gain on disposal of subsidiaries	26	10,026,853	-
Investments services income	26	2,835,301	3,000,211
Land and real estate income	22	19,787,947	2,020,603
Other Income		1,680,277	1,996,553
		26,208,334	33,482,135
Expenses and other charges			
Finance cost		6,452,070	6,659,849
General and administrative expenses	23	4,004,368	3,387,407
Impairment of investments in associates	12	6,120,226	452,328
Bad debits provisions		2,645,034	252,606
Contribution to Kuwait Foundation for Advancement of Science (KFAS)		-	136,585
National Labor Support Tax		-	478,185
Zakat Expense		-	9,829
		19,221,698	11,376,789
Net profit for the year		6,986,636	22,105,346
Attributable to:			
Shareholders of the Parent Company		1,205,156	20,963,734
Minority interest		5,781,480	1,141,612
		6,986,636	22,105,346
Earnings per share (fils)	25	4.23	111.40

The accompanying notes from (7) to (28) form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity for the year ended 31 December 2008

(All amounts are in Kuwaiti Dinars)

	Parent company's share holders equity								Minority interest	Total equity
	Share capital	Share premium	Statutory reserve	Voluntary reserve	Treasury shares	Other reserves (note 20)	Retained earnings	Total		
Balance as at 1 January 2007	15,150,000	36,000	1,228,327	1,129,753	-	310,120	7,225,664	25,079,864	-	25,079,864
Employees share option plan	-	-	-	-	-	189,000	-	189,000	-	189,000
Group's share in loss on sale of treasury shares in associate	-	-	-	-	-	-	(621,509)	(621,509)	-	(621,509)
Foreign currency translation reserve	-	-	-	-	-	(603,750)	-	(603,750)	-	(603,750)
Losses recognized directly in equity	-	-	-	-	-	(414,750)	(621,509)	(1,036,259)	-	(1,036,259)
Net profit for the year	-	-	-	-	-	-	20,963,734	20,963,734	1,141,612	22,105,346
Total profit recognized in equity for the period	-	-	-	-	-	(414,750)	20,342,225	19,927,475	1,141,612	21,069,087
Bonus share dividends (note 27)	2,272,500	-	-	-	-	-	(2,272,500)	-	-	-
Cash dividends (note 27)	-	-	-	-	-	-	(3,030,000)	(3,030,000)	-	(3,030,000)
Purchase of treasury shares	-	-	-	-	(365,000)	-	-	(365,000)	-	(365,000)
Sale of treasury shares	-	-	-	-	365,000	(8,620)	(1,380)	355,000	-	355,000
Consolidation of subsidiaries	-	-	-	-	-	-	-	-	12,305,033	12,305,033
Change in minority interests	-	-	-	-	-	-	-	-	633,599	633,599
Transferred to reserves	-	-	2,158,833	2,158,833	-	-	(4,317,666)	-	-	-
Balance as at 31 December 2007	17,422,500	36,000	3,387,160	3,288,586	-	(113,250)	17,946,343	41,967,339	14,080,244	56,047,583
Balance as at 1 January 2008	17,422,500	36,000	3,387,160	3,288,586	-	(113,250)	17,946,343	41,967,339	14,080,244	56,047,583
Foreign currency translation reserve	-	-	-	-	-	(497,293)	-	(497,293)	-	(497,293)
Group's share in loss on sale of treasury shares in associate	-	-	-	-	-	-	(177,794)	(177,794)	-	(177,794)
Group's share in associates' reserves	-	-	-	-	-	(1,733,733)	-	(1,733,733)	-	(1,733,733)
Elimination of an associate	-	-	-	-	-	1,169,329	-	1,169,329	-	1,169,329
Losses recognized directly in equity	-	-	-	-	-	(1,061,697)	(177,794)	(1,239,491)	-	(1,239,491)
Net profit for the year	-	-	-	-	-	-	1,205,156	1,205,156	5,781,480	6,986,636
Total profit recognized in equity for the year	-	-	-	-	-	(1,061,697)	1,027,362	(34,335)	5,781,480	5,747,145
Employees share option plan	150,000	148,500	-	-	-	-	-	298,500	-	298,500
Increase in share capital	17,572,500	30,751,875	-	-	-	-	-	48,324,375	-	48,324,375
Bonus share dividends (note 27)	2,635,875	-	-	-	-	-	(2,635,875)	-	-	-
Cash dividends (note 27)	-	-	-	-	-	-	(7,029,000)	(7,029,000)	-	(7,029,000)
Purchase of treasury shares	-	-	-	-	(9,940,301)	-	-	(9,940,301)	-	(9,940,301)
Sale of treasury shares	-	-	-		4,863,214	-	(753,566)	4,109,648	-	4,109,648
Minority's share in increasing share capital of a subsidiary	-	-	-	-	-	-	-	-	3,645,466	3,645,466
Purchase of subsidiaries from minority	-	-	-	-	-	-	-	-	(3,442,112)	(3,442,112)
Sale of subsidiaries to minority	-	-	-	-	-	-	-	-	4,461,137	4,461,137
Elimination of a subsidiary (note 26)	-	-	-	-	-	-	-	-	(6,322,722)	(6,322,722)
Transferred to reserves	-	-	120,516	120,516	-	-	(241,032)	-	-	-
Balance as at 31 December 2008	37,780,875	30,936,375	3,507,676	3,409,102	(5,077,087)	(1,174,947)	8,314,232	77,696,226	18,203,493	95,899,719

The accompanying notes from (7) to (28) form an integral part of these consolidated financial statements.

Al Madina for Finance and Investment K.S.C. (Closed)
And subsidiaries

Consolidated Statement of Cash Flows for the year ended 31 December 2008

(All amounts are in Kuwaiti Dinars)

	Note	2008	2007
Cash flows from operating activities			
Net profit for the year		6,986,636	22,105,346
Adjustments:			
Loss/ (gain) from investments		1,793,802	(7,069,991)
Loss/ (gain) on trading shares in associates		4,261,123	(15,892,869)
Group's share of results in associates		2,067,119	(3,501,908)
Gain on disposal of subsidiary		(10,026,853)	-
Land and real estate income		(19,787,947)	(2,020,603)
Finance cost		6,452,070	6,659,849
Cost of employees' share option purchase plan		-	189,000
Impairment of investments in associates		6,120,226	452,328
Bad debits provisions		2,645,034	252,606
Depreciation and amortization		506,795	85,393
Employees' end of service's indemnity		(4,877)	136,067
Operating profit before changing in the operating assets and liabilities		1,013,128	1,395,218
Investments at fair value through profit and loss		8,237,594	10,156,961
Finance lease receivables		3,176,663	1,452,536
Debtors & Other debit balances		5,199,425	(24,968,049)
Payables and other credit balances		15,660,288	30,741,562
Net cash generated from operating activities		33,287,098	18,778,228
Cash flows from investing activities			
Investments in Murabaha		(28,272,623)	7,307,095
Dividends received		935,961	467,218
Acquisition of associates		(29,050,635)	(16,778,309)
Net cash collected from trading on subsidiaries		5,215,330	-
Net cash from disposal/acquisition of subsidiaries	26	(16,011,757)	(13,526,308)
Payment for purchase of lands and real estate under development		(7,599,126)	(33,868,098)
Collected from sale of lands and real estate under development		32,662,214	-
Payment for purchase of investment properties		(1,063,983)	(18,591,455)
Proceed from sale of investments		-	10,609,186
Proceeds from Murabha investments' profits		407,471	909,526
Payment for purchase of property and equipments		(6,086,085)	(222,183)
Net cash used in investing activities		(48,863,251)	(63,693,328)
Cash flows from financing activities			
Murabaha and Wakala payable		(41,720,135)	72,248,735
ngе in minority interest		4,664,491	633,599
t of finance costs		(6,651,180)	(4,692,991)
om capital increase		48,622,875	-
asury shares		(9,940,351)	(355,000)
res		4,109,698	365,000
		(6,744,446)	(2,830,105)
d from financing activities		(7,659,048)	65,369,238
and cash equivalents		(23,235,201)	20,454,138
eginning of the year		24,313,623	3,859,485
of the year	5	1,078,422	24,313,623

) to (28) form an integral part of these consolidated financial statements.

1. Incorporation of the Group

Al Madina for Finance and Investment Company (the Parent Company) is a Closed Kuwaiti Shareholding Company incorporated in Kuwait on 1980 and is registered as an investment company with the Central Bank of Kuwait on 27 April 2005. The shares of the Parent Company were listed on Kuwait Stock Exchange in 24 April 2006.

The Parent Company's headquarter office is domiciled at Ahmed Al Jabber , shark, Kuwait.

The Group comprises of the Parent Company and its consolidated subsidiaries (together referred to as "the Group") - Note 26. The principle activities of the Group are representing in all investing activities, finance and management of funds and rights. Trading and leasing of lands and real estate. The activities of the Group are carried out in accordance with Noble Islamic Sharia principles.

Kuwait City Holding Company is owned by 21.75% of the Parent Company.

The consolidated financial statements were authorized for issue by the Board of Directors on 6 April 2009 and are subject to the approval of the shareholders of the Parent Company in the annual general assembly meeting.

2. Basis of preparation and significant accounting policies

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

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with international financial reporting standards (IFRS) under the historical cost convention, as modified by the revaluation of the fair value of investment properties and financial assets at fair value through profit and loss.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) as adopted for use in the State of Kuwait for financial institutions regulated by the Central Bank of Kuwait. These regulations require adoption of all IFRS except for the IAS 39 requirements for General provisions, which have been replaced by the Central Bank of Kuwait's requirements for a minimum general provision as described in note (2.2).

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates have significant impact on the consolidated financial statements are disclosed in Note (4).

(a) Amendments and Interpretations effective in 2008

Amendments to IAS 39 – Financial Instruments: Recognition and Measurements & IFRS 7- Financial Instruments: Disclosures permit reclassification of certain financial assets in rare circumstances. The amendment is effective from 1 July 2008.

IFRIC 11, 'IFRS 2 – Group and treasury share transactions'.

(b) Interpretations effective in 2008 but not relevant

IFRIC 12, 'Service concession arrangements'; and

IFRIC 13, 'Customer loyalty programmes'.

IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction', this interpretation.

(c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the group

The following standards and amendments to existing standards have been published and are mandatory for the group's accounting periods beginning on or after 1 January 2009 or later periods, but the group has not early adopted them:

- IAS 23, 'Borrowing costs' (effective from 1 January 2009).
- IAS 1, 'Presentation of financial statements' (effective from 1 January 2009).
- IFRS 2, 'Share-based payment' (effective from 1 January 2009).
- IAS 32, 'Financial instruments: Presentation' (effective from 1 January 2009).
- IAS 27, 'Consolidated and separate financial statements', (effective from 1 July 2009).
- IFRS 3, 'Business combinations' (effective from 1 July 2009).
- IFRS 5, 'Non-current assets held-for-sale & discontinued operations' (effective from 1 July 2009).
- IAS 28, 'Investments in associates' (effective from 1 January 2009).
- IAS 36, 'Impairment of assets' (effective from 1 January 2009).
- IAS 38, 'Intangible assets' (effective from 1 January 2009).
- IAS 19, 'Employee benefits' (effective from 1 January 2009).
- IAS 40, 'Investment property' (effective from 1 January 2009).
- IAS 39 (Amendment), 'Financial instruments: Recognition and measurement' (effective from 1 January 2009).
- IFRS 8, 'Operating segments' (effective from 1 January 2009)

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

2.2 Consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than 50% of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables represent in finance lease receivables, investments in Wakala, Murabaha and cash and cash equivalent.

Financial assets available for sale investments

These are non-derivative financial assets that are either designated in this category or not included in any of the other categories and are principally.

Recognition and De-recognition

Financial assets are recognized when the Group enters into contractual agreement on these assets. Purchases and sales of financial assets are recognized on the purchase date, on which the Group commits to deliver or receive the financial instrument. Financial assets are derecognized when the right to receive cash flows from the assets has expired or has been transferred and the Group has substantially transferred all risks and rewards of ownership.

Measurement

Financial assets are initially recognized at fair value (plus transaction costs for all assets not carried at fair value through profit and loss). Financial assets carried at fair value through profit and loss are initially recognized at fair value and transaction costs are expensed in the income statement.

Subsequently, available for sale financial assets and financial assets at fair value through profit and loss are remeasured at fair value. Receivables are carried at amortized cost using the effective yield method.

Realized and unrealized gains and losses arising from changes in the fair value of the financial assets at fair value through profit and loss are included in the income statement for the year in which they arise. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognized in equity. Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analyzed between translation differences resulting from changes in amortized cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognized in statement of income, while translation differences on non-monetary securities are recognized in equity.

When available-for sale financial assets are sold or impaired, the accumulated changes in fair value recognized in equity are included in the statement of income.

Fair values

The fair values of quoted investments are based on current bid prices. The fair value of quoted investments in non active markets and unquoted investments is determined by other valuation techniques include reference to the market value of similar investment, discounted cash flows, or using other pricing alternative. Available for sale investments that their market values cannot be determined are recorded at cost less impairment in value.

Impairment in value

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the profit or loss- is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement.

A specific provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of specific provision is the difference between the asset's carrying amount and the present value of the estimated cash flows, including disposal of the amounts recoverable from guarantees and collateral, discounted at the effective interest rate. The amount of the provision is recognized in the income statement.

In addition, in accordance with the Central Bank of Kuwait instructions, a minimum general provision of 1% of all finance receivables not subject to specific provision is calculated.

2.4 Cash and cash equivalents

Cash on hand, term and demand deposits with banks and financial institutions whose original maturities do not exceed three months from the date of placements are classified as cash and cash equivalents in the cash flows statement.

2.5 Investment properties

Investment Properties not occupied by the Group and acquired for long-term leases or for capital appreciation in future are classified as investment properties. Investment properties are stated at cost on acquisition and re-measured at fair value. Fair value is determined by an independent registered value on each balance sheet date. Gains or losses arising from change in fair value are recognized in the statement of income.

2.6 Land and real estate under development

Land and real estate under development are recognized at cost, which includes development costs. When the development process is completed, the land and real estate are classified either as investment properties or land and real estate held for trading or as property for the Group's self-occupation as per management intention regarding the future use of these properties.

2.7 Intangible assets

- **Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/ associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated income statement.

Inter-Group transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

Associates

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights assumes existence of significant influence. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. The investments include goodwill which was determined at acquisition after deducting impairment of goodwill.

The Group's share of its associates' post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition movements in reserves is recognized in equity.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group. the partied disposal gain/ loss resulted from decreasing percentage ownership in associates recognized directly in income statement.

2.3 Financial Instruments

Classification

The Group classifies its financial assets upon acquisitions based on the purpose of acquiring these investments. The Group had classified its financial assets as "at fair value through profit and loss", "receivables" and "available for sale investments".

Financial assets at fair value through profit and loss

This classification is divided into two sub categories: financial assets held for trading, and those designated at fair value through profit and loss at acquisition. Financial assets held for trading are those assets acquired principally for the purpose of selling in the short term. The financial assets designated at fair value through profit and loss at acquisition are classified in this category, if they are managed and their performance is evaluated and internally reported on a fair value basis in accordance with risk management approved by the management or investment strategy.

2.8 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses. Cost comprises of acquisition costs and all directly attributable costs of bringing the asset to working condition for its intended use. Depreciation is calculated based on the estimated useful lives of the assets using the straight line method.

2.9 Impairment of non financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Impairment losses are recognized in the statement of income for the period in which they arise.

2.10 Murabaha and wakala payable

These are financial liabilities created by Murabaha and Wakala contracts. They are recognized initially at fair value, net of transactions costs incurred. They are subsequently stated at amortized cost, any difference between the proceeds and the redemption value is recognized in the income statement using the effective yield method.

2.11 End of service's indemnity

The Group is liable under Kuwait Labor Law to make payments under defined benefit plans to employees at termination of employment. The defined benefit plan is un-funded and is based on the liability that would arise on involuntary termination of all employees on the balance sheet date. This basis is considered to be a reliable approximation of the present value of the Group's liability.

2.12 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost.

2.13 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as deduction from the proceeds

Where any of Group Company purchased the Parent Company's own shares (treasury shares), the total cost of the shares acquired is deducted from equity until the shares are reissued or cancelled. Gains are credited to a separate undistributable account in equity "gain on sale of treasury shares. Any realized losses are charged to the same account to the extent of the balance and then to retained earnings and reserves. Gains realized subsequently on the sale of treasury shares are first used to offset any previously recorded losses in reserves, retained earnings and the gain on sale of treasury shares.

2.14 Revenue recognition

Murabaha and Wakala income are recognized on a time proportion basis using the effective rate of return on outstanding balances for such transactions.

Dividends income is recognized when right to receive payment is established.

Revenue from sale of land and real estate is recognized on the completion of the sale contract Management fees and investment service income are recognized when earned.

2.15 Accounting for leases

Leases of assets under which a significant portion of the risks and benefits of ownership are retained by the leaser are classified as operating leases. Payments made under operating leases are charged to the statement of income on a straight-line basis over the period of the lease.

2.16 Foreign currencies

Functional and presentation currency

Items included n the finance al statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in 'Kuwaiti Dinars' (KD), which is the company's, functional and the group's presentation currency.

Transactions and balances

Foreign currency transactions are translated into Kuwaiti Dinars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

Transactions are translated at average exchange rates; and

All resulting exchange differences are recognized as a separate component of equity.

2.17 Zakat

Responsibility of paying Zakat lies on the shareholders and not on the Group.

2.18 Dividend distribution

Dividend distribution to the Parent Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Parent Company's shareholders.

2.19 Fiduciary assets

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

3. Financial Risk Management

3.1 Financial risk factors

(A) Market risk

The activities of the group expose it to a Group of financial risks, which are market risks, which include (foreign currency risks and risks of change in fair value resulting from the change in interest rates, and risks of fluctuations in cash flows resulting from changes in interest rates, and risks of market prices) in addition to credit risk and liquidity risks.

The group management for these financial risks is concentrated in continues evaluation of market conditions and trends and the management assessment for long and short-term market factors change.

(I) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar. Foreign exchange risk arises when future commercial transactions take place on recognized assets or liabilities which are denominated in a currency that is not the entity's functional currency.

The Group has set up policies to manage its foreign exchange risk against their functional currency, through diversifying its investments geographically and financing its investments in foreign currency through borrowing denominated in the same currency. In general, the Group concentrates its investments in Kuwait Dinar to avoid the fluctuation in foreign currency rates.

At 31 December 2008, If the US $ had changed by 5% against the Kuwaiti Dinar with all other variables held constant, net profit for the year and the effect on equity would be :

	2008		2007	
Description	Effect on income statement	Effect on equity	Effect on income statement	Effect on equity
USD	(919,419)	-	(545,173)	(608,147)

The foreign exchange gains/loses on translation mentioned above are resulted from receivable cash, investments in shares, Murabahat and Wakala payables and creditors. The following is the net positions of foreign currencies as of 31 December:

	2008	2007
USD	(18,388,382)	1,259,464

(ii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified in the consolidated balance sheet as fair value through profit and loss. To manage this risk, the Group diversifies its portfolio within the limits set by the group. All investments decisions are taken by the persons who are authorized by the board of directors.

Most of the group investments are in unquoted securities and funds. These investments are managed and their performance is evaluated and internally reported on a fair value basis in accordance with the group investment strategy.

(iii) Interest Rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Group is not exposed to interest rate risk as the group works under Islamic Sharea. Profits from Murabaha and Wakal investments and costs of Murabaha and Wakal payables are allocated on the time of the deal based on the effective rate of return.

(iiii) Credit risk

The credit risk is the risk that the Group will incur a loss as a result from its customers, clients or counterparties failure to discharges their contractual obligations against the Group.

Assets which are exposed to credit risk are cash and cash equivalents, finance lease receivables, Wakala and Murabaha receivables, receivables on sale of properties and due from related parties.

For cash and cash equivalent the group manage this risk by dealing with high credit reputation institutes. For Receivables on sale of properties, finance lease receivables and other customers, the group assesses their credit quality taking into consideration its financial position, past experience and reputation. In addition to that, the group keeps the ownership of the sold assets until settling the total outstanding installments or obtaining other collaterals.

The table below shows the maximum exposure to credit risk for the components of the balance sheet without taking into consideration the collaterals:

	2008	2007
Cash & cash equivalent	1,078,422	24,313,623
Murabaha & wakala investments	24,555,339	4,454,311
Finance lease receivables	127,413	3,198,640
Real estates sales receivables	9,199,835	21,280,154
Advance payment for purchase Real-estate	16,858,394	-
Due from related parties	1,821,068	16,142,685
	53,640,471	69,389,413

(C) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, management has diversified funding sources, manages assets and monitors future cash flows and liquidity on a daily basis. This encompasses an assessment of expected cash flows and the availability of high grade collaterals which could be used to secure additional funding if required.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	2008		
	Within 3 months	From 3 months to 1 year	From 1 to 5 years
Liabilities			
Payables and other credit balances	1,857,245	11,189,554	9,191,543
Murabaha and wakala payable	43,807,700	19,275,253	12,595,108

	2007		
	Within 3 months	From 3 months to 1 year	From 1 to 5 years
Liabilities			
Payables and other credit balances	1,324,599	16,717,497	16,177,658
Murabaha and wakala payable	95,797,667	18,836,169	2,691,393

3.2 Capital risk management

The Group's objectives when managing capital 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 maintain 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 total borrowings less cash and cash equivalents. Total capital is calculated as equity as shown in the consolidated balance sheet plus net debt.

The gearing rate as of 31 December is as follows:

	2008	2007
Total borrowings	73,330,085	115,249,331
Less : Cash and cash equivalent	(1,078,422)	(24,313,623)
Net debt	72,251,663	90,935,708
Total equity	95,899,719	56,047,583
Total capital	168,151,382	146,983,291
Ratio	%42.96	%61.87

The decrease in this percentage in year 2008 resulted primarily from the issuance of share capital and the settlement of portion of debit.

3.3 Fair value estimation

The fair value of financial instruments traded in active markets is based on the current bid price. The fair value of unquoted financial instruments that are not traded in an active market is determined by using the market of similar investments and the discounted cash flow or other valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The carrying value less impairment provision of trade receivables and Wakala and Murabha investments are assumed to approximate their fair values. The fair value of financial liabilities and financial assets for disclosure purposes is estimated by discounting the future contractual cash flows at the current market yield rate that is available to the Group for similar financial instruments. The fair value of the other assets and liabilities are disclosed in the related notes in the consolidated financial statements:

4. Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will by definition, seldom equal the related actual results. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Fair value of unquoted equity investments

Valuation techniques for unquoted equity investments is in which estimates are used representing the expected cash flows discount rates, return trades, adjusted local market prices, credit risks, related cost and other valuation techniques used by market participants.

The Group calibrates the valuation techniques periodically and tests these for validity using either prices from observable current market transactions in the same instrument or other available observable market data.

Impairment of goodwill

The Group tests whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note (2.5). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates mainly represents in the discount rate factor and the expected cash flows for the cash generating unit.

Impairment on receivables

The Group reviews its loans, receivables and its trade receivables to assess impairment on regular basis. In determining whether an impairment loss should be recorded in the income statement, In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may differ resulting in future changes to such provisions. The methodology and assumptions used for estimating both the amount and timing if future cash flows are reviewed regularly to reduce any differences between loss estimated and the actual loss experienced.

5. Cash and cash equivalents

	2008	2007
Cash with bank and financial institutions	675,478	20,233,492
Cash with Kuwait Clearing company	402,246	4,079,439
Cash on hand	698	692
	1,078,422	24,313,623

Cash and cash equivalent does not included restricted cash as of 31 December 2008 (15,000,000 KD as of 31 December 2007)

6. Investments in Murabaha

6.1 This balance represents the amounts invested in Murabaha agreements by Kuwaiti Dinars. The average effective rate of return is 6.75 % as of 31 December 2008 (6.75 %-2007).

6.2 Investments in Murabaha include an amount of KD 23,895,524 granted to related parties as of 31 December 2008 (Note 28) (KD 3,668,075 KD-2007) guarantee by quoted investments at portfolio managed by a related party. The fair value of this guarantee amount of KD 17,849,413 as of 31 December 2008.

6.3 Fair value of investments in Murabaha approximately equals its carrying value as of 31 December 2008 and 31 December 2007as they mature in the short term.

7. Investments at fair value through profit and loss

	2008	2007
Held for trading investments	838,369	4,530,030
Investments designated at fair value through profit and loss at inception	12,271,676	17,380,415
	13,110,045	21,910,445
Investments in local shares – quoted	838,369	4,530,030
Investments in local shares – unquoted	7,887,832	3,644,371
Investments in foreign shares – unquoted	489,172	3,670,297
Investments in local funds – unquoted	2,401,417	8,215,747
Investments in foreign funds – unquoted	1,493,255	1,850,000
	13,110,045	21,910,445

7.1 The fair value of unquoted shares is carried out according to valuation models and based on the available information of the financial position, results of operation of investee companies, the expected future profits and the recent arm's length market transactions on the shares of investee companies or similar companies or similar investments.

7.2 The fair value of the investments in unquoted funds is based on the net asset value as of 31 December 2008 and 31 December 2007.

7.3 Investments at fair value through profit and loss are dominated into the following currencies:

	2008	2007
Kuwaiti Dinar	7,567,828	17,465,930
US Dollar	5,542,217	4,444,515
	13,110,045	21,910,445

8. Finance lease receivables

	2008	2007
Finance lease receivables	129,152	3,305,815
Provision of doubtful debts	(1,739)	(107,175)
	127,413	3,198,640

The average yield rate on finance receivables is 6.48% as of 31 December 2008 (12% as of 31 December 2007). Finance lease receivables' balance mature within one year.

9. Receivables and other debit balances

	2008	2007
Receivable on the sale of properties (Net) (Note 9.1)	9,199,835	21,280,154
Advance payments for purchase of property (Note 9.2)	16,858,394	-
Due from related parties (Note 28)	821,068	16,142,685
Accrued commissions and dividends	369,891	3,443,578
Prepaid expenses	203,996	685,122
Staff receivables	122,029	152,953
Other debit balances	2,015,617	1,964,819
	29,590,830	43,669,311

9.1 Receivables on sale of properties balance represent the amount due from sale of properties to customer. The ownership of these properties will be transferred to buyers after the settlement of the amounts receivable(Note 10).

9.2 In July 2008, based on purchase and sale agreement with a third party, the group acquired four companies incorporated in the Cayman of Island those companies own a real estate project in Reem Island-Abu Dhabi. The Group paid the advance payment amounted to KD 14,962,216 (equivalent of AED 204,624,000) recorded as advance payment for purchase of land. In November 2008, the group exercised the option to resell the companies and receive the amount paid. In January 2009, the group agreed with the third party to cooperate for marketing the real estate project and share the net proceeds after covering the amounts paid from the Group and the related costs incurred. In case of failure of marketing the real estate project within the six months ending 30 June 2009, the third party will repay to the group its dues.

9.3 During the year the Group, sign an agreement approved form all parties in order to settle the amount due from and due to related party.

10. Land and real estate under development

	2008	2007
Balance as of 1 January	33,868,098	-
Addition	7,599,126	33,868,098
Transfer to investment property	(8,299,355)	-
Transfer from investment property	6,717,445	-
Sale during the year	(31,132,382)	-
Balance as of 31 December	8,752,932	33,868,098

During the year, the group recorded the sale of developed real estate of KD 19,775,433 as the work under progress are in the final process of completion, an amount of KD 14,924,252 was collected and the remaining balance are recorded as receivables from sale of the properties (Note 9.1). Gain resulted from this transaction amounted to KD 4,486,068 are recorded in the profit and loss of the current period.

During the year, the group sold local real estate of KD 17,700,000 resulted in profit of KD 1,856,979.

11. Investment properties

	2008	2007
Opening balance of the year	31,577,418	8,901,128
Additions	763,050	31,264,873
Transfer to land and real estate under development	(6,717,445)	-
Transfer from land and real estate under development	8,299,355	-
Disposal	(1,629,100)	(9,756,539)
Change in fair value (Note 22)	13,444,900	1,167,956
Ending balance of the year	45,738,178	31,577,418

During the year the management of the group take a decision to transfer the properties located in gulf area from land under development to investment properties as the management change the intention to the capital appreciation in future.

12. Investments in associates

	Ownership %	31 December 2008	Ownership %	31 December 2007
Ekttitab Holding Company. K.S.C.C.	23.78	13,020,732	26.77	22,458,747
Gulf Horizon Holding Company K.S.C.C.	-	-	15.99	1,699,783
Hits Africa Company (Note 26)	-	-	50.00	10,252,500
Estrategia investment Company	21.94	2,359,934	-	-
Hits Telecom Company (Note 26)	43.80	46,618,114	-	-
		61,998,780		34,411,030

12.1 The following is a summary of the Group's share of the net assets and results of its associates according to the latest financial statements available:

	2008				
				Last available financials	
	Fair value	Net assets	Net profit/ (loss)	Date	Source
Ekttitab holding K.S.C.C	5,409,571	13,020,732	1,416,702	31 December 2008	Management accounts
Estrategia investment	2,159,154	2,359,934	(2,129,874)	31 December 2008	Management accounts
Hits telecom (note 26)	91,606,615	44,220,361	(1,369,543)	31 December 2008	Management accounts
Gulf Horizon holding K.S.C.C	-	-	15,596	-	-

	2007				
				Last available financials	
	Fair value	Net assets	Net profit/ (loss)	Date	Source
Ekttitab Holding K.S.C.C	29,438,067	22,458,747	2,345,886	30 Sep.2007	Interim information
Gulf Horizon K.S.C.C	1,679,125	1,699,783	115,058	30 Sep.2007	Interim information
Hits Africa	Unquoted	10,252,500	-	-	-

12.2 During the year, the group traded on the shares of Ekttitab Holding Company (K.S.C.) resulted in profit of KD 10,984,222 the ownership of the Group decrease to 23.78% as of 31 December 2008.

The Group recorded losses from the impairment of these investments during the year ended 31December 2008 amount to KD 2,814,811. The impairment is calculated based on the value on use determined based on the fair value of the assets and liabilities of the associate as the future cash flow can not be determined for this associate.

12.3 During the year, the Group lost its significant influence over Safat International K.S.C.C (previously Gulf Horizon Holding Company) also trade on this Company shares which result the decrease in its ownership to 13.43%. Accordingly, this investment has been reclassified to investment at fair value through profit and loss.

12.4 On 2 June 2008, the Group acquired 21.94 % of Estrategia Investment Company for KD 7,754,912, paid KD 3, 777,205 and the remaining balance of KD 3,977,707 is recorded as payables from purchase of investments secured by investment in securities with fair value of KD 2,300,113 as of 31 December 2008. The provisional goodwill is KD 3,305,415 as of date of acquisition.Subsequent to the year end the Board of Directors decided to raise a case against the seller to cancel the deal and receive the amount paid and release the collaterals. Although of this the group recorded KD 2,129,874 which represent its share from loss from the date of acquisition till 31 December 2008 and its share from reserve with KD 40,310 and recorded the impairment of the total amount of the goodwill of KD 3,305,415.

12.5 During the year, the Group sold its share in Hits Africa to Hits Telecom (associate company) resulted in profit of KD 11,593,549 out of which KD 4,870,450 has been eliminated to the extent of the ownership in Hits Telecom.

12.6 During the year, the group's ownership in Hits Telecom has been diluted to 42.36% and accordingly has been reclassified from investment in subsidiary to investment in associate with KD 54,632,149 including goodwill with KD 7,268,203 (note 26). After that date of transfer the ownership of the group increased to 43.80% also the group recorded share from loss from the date of transfer with an amount of KD 1,369,543, and a share from the associate reserve with KD1,774,034.

13. Intangible assets

Include KD 790,971 as of 31 December 2008 the goodwill resulted from the acquisition of Sarh Al Madina real estate subsidiaries with 11%.

14. Property and equipments

The balance includes KD 5,231,709 which represents the carrying amount of a rig working in Egypt as of 31 December 2008.

15. Payables and other credit balances

	2008	2007
Trade payable	-	7,070,802
Payables on purchase of investment properties	17,194,312	17,228,396
Due to related parties (Note 28)	3,166,399	7,961,068
Accrued dividends	479,162	199,895
Accrued expenses	-	700,000
Contribution to Kuwait Foundation For Advancement of Science (KFAS)	234,386	136,585
Zakat expense	10,493	9,829
National labor support tax	478,185	478,185
Other credit balances	675,405	434,994
	22,238,342	34,219,754

16. Murabaha and wakala payable

16.1 The average effective yield rate ranged from 7 % to 9.75% as of 31 December 2008 (from 7.5% to 9.75% as of 31 December 2007).

16.2 The fair value of Murabaha and Wakala payable as of 31 December 2008 and as of 31 December 2007 approximately equal its carrying value.

16.3 Murabaha and Wakala payable are secured by investments in associates, land and real estate under development, investments properties of KD 45,028,844 , KD 4,334,408 and KD 1,208,333 as of 31 December 2008 respectively and cash restricted from related party against Murabaha and Wakala payable.

16.4 The Murabaha and Wakala in foreign currencies are as following:

	2008	2007
Kuwaiti Dinar	50,965,255	99,971,639
US Dollar	22,364,830	15,277,692
	73,330,085	115,249,331

16.5 The Murabha and Wakala payable with KD 2,394,650 as of 31 December 2008 (KD 13,910,261 as of 31 December 2007) which represents Murabahat granted from invetment funds, the parent company are in the process of paying such amounts and replacing by finance from financial institutes.

17. Share capital

On 13 May 2008, the shareholders of the Parent Company approved the following:

- Issuance of 175,725,000 shares by increasing the capital with 100%to the existing shareholders with 100 fils par value and 175 fils share premium.
- Issuance of 1,500,000 shares for the employees' as stock option plan with 100 fils par value and 140 fils share as premium.(note 24)
- 15% bonus share with KD 26,358,750 (Note 27)

Accordingly, the issued and fully paid up capital of the Parent Company is KD 37,780,875 comprises 377,808,750 shares of 100 fils each (KD 17,422,500 comprises 174,225,000 as of 31 December 2007)

On 29 May 2008 the commercial register has been authenticated with these increases.

18. Treasury shares

	2008	2007
Number of shares (share)	21,220,000	-
Percentage (%)	5.62	-
Market value	1,782,480	-

19. Statutory reserve and voluntary reserve

Statutory reserve

In accordance with the Commercial Companies Law and the Parent Company's Articles of Association, 10% of net profit before KFAS, National Labor Support Tax, Board of Directors' remuneration and Zakat expense are transferred to statutory reserve. Statutory reserve is not distributable to shareholders; however, the reserve could be utilized to secure payment of a dividend of 5% of share capital in years when retained earnings are not sufficient for payment of dividends. When the balance of the reserve exceeds 50% of share capital, the General Assembly is permitted to utilize amounts in excess of 50% of the share capital in aspects seen appropriate for the benefit of the Parent company and its shareholders.

Voluntary reserve

In accordance with the Parent company's Articles of Association, a percentage of net profit as proposed by the Board of Directors and approved by the General Assembly is transferred to voluntary reserve. Such annual transfers may be discontinued by a resolution of the General Assembly based on the proposal of the Board of Directors.

20. Other reserves

	Gain for sale of treasury share	Employee share options reserves	Share of group from associate reserves	Foreign currency translation reserves	Total
Balance of 1 January 2007	8,620	301,500	-	-	310,120
Employee stock option	-	189,000	-	-	189,000
Foreign currency translation reserves translation reserves	-	-	-	(603,750)	(603,750)
Sale of treasury shares	(8,620)	-	-	-	(8,620)
Balance as 31Dec 2007	-	490,500	-	(603,750)	(113,250)
Balance as of 1 Jan 2008	-	490,000	-	(603,750)	(113,250)
Foreign currency of translation eserves	-	-	-	(497,293)	(497,293)
Share of associates reserves	-	-	(1,733,733)	-	(1,733,733)
Sales of associates	-	-	-	1,169,329	1,169,329
Balance as of 31 Dec 2008	-	490,500	(1,733,733)	68,286	(1,174,947)

21. (Losses)/gain from investments

	2008	2007
Murabaha income	407,471	909,526
(Loss)/gain on sale of investments at fair value through profit or loss	(1,164,522)	3,898,862
Change in fair value of investments through profit or loss	(1,415,713)	1,794,385
Dividends	378,962	467,218
	(1,793,802)	7,069,991

Change in fair value of investments at fair value through profit or loss includes an amount of KD 1,051,705 as of 31 December 2008 (KD 2,279,704-2007) which represents a change in fair value of unquoted fund units determined based on its net assets value (NAV) as of 31 December 2008.

22. Land and real estate income

	2008	2007
Gain on sale of investment properties	-	852,647
Gain on sale of lands and real estate under development	6,343,047	-
Change in fair value of investment properties	13,444,900	1,167,956
	19,787,947	2,020,603

The fair value of investments properties are determined based on independent value after deducting 15% as per the management estimate taking into considering the entire circumstance.

23. General and administrative expenses

General and administrative expenses include staff costs of KD 1,251,821 for the year ended 31 December 2008 (KD 1,736,960 for the year ended 31 December 2007).

24. Cost of employee stock plan

- A full subscription for the 1,500,000 shares as per the employees' stock option plan approved from the general assembly meeting of the parent company dated 29 April 2007.
- In accordance with the resolution of the general assembly of the parent company shareholders held on 31 May 2008, approved the increase of the parent company's share capital by an amount of KD 150,000 by issuing 1,500,000 shares for the employees of the parent company under the proposed employees' stock option plan, currently, the determination and completeness of program implantation conditions, in terms of the methods of shares issuance, the program duration, and the allocation conditions of the employees' who has the privilege to use the program.

25. Earnings per share

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

	2008	2007
Net profit for the year attributable to shareholders' of the Parent Company	1,205,156	20,963,734
Weighted average number of issued shares and outstanding shares during the year/ (share)	284,755,783	188,181,076
Earnings per share (fils)	4.23	111.40

The earning per share of the comparative figures has been restated taken into consideration the bonus shares and the right issue of the capital increase.

26. Investments in subsidiaries

These consolidated financial statements include the financial statements of the Parent Company and the following subsidiaries:

Company Name	Legal	Country of incorporation	Ownership (%)	
			2008	2007
Al Madina Real Estate Development Co.	K.S.C.C	Kuwait	90	100
Al Madina Educational Co.	K.S.C.C	Kuwait	100	100
Al Sari National Holding (previously twenty seven for shopping centre)	K.S.C.C	Kuwait	100	100
Rehab Al Madina Real Estate Co.	B.S.C.C	Bahrain	100	100
Real Capital Company	W.L.L.	Kuwait	100	100
Kuwaiti National Investment Co.	K.S.C.C	Kuwait	100	100
Sarh Al Madina Real Estate Co.	K.S.C.C	Kuwait	50.68	49.68
Hits Telecom Holding, Co. (previously Al Nibras)	K.S.C.C	Kuwait	-	76
Stone for drilling Services Co.	E.K.S.C	Egypt	100	-

- During the year, the Parent Company's sold a share of 10% of both of Al Madina Real Estate Company and Sarh Al Madina Real Estate Company to one of the Group's associates amounting to KD 4,773,747 this transaction resulted gain amounting of KD 827,344, an amount of KD 263,624 has been eliminated when preparing the consolidated financial statements in according to IFRS requirments. Also the Parent Company has acquired share with 11% of one related party from Sarh Al Madina Real Estate Company, this ransaction resulted Goodwill of 709,971.

- During the year the group has been finalize the establishment of drilling stone company.
- During the year, the group traded on the shares of Hits Telecom (previously Nibras) resulted in profit of KD 4,924,856.
- The Group's ownership on Hits Telecom has been diluted from %77.27 to %42.36 due to the capital increase that took place during the year. As a result, the group transferred this shares from investment in subsidiary to investment in associate with KD 54,632,149 (including Goodwill with KD 7,268,203) (note 12) and recognized profit on dilution of KD 4,538,277, also the Group received a management fee from managing the subscription with KD 2,651,164 in the investment service income statement.

Assets	KD
Cash & cash equivalent	234,358
Property and equipments	2,443
Investments in associate	37,551,714
Investments in Murabha	7,995,878
Receivables and other debit balances	11,192,453
Liabilities	
End of service indemnity	(2,866)
Payables and other credit balances	(493,947)
Due to related party	(28,664,334)
Net assets	27,815,699
Minority interest	(6,322,722)
Group's share of net assets	21,492,977
Goodwill from the subsidiary	12,823,469
Book value of investments before the Capital Increase of the subsidiary	34,316,473
Cash paid for the subsidiary capital increase	15,777,399
Book value of investments after subsidiary capital increase	50,093,872
Add: gain from delution of the group's share in the subsidiary	10,093,570
Disposal of Goodwill from decrease of the group's share in the subsidiary	(5,555,293)
Book value of investments transferred to investment in an associate	54,632,149
Cash paid for subsidiary capital increase	(15,777,399)
Cash in subsidiary as of transfer date	(234,358)
Resulting cash from transferring subsidiary to an associate	(16,011,757)

The effect over the consolidate of cash flows for the year ended 31 December 2007 as follows:

	Hits Telecom Holding Co.	Sarh Almadina Real Estate	Total
Cash and cash equivalents	3,937,330	800,745	4,738,075
Investment properties and Lands under development	-	12,673,418	12,673,418
Real estate and equipments	1,332	-	1,332
Investments at fair value through profit and loss	1,215,938	10,582,038	11,797,976
Other debit balances	8,795,005	917,721	9,712,726
Murabaha and Wakala payable	-	(5,364,661)	(5,364,661)
Payables and other payable accounts	(316,828)	(1,544,030)	(1,860,858)
Net assets	13,632,777	18,065,231	31,698,008
Minority interest from subsidiaries acquisition	(3,214,609)	(9,090,424)	(12,305,033)
Group's share in net acquired assets	10,418,168	8,974,807	19,392,975
Add: goodwill resulting from acquisition	7,846,215	101,675	7,947,890
Acquisition cost	18,264,383	9,076,482	27,340,865
Transfer from investments in associates	-	(9,076,482)	(9,076,482)
Acquisition cost	18,264,383	-	18,264,383
Less: cash and cash equivalents in subsidiary	(3,937,330)	(800,745)	(4,738,075)
Net cash paid to acquire subsidiaries	14,327,053	(800,745)	13,526,308

The following gain from disposal Subsidiaries Company:

	2008	2007
Gain resulted from delution of the group share after the disposal of Goodwill	4,538,277	-
Gain from trading on subsidiaries	4,924,856	-
Gain from disposal of subsidiaries	563,720	-
	10,026,853	-

27. Dividends

On 6 April 2009, the Board of Directors of the Parent Company proposed not to distribute dividends for the year ended 31 December 2008. This proposal is subject to the approval of the shareholders in their general assembly meeting.

The General Assembly meeting held on 13 May 2008 approved the financial statements for the year ended 31 December 2007, 40% cash dividends and 15% bonus shares from the paid up capital with 15 shares for each 100 shares as of 31 December 2007.

28. Related parties' transactions

Related parties represent in the Group's shareholders who have representation in the board of directors, members of the board of directors, senior management, subsidiaries and associates. In the normal course of business and subject to the Group's management approval, there were transactions with related parties during the year ended 31 December. The related parties significant transactions and outstanding balances were as follows:

Transactions	2008	2007
Murabaha income	377,223	478,585
Murabaha cost	-	50,486
Gain on sale of investment	569,478	-
Senior and executive management remunerations	159,785	257,069
Gain from disposal of subsidiaries	563,720	-
Gain from investment service income	2,651,164	-

Balances	2008	2007
Investments in Murabaha & Mudaraba	23,895,524	3,668,075
Investment at fair value through profit or loss	3,951,401	1,218,134
Other debit balances	1,571,069	16,142,685
Payables and other credit balances	3,166,399	9,871,500

The Group manages portfolios on behalf of related parties. The net assets of those portfolios amounted to KD 21,025,200 as of 31 December 2008 (KD 29,784,945 as of 31 December 2007).

All related parties transactions are subject to the approval of the general assembly of the shareholders.

29. Segment distribution

The Group carries out the majority of its activities in the State of Kuwait through three major segments:

- Financing segment: represented in financing consumers and companies with all of their miscellaneous needs according to contracts complying with Noble Islamic Sharia principles.
- Real estate segment: represents in selling land and properties for trading or after development in cash or under Istisna'a contracts.
- Investment segment: represents in management of real estate portfolios and investment funds on behalf of third parties and management of the Group's investments.

Analysis of the financial information according to segments for year ended 31 December2008/2007 is as follows:

	Finance		Real Estate		Investment		Unallocated items		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Segment income	-	416,807	19,787,947	2,020,603	4,740,110	29,464,979	1,680,277	1,579,746	26,208,334	33,482,135
Segment expenses	-	-	-	-	-	-	(19,221,698)	(11,376,789)	(19,221,698)	(11,376,789)
Segment results	-	416,807	19,787,947	2,020,603	4,740,110	29,464,979	(17,541,421)	(9,797,043)	6,986,636	22,105,346
Segment assets	127,413	3,198,640	54,491,110	65,445,516	99,664,164	95,432,594	37,357,444	41,619,646	191,640,131	205,696,396
Segment liabilities	73,330,089	115,249,331	17,194,312	17,228,396	479,162	199,895	4,736,849	16,971,191	95,740,412	149,648,813

30. Geographical distribution of assets and liabilities

	Assets as of 31 December		Liabilities as of 31 December	
	2008	2007	2008	2007
Kuwait	148,245,296	157,141,329	72,675,738	134,330,849
Middle East	43,267,422	37,985,861	23,064,674	15,317,964
Europe	127,413	316,706	-	-
Africa	-	10,252,500	-	-
	191,640,131	205,696,396	95,740,412	149,948,813

31. Off balance sheet items

The Group manages portfolios on behalf of others and investment funds, which are not included in the balance sheet of the Group. The net assets of these portfolios amounted to KD 29,207,359 as of 31 December 2008 (KD 55,973,000 as of 31 December 2007).

32. Comparative figures

Certain comparative figures have been reclassified to conform to the current presentation of the consolidated financial statements as at 31 December 2008.