BAYAN INVESTMENT COMPANY - K.S.C. (CLOSED) AND SUBSIDIARIES
STATE OF KUWAIT

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
WITH
INDEPENDENT AUDITORS' REPORT

BAYAN INVESTMENT COMPANY - K.S.C. (CLOSED) AND SUBSIDIARIES
STATE OF KUWAIT

CONSOLIDATED FINANCIAL STATEMENTS
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INDEPENDENT AUDITORS' REPORT

The Shareholders
Bayan Investment Company - K.S.C. (Closed)
State of Kuwait

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Bayan Investment Company - K.S.C. (Closed) (the Parent Company) and subsidiaries (the Group) which comprise the consolidated balance sheet as at December 31, 2008, and the consolidated statement of income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted in the state of Kuwait. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free of 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 auditors considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by 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.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Bayan Investment Company - K.S.C. (Closed) as of December 31, 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted in the state of Kuwait.

Report on other Legal and Regulatory Requirements

Also in our opinion, the consolidated financial statements include the disclosures required by the Commercial Companies Law and the Parent Company's Articles of Association, and we obtained the information we required to perform our audit and that the consolidated financial statements incorporate all the information that is required by the Commercial Companies Law of 1960, as amended, and by the Parent Company's Articles of Association. In addition, proper books of account have been kept, physical stocktaking was carried out in accordance with recognized practice, and the accounting information given in the Director's Report is in agreement with the Company's books. According to the information available to us, no violation of the Commercial Companies Law of 1960 as amended or of the Parent Company's Articles of Association have occurred during the year ended December 31, 2008 that might have had a material effect on the business of the Group or on its financial position.

We further report that, during the course of our audit, we have not become aware of any material violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organization of banking business, and its related regulations, during the year ended December 31, 2008 that might have had a material effect on the business of the Group or on its financial position.

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State of Kuwait
March 31, 2009

BAYAN INVESTMENT COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2008
(All amounts are in Kuwaiti Dinars)

	Note	2008	2007
ASSETS			
Cash and cash equivalents	3	3,002,208	7,969,985
Investments at fair value through income statement	4	5,561,140	58,976,274
Accounts receivable and other debit balances	5	1,956,101	1,188,880
Inventories		350,435	250,758
Due from related parties	28	9,791,831	70,500
Investments available for sale	6	59,894,656	45,815,292
Investment in associates	7	23,816,769	900,000
Investment in unconsolidated subsidiaries	8	159,249	159,249
Property under development	9	477,386	41,426,656
Investment properties	10	18,368,433	20,300,000
Fixed assets	11	2,007,998	37,538
Total assets		125,386,206	177,095,132
LIABILITIES AND EQUITY			
Liabilities:			
Due to banks	12	39,199,700	70,422,200
Accounts payable and other credit balances	13	3,927,163	3,713,219
Bonds	14	20,000,000	20,000,000
End of service indemnity	15	375,896	207,177
Total liabilities		63,502,759	94,342,596
Equity:			
Share capital	16	39,266,391	35,696,719
Treasury shares	17	(8,019,773)	(3,188,057)
Statutory reserve	18	12,166,782	11,018,725
Voluntary reserve	19	11,029,254	9,881,197
Cumulative changes in fair value of available for sale investments		(14,362,700)	9,877,334
Foreign currency translation adjustments		(1,103)	(27,336)
Treasury shares reserve		1,201,791	836,571
Retained earnings		20,547,289	18,607,059
Equity attributable to Parent Company's shareholders		61,827,931	82,702,212
Minority interest		55,516	50,324
Total equity		61,883,447	82,752,536
Total liabilities and equity		125,386,206	177,095,132

The accompanying notes from (1) to (33) form an integral part of the consolidated financial statements

Faisal Ali Al-Mutawa
Chairman and Managing Director

Adel Essa Al-Yousifi
Vice Chairman

BAYAN INVESTMENT COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2008
(All amounts are in Kuwaiti Dinars)

	Note	2008	2007
Revenue:			
Net investment income	21	1,254,446	14,103,767
Gain on sale of property under development	9	27,182,322	-
Management fees	22	3,280,175	620,257
Sales revenue		682,176	118,050
Service income		76,259	-
Interest income		211,330	112,338
Reversal of impairment loss for investment properties	10	-	570,800
Share of results from associates	7	(112,184)	-
Other income		31,561	-
Foreign exchange gain (loss)		196,294	(128,644)
		32,802,379	15,396,568
Expenses and other charges:			
Impairment loss for investment available for sale	6	(10,523,693)	-
Impairment loss for investment properties	10	(1,931,567)	-
General and administrative expenses	23	(3,228,321)	(2,068,558)
Provision against investment in an unconsolidated subsidiary	8	-	(650,000)
Finance cost		(5,630,984)	(4,893,391)
		(21,314,565)	(7,611,949)
Profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences, contribution to Zakat, National Labor Support Tax and Board of Directors' remuneration		11,487,814	7,784,619
Contribution to Kuwait Foundation for the Advancement of Sciences	24	-	(61,566)
Contribution to Zakat	25	-	(4,238)
National Labour Support tax	26	(223,148)	(110,434)
Board of Directors' remuneration		(70,000)	(72,000)
Net profit for the year		11,194,666	7,536,381
Attributable to:			
Parent Company's shareholders		11,187,424	7,527,248
Minority Interest		7,242	9,133
Net profit for the year		11,194,666	7,536,381
		Fils	Fils
Earnings per share	27	30.42	20.02

The accompanying notes from (1) to (33) form an integral part of the consolidated financial statements

BAYAN INVESTMENT COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2008
(All amounts are in Kuwaiti Dinars)

	Attributable to the parent company's shareholders										
	Share capital	Treasury shares	Statutory reserve	Voluntary reserve	Cumulative changes in fair value of available for sale investments	Foreign currency translation adjustment	Treasury shares reserve	Retained earnings	Sub-total	Minority interest	Total
Balance as at January 1, 2007	35,696,719	(3,241,205)	10,241,176	9,103,648	14,449,817	-	818,922	16,052,120	83,119,197	-	83,119,197
Related to newly consolidated subsidiary	-	-	-	-	-	-	-	-	-	41,191	41,191
Changes in fair value of investments available for sale	-	-	-	-	2,210,780	-	-	-	2,210,780	-	2,210,780
Reversal on sale of investments available for sale	-	-	-	-	(6,783,263)	-	-	-	(6,783,263)	-	(6,783,263)
Foreign currency translation adjustments	-	-	-	-	-	(27,336)	-	-	(27,336)	-	(27,336)
Gain on sale of treasury shares	-	-	-	-	-	-	19,649	-	19,649	-	19,649
Net (loss) income recognized directly in equity	-	-	-	-	(4,572,483)	(27,336)	19,649	-	(4,580,170)	41,191	(4,538,979)
Net profit for the year	-	-	-	-	-	-	-	7,527,248	7,527,248	9,133	7,536,381
Total recognized (loss) income	-	-	-	-	(4,572,483)	(27,336)	19,649	7,527,248	2,947,078	50,324	2,997,402
Cash dividends (2008 – 10%)	-	-	-	-	-	-	-	(3,417,211)	(3,417,211)	-	(3,417,211)
Sale of treasury shares	-	93,148	-	-	-	-	-	-	93,148	-	93,148
Transfer to reserves	-	-	777,549	777,549	-	-	-	(1,555,098)	-	-	-
Balance as at December 31, 2007	35,696,719	(3,148,057)	11,018,725	9,881,197	9,877,334	(27,336)	838,571	18,607,059	82,702,212	50,324	82,752,536
Changes in fair value of investments available for sale	-	-	-	-	(28,898,981)	-	-	-	(28,898,981)	(1,470)	(28,900,451)
Reversal of cumulative change for investments available for sale	-	-	-	-	4,658,947	-	-	-	4,658,947	-	4,658,947
Related to change in percentage of ownership	-	-	-	-	-	-	-	-	-	(580)	(580)
Foreign currency translation adjustments	-	-	-	-	-	26,233	-	-	26,233	-	26,233
Gain on sale of treasury shares	-	-	-	-	-	-	365,220	-	365,220	-	365,220
Net (loss) income recognized directly in equity	-	-	-	-	(24,240,034)	26,233	365,220	-	(23,848,581)	(2,050)	(23,850,631)
Net profit for the year	-	-	-	-	-	-	-	11,187,424	11,187,424	7,242	11,194,666
Total recognized (loss) income	-	-	-	-	(24,240,034)	26,233	365,220	11,187,424	(12,661,157)	5,192	(12,655,965)
Bonus shares (2007 - 10%)	3,569,672	-	-	-	-	-	-	(3,569,672)	-	-	-
Cash dividends (2007 - 10%)	-	-	-	-	-	-	-	(3,381,408)	(3,381,408)	-	(3,381,408)
Purchase of treasury shares	-	(5,867,618)	-	-	-	-	-	-	(5,867,618)	-	(5,867,618)
Sale of treasury shares	-	1,035,902	-	-	-	-	-	-	1,035,902	-	1,035,902
Transfer to reserves	-	-	1,148,057	1,148,057	-	-	-	(2,296,114)	-	-	-
Balance as at December 31, 2008	**39,266,391**	**(8,009,773)**	**12,166,782**	**11,029,254**	**(14,362,700)**	**(1,103)**	**1,203,791**	**20,547,289**	**61,827,931**	**55,516**	**61,883,447**

The accompanying notes from (1) to (33) form an integral part of the consolidated financial statements

BAYAN INVESTMENT COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2008
(All amounts are in Kuwaiti Dinars)

	Note	2008	2007
Cash flows from operating activities:			
Profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences, contribution to Zakat, National Labor Support Tax and Board of Directors' remuneration		11,487,814	7,784,619
Adjustments:			
Net investment income		(1,254,446)	(14,103,767)
Interest income		(211,330)	(112,338)
Gain on sale of property under development		(27,182,322)	-
Impairment loss for investment available for sale		10,523,693	-
Reversal of impairment loss for investment properties		-	(570,800)
Impairment loss for investment properties		1,931,567	-
Provision against investment in unconsolidated subsidiary		-	650,000
Depreciation		178,829	25,940
Provision for end of service indemnity		183,241	77,729
Share of results from associates		112,184	-
Provision for end of service indemnity no longer required		(1,044)	-
Foreign exchange (gain) losses		(196,294)	128,644
Finance cost		5,630,984	4,893,391
		1,202,876	(1,226,582)
Changes in operating assets and liabilities:			
Paid for purchase of investment at fair value through income statement		(44,782,895)	(51,019,681)
Proceeds from sale of investment at fair value through income statement		44,190,157	54,777,445
Accounts receivable and other debit balances		(884,357)	1,007,339
Accounts payable and other credit balances		(114,166)	1,995,525
Inventories		(97,677)	(250,758)
Related parties		(10,947,223)	(70,500)
Cash (used in) generated from operating activities		(11,433,285)	5,212,788
Paid for end of service indemnity		(7,586)	(74,287)
Net (used in) cash generated from operating activities		(11,440,871)	5,138,501
Cash flows from investing activities:			
Purchase of investments available for sale		(3,596,777)	(5,492,168)
Proceeds from sale of investments available for sale		5,249,690	14,396,430
Investment in unconsolidated subsidiaries		-	(809,249)
Proceeds from sale of property under development		87,122,569	-
Paid to property under development		(4,845,521)	(41,453,992)
Purchase of investment in an associates		(37,859,989)	(800,000)
Purchase of fixed assets		(68,142)	(63,478)
Dividends received		4,777,302	3,993,671
Interest received		211,330	112,338
Net cash generated from (used in) investing activities		50,990,462	(30,116,448)

Cash flows from financing activities:			
Due to banks		(31,222,500)	36,197,397
Purchase of treasury shares		(5,867,618)	-
Proceed from sale of treasury shares		1,401,122	72,797
Dividends paid		(3,422,713)	(3,328,462)
Payment of finance cost		(5,575,787)	(4,982,852)
Net cash (used in) generated from financing activities		(44,687,496)	27,958,880
Net (decrease) increase in cash and cash equivalents		(5,137,905)	2,980,933
Cash and cash equivalents of an associate which was formerly a subsidiary		(7,162)	-
Cash and cash equivalents from newly consolidated subsidiaries		-	3,255,206
Effect of foreign currency on cash and cash equivalents		177,290	(128,644)
Cash and cash equivalents at beginning of the year		7,969,985	1,862,490
Cash and cash equivalents at end of the year	3	3,002,208	7,969,985

The accompanying notes from (1) to (33) form an integral part of the consolidated financial statements

1. Incorporation and activities

Bayan Investment Company (the Parent Company) is a closed shareholding company incorporated by agreement No. 1491/Vol 1 dated July 21, 1997 and the latest amendment on April 6, 2005. The Parent Company's commercial registration number is 70718 dated August 30, 1997 and is registered as an investment Company with the Central Bank of Kuwait.

The principal activities of the Parent Company are to provide investment and portfolio management activities for its own account and for clients and investment in real estate.

The Parent Company's registered office is at Souad Commercial Building, P.O. Box No. 104 Al Dasma 35151, Fahad Al-Salem St., Area 12, Building No. 21, State of Kuwait.

The total number of employees of the Parent Company as of December 31, 2008 is 17 (December 31, 2007: 19 employees).

These consolidated financial statements were approved for issue by the Board of Directors on March 31, 2009. The shareholders' General Assembly have the authority to amend these consolidated financial statements after issuance.

2. Significant accounting policies

The accompanying consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board (IASB). Significant accounting policies are summarized as follows:

a) Basis of preparation

The consolidated financial statements are presented in Kuwaiti Dinars and are prepared under the historical cost convention, except that, investments at fair value through income statement, certain investments available for sale investments are stated at their fair value. The accounting policies applied by the Group are consistent with those used in the previous year, except for the changes due to implementation of certain amendments to revised IAS 39: Financial Instruments – Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures.

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions in the process of applying the Group's accounting policies. Significant accounting judgments, estimates and assumptions are disclosed in Note 2(y).

IAS 39: Financial Instruments – Recognition and Measurement

Effective July 1, 2008, the Group has implemented certain amendments to revised IAS 39: Financial Instruments – Recognition and Measurement. The Group has identified the deterioration of the global financial markets and the consequent impact on the financial markets of the Middle East region as a rare situation resulting in the implementation of these amendments.

IFRS 7 Financial Instruments: Disclosures
Implementation of the amendments to revised IAS 39: Financial Instruments – Recognition and Measurement has resulted in additional disclosures under IFRS 7 Financial Instruments: Disclosures in the accompanying consolidated financial statements.

The financial impact of adopting these amendments is disclosed in Note 2(c) to the accompanying consolidated financial statements

Standards and interpretations issued but not yet effective
The following IASB Standard and Interpretation have been issued but are not yet effective, and have not yet been adopted by the Group.

IFRS 8 "Operating Segments"
The application of IFRS 8, which will be effective for the annual periods beginning on or after 1 January 2009, will result in disclosure of information to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.

IAS 1 "Presentation of Financial Statements" (Revised)
The application of IAS 1 (Revised), which will be effective for the annual periods beginning on or after 1 January 2009, will impact the presentation of financial statements to enhance the usefulness of the information presented.

Amended IAS 27 Consolidated and Separate Financial Statements (2008)
Amended IAS 27, which will be effective for annual periods beginning on or after July 1, 2009 with retrospective application, requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognized as an equity transaction When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in consolidated profit or loss.

Revised IFRS 3 Business Combinations (2008)
Revised IFRS 3, which will be effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after July 1, 2009 with prospective application, incorporates the following changes:
— The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations.
— Contingent consideration will be measured at fair value, with subsequent changes therein recognized in consolidated profit or loss.
— Transaction costs, other than share and debt issue costs, will be expensed as incurred
— Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognized in consolidated profit or loss.
— Any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis

b) Principles of consolidation

Subsidiaries are those enterprises controlled by the Parent Company. Control exists when the Parent Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Inter-company balances and transactions, including inter-company profits and losses and unrealized profits and losses are eliminated on consolidation. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

The consolidated financial statements include the financial statements of Bayan Investment Company K.S.C. (closed) and the following subsidiaries:

	Country of incorporation	Percentage of Holding 2008	2007
Arkan Holding Company (K.S.C.C.) and its subsidiaries:	Kuwait	100%	100%
Arkan International for Construction Materials Co. (K.S.C.C.)	Kuwait	100%	100%
Arkan Industrial and Mining Co. (E.S.C.)	Egypt	100%	100%
Al-Noor Holding Company (K.S.C.C) and its subsidiaries:	Kuwait	100%	100%
Al Nour Skills for Consulting and Training Co. (W.L.L.)	Kuwait	100%	100%
Al Nour Method for Projects Management Co. (W.L.L.)	Kuwait	100%	100%
Al Nour Search for Consulting and Market Studies (W.L.L.)	Kuwait	100%	100%
Bunyan Real Estate Company (K.S.C.C.)	Kuwait	100%	100%
Soul Al-Ghad for Advertising Co. (W.L.L)	Kuwait	100%	100%
Dar Al Dhabi Holding Co. (K.S.C.C.)	Kuwait	-	100%
Al Roudatain for Petroleum and Electricity Services Co. (K.S.C.C.)	Kuwait	100%	100%
Al Safwa International Consulting Co. (W.L.L.)	Kuwait	100%	100%
Al Derah Al-Oula Co. (W.L.L.)	Kuwait	100%	100%
Al Ghadayah Project Co. (W.L.L.)	Kuwait	100%	100%
Al Sanabel Real Estate Co W.L.L. (Previously Al Thonenyah Project Co. (W.L.L.)	Kuwait	100%	100%
Al Robayah Project Co. (W.L.L.)	Kuwait	100%	100%
Al Sodasyah Project Co. (W.L.L.)	Kuwait	100%	100%
Bayan Tech. Co. (W.L.L.)	Kuwait	100%	100%
Dar Al Dhabi Real Estate Co. (K.S.C.C.)	Kuwait	-	100%
Babel Holding Co. (K.S.C.C.)	Kuwait	95.9%	95.9%

c) Reclassification of financial assets

On October 13, 2008 the IASB permitted reclassification of some financial instruments from one category to another in rare circumstances (Amendments to IAS 39 and IFRS 7("Amendment").

The Group has elected to apply the amendment effective July 1, 2008 and has reclassified certain investments held for trading to available for sale investments. The details of reclassification are as follows:

Particulars	Amount (KD)
Amount reclassified from investments held for trading to available for sale investments on July 1, 2008	49,747,536
Fair value of investments reclassified from investments held for trading to available for sale at December 31, 2008	32,845,552
Unrealized gain on investments reclassified from investments held for trading to available for sale that have been already recognized in the statement of income till June 30, 2008	1,590,979
Unrealized loss on investments reclassified from investments held for trading to available for sale that would have been recognized in the consolidated statement of income if these financial assets had not been reclassified.	(15,082,058)
Unrealized loss on investments reclassified from investments held for trading to available for sale recognized in the consolidated statement of changes of equity for the period from July 1, 2008 till December 31, 2008	(16,673,037)

d) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

e) Investments

The Group classifies its investments in the following categories: investments at fair value through income statement and investments available for sale. The classification depends on the purpose for which the investments were acquired and is determined at initial recognition by the management.

(i) Investments at fair value through income statement

This category has two sub-categories: investments held for trading, and those designated at fair value through statement of income at inception.

An investment is classified as held for trading if acquired principally for the purpose of selling in the short term or if it forms part of an identified portfolio of investments that are managed together and has a recent actual pattern of short-term profit making or it is a derivative that is not designated and effective as a hedging instrument.

An investment is designated by the management on initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise or, if they are managed and their performance is evaluated and reported internally on a fair value basis in accordance with a documented risk management or investment strategy.

Investments in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months of the consolidated balance sheet date.

(ii) Investments available for sale

Investments available for sale are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the consolidated balance sheet date.

Purchases and sales of investments are recognized on trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through income statement.

After initial recognition, investments at fair value through income statement and investments available for sale are subsequently carried at fair value. The fair values of quoted investments are based on current bid prices. If the market for an investment is not active (or for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

Realized and unrealized gains and losses from investments at fair value through income statement are included in the consolidated statement of income. Unrealized gains and losses arising from changes in the fair value of investments available for sale are recognized in cumulative changes in fair value in consolidated statement of changes in equity.

Where investments available for sale could not be measured reliably, these are stated at cost less impairment losses, if any.

When an investment available for sale is disposed off or impaired, any prior fair value earlier reported in equity is transferred to the consolidated statement of income.

An investment (in whole or in part) is derecognized either when: the contractual rights to receive the cash flows from the investment have expired; or the Group has transferred its rights to receive cash flows from the investment and either (a) has transferred substantially all the risks and rewards of ownership of the investment, or (b) has neither transferred nor retained substantially all the risks and rewards of the investment, but has transferred control of the investment. Where the Group has retained control, it shall continue to recognize the investment to the extent of its continuing involvement in the investment.

The Group assesses at each balance sheet date whether there is an 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 in determining whether the securities are impaired. If any such evidence exists for investments available for sale, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in consolidated profit or loss – is removed from consolidated statement of change in equity and recognized in the consolidated statement of income. Impairment losses recognized in the consolidated statement of income on available for sale equity instruments are not reversed through the consolidated statement of income.

f) Accounts receivable

Receivables are recognized initially at fair value and subsequently measured at amortized cost, using the effective rate of return, less provision for impairment. A provision for impairment of trade receivables 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 the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective rate of return. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated statement of income within general and administration expense. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the consolidated statement of income.

g) Inventories

Inventories are valued at the lower of cost or net realizable value after providing allowances for any obsolete or slow-moving items. Costs comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is determined on a weighted average basis.

h) Investment in associates

Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policy decisions. The consolidated financial statements include the Group's share of the results and assets and liabilities of associates under the equity method of accounting from the date that significant influence effectively commences until the date that significant influence effectively ceases, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognized except to the extent that the Group has an obligation or has made payments on behalf of the associate.

Gains or losses arising from transactions with associates are eliminated against the investment in the associate to the extent of the Group's interest in the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment in associates and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in the consolidated statement of income.

i) Investment properties

Investment properties, which are properties, held to earn rentals and/or for capital appreciation, are carried at cost, which includes purchase price and transaction costs less accumulated depreciation and impairment losses. Land on which the investment property is erected is not depreciated. Depreciation is computed on a straight-line basis over the useful life of the buildings.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains or losses arising on the retirement or disposal of an investment property are recognized in the consolidated statement of income.

j) Property under development

Property acquired, constructed or in the course of construction for sale are classified as property under development.

The property is considered to be completed when all related activities, including the infrastructure and facilities for the entire property, have been completed. At that stage, the total asset value is eliminated from property under development.

k) Fixed assets

The initial cost of fixed assets comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to consolidated income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of fixed assets beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of fixed assets.

Fixed assets are stated at cost less accumulated depreciation and impairment losses. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the consolidated statement of income.

Depreciation is computed on a straight-line basis over the estimated useful lives of other fixed assets as follows:

Assets category	Years
Building	20
Machine and equipment	10
Vehicles	5
Furniture and computers	3 - 5

The useful lives and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of fixed assets.

l) Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statement of income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

m) Borrowings

Borrowings are initially recognized at fair value, which represents the proceeds received, net of transaction costs incurred. Subsequently, borrowings are stated at amortized cost using the effective yield method. Any difference between proceeds and the redemption value is recognized in the consolidated statement of income over the period of the borrowings.

n) Accounts payable

Accounts payable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

o) End of service indemnity

Provision is made for amounts payable to employees under the Kuwaiti Labor Law in the private sector and employee contracts. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination on the balance sheet date, and approximates the present value of the final obligation.

p) Provisions

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

q) Treasury shares

Treasury shares consist of the Parent Company's own shares that have been issued, subsequently reacquired by the Parent Company and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under the cost method, the weighted average cost of the shares reacquired is charged to a contra equity account. When the treasury shares are reissued, gains are credited to a separate account in equity (gain on sale of treasury shares), which is not distributable. Any realized losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then reserves.

Gains realized subsequently on the sale of treasury shares are first used to offset any recorded losses in the order of reserves, retained earnings and the gain on sale of treasury shares account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

Where any Group's company purchases the Parent Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Parent Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs, is included in equity attributable to the Parent Company's equity holders.

r) Segment reporting

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

s) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable on the sale of investments or services rendered in the ordinary course of the Group's activities.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results taking into consideration the type of customers, the type of transaction and specifies of each arrangement.

Gain on sale of investments
Gain on sale of investments is measured by the difference between the sale proceeds and the carrying amount of the investment at the date of disposal, and is recognized at the time of the sale.

Dividend income
Dividend income is recognized when the right to receive payment is established.

Rendering of services
Revenue from maintenance contracts is recognized when the service is rendered.

Interest income
Interest income is recognized on a time-proportion basis using the effective interest method.

Management fees
Management fees are recognized on accrual basis.

Other income
Fees and commission income and consultancy revenue is recognized at the time the related services are provided.

l) Foreign currencies

Foreign currency transactions are translated into Kuwaiti Dinars at rates of exchange prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currency at the consolidated balance sheet date are retranslated into Kuwaiti Dinars at rates of exchange prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in consolidated profit or loss for the year. Translation differences on non-monetary items such as equity investments which are classified as investments at fair value through income statement are reported as part of the fair value gain or loss. Translation differences on non-monetary items such as equity investments classified as available for sale are included in "cumulative changes in fair value" in the consolidated statement of changes in equity.

The assets and liabilities of the foreign subsidiary are translated into Kuwaiti Dinars at rates of exchange prevailing at the consolidated balance sheet date. The results of the subsidiary are translated into Kuwaiti Dinars at rates approximating the exchange rates prevailing at the dates of the transactions. Foreign exchange differences arising on translation are recognized directly in the consolidated statement of changes in equity. Such translation differences are recognized in consolidated profit or loss in the year in which the foreign operation is disposed off.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate at the date of the consolidated balance sheet.

u) 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.

v) Financial instruments

Financial assets and financial liabilities carried on the consolidated balance sheet include cash and cash equivalents, investments, accounts receivable, due to banks, bonds and accounts payable. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies found in this Note.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Distributions to holders of financial instruments classified as equity are charged directly to consolidated equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

w) Borrowing costs

All borrowing costs are recognized in consolidated net profit or loss in the period in which they are incurred.

x) Contingencies

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

A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

y) Significant accounting estimates and judgments:

The Group makes judgments, estimates and assumptions concerning the future. The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from the estimates.

a) **Judgments**
In the process of applying the Group's accounting policies which are described in note 2, management has made the following judgments that have the most significant effect on the amounts recognized in the consolidated financial statements:

(i) Revenue Recognition
Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The determination of whether the revenue recognition criteria as specified under IAS 18 are met requires significant judgment.

(ii) Classification of investments
On acquisition of an investment, the Group decides whether it should be classified as "at fair value through statement of income" or "available for sale". The Group follows the guidance of IAS 39 on classifying its investments.

The Group classifies investments as "at fair value through income statement" if they are acquired primarily for the purpose of short term profit making or if they are designated at fair value through statement of income at inception, provided their fair values can be reliably estimated. All other investments are classified as "available for sale".

(iii) Impairment of investments
The Group treats "investments available for sale" as impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is "significant" or "prolonged" requires significant judgement.

b) Estimation and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the consolidated balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Fair value of unquoted equity investments
If the market for a financial asset is not active or not available, the Group establishes fair value by using valuation techniques which include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances. This valuation requires the Group to make estimates about expected future cash flows and discount rates that are subject to uncertainty.

3 Cash and cash equivalents

	2008	2007
Cash on hand and at banks	2,276,333	824,322
Cash with financial institutions	214,056	89,279
Short term deposit	511,819	7,056,384
	3,002,208	7,969,985

The effective interest rate on short term bank deposits was 5% per annum (2007 – 5.03%). The deposits have an average maturity of 31 days.

There is no difference between the fair value and the carrying value of cash and cash equivalents as at December 31, 2008.

4. Investments at fair value through income statement

	2008	2007
Quoted securities	4,166,471	54,925,996
Portfolios	1,141,072	2,835,263
Future portfolio	253,597	1,215,015
	5,561,140	58,976,274

The carrying amounts of the above investments are classified as follows.

	2008	2007
Held for trading	4,166,471	54,925,996
Designated at fair value	1,394,669	4,050,278
	5,561,140	58,976,274

The movement during the year is as follows:

	2008	2007
Balance at the beginning of the year	58,976,274	59,518,195
Additions	44,782,895	51,019,681
Disposals	(44,578,601)	(51,959,906)
Changes in fair value (Note 21)	(3,882,880)	504,873
Reclassified the investments available for sale (Note 6)	(49,747,536)	-
Foreign currency translation	10,988	(106,569)
Balance at the end of the year	5,561,140	58,976,274

5. Accounts receivable and other debit balances

	2008	2007
Trade receivable	805,129	390,658
Amounts paid for investment in companies under incorporation	1,078,700	750,000
Accrued fees income	72,272	48,222
	1,956,101	1,188,880

6. Investments available for sale

	2008	2007
Quoted securities	36,448,814	15,939,125
Unquoted securities	15,506,395	20,073,788
Portfolios	7,939,447	9,802,379
	59,894,656	45,815,292

Quoted securities available for sale includes investment reclassified from investments held for trading amounting to KD 49,747,536

The movement during the year is as follows:

	2008	2007
Balance at the beginning of the year	45,815,292	52,397,784
Additions	3,596,777	5,492,168
Disposals	(4,501,222)	(7,502,177)
Changes in fair value	(24,240,034)	(4,572,483)
Reclassified from investment held for trading (Note 4)	49,747,536	-
Impairment loss for investment available for sale	(10,523,693)	-
Balance at the end of the year	59,894,656	45,815,292

It was not possible to reliably measure the fair value of unquoted securities amounting to KD 15,506,395 (2007 – KD 20,073,788) due to non availability of a reliable method that could be used to determine the fair value of such investments. Accordingly, they were stated at their cost less impairment losses.

During the year, the Group recognized impairment loss for its quoted and unquoted securities amounting to KD 4,939,892 and KD 5,583,801 respectively.

7. Investment in associates

Investment in associates represented by:

	Country of incorporation	Ownership percentage	2008	2007
Future Voice Media Production (W.L.L.)	Kuwait	45%	900,000	900,000
Dar Al Dhabi Holding Co. (K.S.C.C.)	Kuwait	37.319%	22,916,768	-
Idea Marketing Co. Adel Abdul Aziz Al Mukhaizem and Partners W.L.L.	Kuwait	51%	1	-
			23,816,769	900,000

The Group's interests in its associates as at December 31, 2008 were as follows:

	Assets		Liabilities		Net assets	
Name of the associates	2008	2007	2008	2007	2008	2007
Dar Al Dhabi Holding Co. (K.S.C.C.)	47,079,038	-	7,866,407	-	39,212,631	-
Idea Marketing Co. Adel Abdul Aziz Al Mukhaizem and Partners W.L.L.	3,080,000	-	3,141,270	-	(61,270)	-
	50,159,038	-	11,007,677	-	39,151,361	-

	Revenues		Results	
Name of the associates	2008	2007	2008	2007
Dar Al Dhabi Holding Co. (K.S.C.C.)	277,286	-	(37,548)	-
Idea Marketing Co. Adel Abdul Aziz Al Mukhaizem and Partners W.L.L.	6,705,069	-	(127,499)	-
	6,982,355	-	(165,047)	-

The movement during the year is as follows:

	2008	2007
Balance at the beginning of the year	900,000	-
Additions	37,859,989	900,000
Transfer from accounts receivable	127,500	-
Effect of subsidiary resulting in an associates	1,225,269	-
Elimination	(16,183,805)	-
Share of results from associates	(112,184)	-
Balance at the end of the year	23,816,769	900,000

The Group had not accounted for any share of results from its associates Future Voice Media Production W.L.L. Since the associate had not yet commenced operations

Investment in Idea Marketing Co. - Adel Abdul Aziz Almukhaizim and Partners W.L.L. is classified as investment in associate even though the percentage of holding is 51% since the parent company had no control on the managerial and financial policies and decisions of the invested company as mentioned in the Article of Association of Idea Marketing Co. - Adel Abdul Aziz Almukhaizim and Partners W.L.L.

Share of loss from associate Idea Marketing Company and Partners W.L.L. had exceeded the amount of the investment and hence the investment is carried at KD 1 in the consolidated financial statements.

During the year ended December 31, 2008, Dar Al Dhabi Holding Co. (K.S.C.C.), previously wholly owned subsidiary of Bayan Investment Company K.S.C. (Closed) increased its share capital from KD 1,000,000 to KD 100,000,000 and the parent company subscribed for KD 39,138,121 and the other shareholders subscribed for the remaining portion of the share capital. Accordingly, the investment in Dar Al Dhabi Holding Co. (K.S.C.C.) had been accounted as an associate.

8. Investment in unconsolidated subsidiaries

	Country of incorporation	Percentage of ownership	2008	2007
Bahry Media Network K.S.C.C.	Kuwait	65%	**650,000**	650,000
Arkan Silicon Carbid Production Co. (Q.S.C.)	Qatar	100%	**159,249**	159,249
			809,249	809,249
Provision against Bahry Media Network (K.S.C.C.)			**(650,000)**	(650,000)
			159,249	159,249

The Group had not consolidated its investment in Arkan Silicon Carbid Production Co. (Q.S.C.) since the subsidiary had not yet commenced operations.

9. Property under development

During the year ended December 31, 2008, Bunyan Real Estate Company (K.S.C.C.), subsidiary of Bayan Investment Company K.S.C. (Closed) sold part of property under development with a carrying value of KD 43,756,442 to Dar Al Dhabi Real Estate Co. (K.S.C.C.), associate, for a total amount of AED 1,735,815,559. During the year Bunyan Real Estate company K.S.C.C received AED 1,319,608,759 equivalent to KD 87,122,569 resulting in a gain of KD 43,366,127. The Group had recognized KD 27,182,322 after the elimination of KD 16,183,805 being 37.319% of the gain representing the percentage of investment in associate. The remaining amount of AED 416,206,800 equivalent to KD 31,314,659 would be received in four installments during 2009 and 2010 and would be accounted as gain at the time of receipt of this amount.

The movement during the year is as follows:

	2008	2007
Balance at the beginning of the year	**41,426,656**	-
Additions	**4,845,521**	41,453,992
Disposals	**(43,756,442)**	-
Transfer to fixed assets	**(2,052,599)**	-
Foreign currency translation	**14,250**	(27,336)
Balance at the end of the year	**477,386**	41,426,656

10 Investment properties

	2008	2007
Cost	20,300,000	20,300,000
Less: Impairment loss	(1,931,567)	-
	18,368,433	20,300,000

Investment properties represent land which is held currently for future expansion or for sale in the books of Bunyan Real Estate Company (K.S.C.C.) (subsidiary) and is not considered as residential apartments which is prohibited from being invested according to the Commercial Company's law.

The investment properties which are owned by Bunyan Real Estate Company (K.S.C.C.), (subsidiary) are pledged against loan granted by a local bank (Note 12).

The movement during the year is as follows:

	2008	2007
Balance at the beginning of the year	20,300,000	19,729,200
Impairment loss for investment properties	(1,931,567)	-
Reversal of impairment loss of investment properties	-	570,800
Balance at the end of the year	18,368,433	20,300,000

The fair value of the investment properties as of December 31, 2008 amounted to KD 18,368,433 (2007 – KD 21,009,967) based on the average of three independent valuations.

11. Fixed assets

	Land	Buildings	Machines and equipment	Vehicles	Furniture and computers	Total
Cost:						
Balance as of January 1, 2008	-	-	84	16,165	41,744	57,993
Additions	-	91	23,709	39,179	5,163	68,142
Transfer from property under development	107,033	929,111	1,006,764	-	9,691	2,052,599
Foreign currency translation adjustment	1,550	13,454	14,921	753	674	31,352
Balance as of December 31, 2008	**108,583**	**942,656**	**1,045,478**	**56,097**	**57,272**	**2,210,086**
Accumulated depreciation:						
Balance as of January 1, 2008	-	-	15	3,246	17,194	20,455
Charge for the year	-	44,147	106,546	6,714	21,422	178,829
Foreign currency translation adjustment	-	639	1,544	135	486	2,804
Balance as of December 31, 2008	**-**	**44,786**	**108,105**	**10,095**	**39,102**	**202,088**
Net book value:						
Balance as of December 31, 2008	**108,583**	**897,870**	**937,373**	**46,002**	**18,170**	**2,007,998**
Balance as of December 31, 2007	-	-	69	12,919	24,550	37,538

12. Due to banks

	2008	2007
Current portion:		
Loans	**26,000,000**	28,345,496
Over draft facilities	**6,290,950**	12,241,704
	32,290,950	40,587,200
Non current portion:		
Loans	**6,908,750**	29,835,000
	39,199,700	70,422,200
Average effective interest rate	**6.35%**	8.19%

The Group has pledged investment properties as collateral against loans granted by a local bank (Note 10).

13. Accounts payable and other credit balances

	2008	2007
Trade payables	**949,196**	2,104,692
Accrued expenses	**1,562,803**	263,469
Accrued interest	**615,736**	560,539
Dividends payable	**346,646**	487,951
Accrued staff leave	**98,068**	48,330
Payable to Kuwait Foundation for Advancement of Sciences	**61,566**	61,566
Zakat payable	**-**	4,238
National Labor Support Tax payable	**223,148**	110,434
Board of Directors' remuneration	**70,000**	72,000
	3,927,163	3,713,219

14. Bonds

This represents five years bonds issued at the date of January 12, 2005, at par carrying a fixed rate of interest of 6.5% per annum for the first three years, and a floating rate of 1.5% per annum above Central Bank of Kuwait Discount Rate for the remaining two years. These will mature in February 2010 and the Parent Company will have the right to redeem all or some of the bonds on or after the end of the third year of issuance of the bonds at 100% of their principal amount. The Bonds are also subject to redemption in whole at their principal face amount (plus any accrued interest) at the option of the Parent Company on any interest payment date in the event of certain change affecting taxation laws in the State of Kuwait. The value of this redemption feature is interdependent and has not been accounted for separately from the host debt instrument. Interest is payable semi-annually in arrears on August 3 and February 3 of every year.

15 Provision for end of service indemnity

	2008	2007
Balance at the beginning of the year	207,177	203,735
Charge for the year	183,241	77,729
Transfer to related parties	(5,892)	-
Provision no longer required	(1,044)	-
Paid during the year	(7,586)	(74,287)
Balance at the end of the year	375,896	207,177

16 Share capital

The Parent Company's authorized, issued and paid-up share capital comprises of 392,663,910 shares (2007 – 356,967,187 shares) with a nominal value of 100 fils each.

17. Treasury shares

	2008	2007
Number of shares	37,218,793	14,996,123
Percentage to issued shares	9.48%	4.20%
Market value (KD)	4,987,318	4,068,402
Cost (KD)	8,019,773	3,188,057

18. Statutory reserve

As required by Commercial Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year attributable to equity holders of the parent company before contribution to Kuwait Foundation for Advancement of Sciences, contribution to Zakat, National Labor Support Tax and Board of Directors' remuneration is transferred to statutory reserve. Such transfers may be discontinued when the reserve equals 50% of share capital. This reserve is not available for distribution except for in certain cases stipulated by law and the Parent Company's Articles of Association.

19. Voluntary reserve

As required by the Parent Company's Articles of Association, 10% of net profit of the year attributable to equity holders of the parent company before contribution to Kuwait Foundation for Advancement of Sciences, contribution to Zakat, National Labor Support Tax and Board of Directors' remuneration to be transferred to voluntary reserve and it's subject to the approval of the General Assembly. Such annual transfers may be discontinued by a resolution of the shareholders' General Assembly upon recommendation by the Board of Directors.

20. General assembly and proposed dividends

The Board of Directors meeting held on February 11, 2009 proposed the distribution of cash dividend of 10 fils per share for the year ended December 31, 2008. This proposal is subject to the approval of the shareholders' Annual General Assembly.

The shareholders' General Assembly held on April 20, 2008, approved the distribution of cash dividends of 10 Fils per share and bonus shares of 10 shares for every 100 shares held for the year ended December 31, 2007.

21. Net investment income

	2008	2007
Dividend income	**4,777,302**	3,993,671
Unrealized (loss) gain from investments at fair value through income statement (Note 4)	**(3,882,880)**	504,873
(Loss) gain on sale of investments at fair value through income statement	**(388,444)**	2,710,970
Gain on sale of investments available for sale	**748,468**	6,894,253
	1,254,446	14,103,767

22 Management fees

The major part of the management fees recognized during the year 2008 represents the Parent Company's share of the fees obtained for providing financial advisory services as per an investment structure agreement.

23. General and administrative expenses

Staff costs included in general and administrative expenses are as follows:

	2008	2007
Salaries and wages	**1,152,550**	777,220
End of service indemnity	**183,241**	74,290
Other	**78,090**	183,240
	1,413,881	1,034,750

24. Contribution to Kuwait Foundation for the Advancement of Sciences

Contribution to Kuwait Foundation for the Advancement of Sciences is calculated at 1% of the profit of the attributable to Parent Company after deducting its share of income from shareholding subsidiaries and associates and transfer to statutory reserve. No KFAS has been provided since there was no profit on which KFAS could be calculated.

	2008	2007
Profit for the year attributable to Parent Company's shareholders before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration	**11,480,572**	7,775,486
(Deduct) Share of results from a subsidiary subject to KFAS	**(41,705,311)**	(841,352)
(Deduct) the transfer to statutory reserve	**(1,148,057)**	(777,549)
	(31,372,796)	6,156,585
KFAS rate	**1%**	1%
KFAS	**-**	61,566

25. Contribution to Zakat

Contribution to Zakat is calculated at 1% of the profit of the attributable to Parent Company before contribution to Kuwait Foundation for Advancement of Sciences, National Labor Support Tax, Board of Directors' remuneration after deducting its share of income from shareholding subsidiaries and associates in accordance with Ministry of Finance resolution No. 58/2007 effective December 10, 2007. As of December 31, 2008, the Group had not accounted for Zakat due to losses after deduction of share of result from subsidiaries subject to Zakat.

26. National Labor Support Tax

National Labor Support Tax is calculated at 2.5% of the profit of the Parent Company and after deducting its share of income from listed shareholding subsidiaries and associates, dividends from Kuwaiti listed shareholding companies and compensation claim from UNCC.

	2008	2007
Profit for the year before contribution to KFAS, NLST and contribution to Zakat attributable to parent company	**11,480,572**	7,775,486
(Deduct) dividends received from listed shareholding companies in Kuwait Stock Exchange	**(2,554,655)**	(3,358,113)
	8,925,917	4,417,373
NLST percentage	**2.5%**	2.5%
NLST share	**223,148**	110,434

27. Earnings per share

Earnings per share is calculated by dividing the net profit for the year attributable to Parent Company shareholders by the weighted average number of shares outstanding during the year:

	2008	2007
Net profit for the year attributable to Parent Company's shareholders	**11,187,424**	7,527,248
	Shares	Shares
Number of outstanding shares at beginning of the year	**356,967,187**	356,967,187
Bonus shares	**35,696,719**	35,696,719
Less: Weighted average number of treasury shares	**(24,858,491)**	(16,648,455)
Weighted average number of outstanding shares	**367,805,415**	376,015,451
	Fils	Fils
Earning per share	**30.42**	20.02

Earnings per share reported for the year ended December 31, 2007 was 22.02 before retroactive adjustment relating to the issue of bonus shares (Note 20)

28. Related parties transactions

The Group has entered into various transactions with related parties, i.e. shareholders, key management personnel, associates and other related parties in the normal course of its business concerning financing and other related services. Prices and terms of payment are approved by the Group's management. Significant related party transactions and balances are as follows:

	Key management personnel	Associates	2008	2007
Balance included in the consolidated balance sheet				
Accounts receivable	-	1,078,700	**1,078,700**	-
Due from related parties	-	9,791,831	**9,791,831**	70,500
Payable and other credit balances	245,000	-	**245,000**	-
Transactions included in the consolidated income statement				
Gain on sale of property under development	-	27,182,322	**27,182,322**	-
Service income	-	76,259	**76,259**	-
General and administrative expenses	175,000	-	**175,000**	-

Key management compensation:	**2008**	2007
Salaries and other short term benefits	**441,158**	274,473
Terminal benefits	**133,191**	14,363
	574,349	288,836

29. Fiduciary assets

	2008	2007
Customers' portfolios	21,639,706	34,202,300
Investment funds	7,288,612	11,834,892
	28,928,318	46,037,192

30. Financial instruments and risk management

In the normal course of business, the Group uses primary financial instruments such as cash and cash equivalents, investments, accounts receivable, due from related parties, due to banks, accounts payable and loans and as a result, is exposed to the risks indicated below. The Group currently does not use derivative financial instruments to manage its exposure to these risks.

a) Interest rate risk

Financial instruments are subject to the risk of changes in value due to changes in the level of interest. The effective interest rates and the periods in which interest bearing financial assets and liabilities are repriced or mature are indicated in the respective notes.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit (through the impact on floating rate borrowings). There is no impact on Group's equity.

Year	Increase / (Decrease) in interest rate	Loan / deposit Balance on December 31	Effect on profit
2008			
KD Loans	**±50 basis points**	**32,290,950**	**±161,455**
USD Loans	**±50 basis points**	**6,908,750**	**±34,544**
KD Time deposit	**±50 basis points**	**511,819**	**±2,559**
2007			
KD Loans	±50 basis points	63,587,200	±317,936
USD Loans	±50 basis points	6,835,000	±34,175
KD Time deposit	±50 basis points	7,056,384	±35,282

b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets which potentially subject the Group to credit risk consist principally of short time deposit, accounts receivables and due from related parties. The Group's short time deposits are placed with high credit rating financial institutions. Receivables are presented net of allowance for doubtful debts.

The Group's maximum exposure arising from default of the counter-party is limited to the carrying amount of short-term deposits, receivables and due from related parties.

	Assets		Liabilities	
	2008	2007	**2008**	2007
Kuwait	**112,938,436**	122,309,583	**56,594,009**	87,507,596
G.C.C.	**5,935,032**	46,957,402	**6,908,750**	6,835,000
United States of America	**1,224,816**	2,786,446	**-**	-
Europe	**2,317,957**	2,784,083	**-**	-
Other	**2,969,965**	2,257,618	**-**	-
	125,386,206	177,095,132	**63,502,759**	94,342,596

c) Foreign currency risk

The Group incurs foreign currency risk on transactions that are denominated in a currency other than the Kuwaiti Dinar. The Group may reduce its exposure to fluctuations in foreign exchange rates through the use of derivative financial instruments. The Group ensures that the net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the Kuwaiti Dinar.

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange between foreign currencies and Kuwaiti Dinar.

Year	Increase / (Decrease) against	Effect on equity
2008		
USD	**±5%**	**±225,981**
EUR	**±5%**	**±74,577**
AED	**±5%**	**±84,949**
2007		
USD	±5%	±234,077
EUR	±5%	±73,268
AED	±5%	±87,084

d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk, the Group periodically assesses the financial viability of customers and invests in bank deposits or other investments that are readily realizable.

Liquidity risk management process

The Group's liquidity management process, as carried out within the Group includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring balance sheet liquidity ratios against internal and regulatory requirements; and
- Managing the concentration and profile of debt maturities.

The maturity profile of assets and liabilities as of December 31, 2008 was as follows:

	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Total
Assets:						
Cash and cash equivalents	3,002,208	-	-	-	-	3,002,208
Investments at fair value through income statement	5,561,140	-	-	-	-	5,561,140
Accounts receivable and other debit balances	-	-	1,956,101	-	-	1,956,101
Inventories	-	-	350,435	-	-	350,435
Due from related parties	-	1,136,909	8,654,922	-	-	9,791,831
Investments available for sale	-	-	-	59,894,656	-	59,894,656
Investment in associates	-	-	-	23,816,769	-	23,816,769
Investment in unconsolidated subsidiaries	-	-	-	159,249	-	159,249
Property under development	-	-	-	-	477,386	477,386
Investment properties	-	-	-	-	18,368,433	18,368,433
Fixed assets	-	-	-	-	2,007,998	2,007,998
	8,563,348	1,136,909	10,961,458	83,870,674	20,853,817	125,386,206
Liabilities:						
Due to banks	-	-	32,290,950	6,908,750	-	39,199,700
Accounts payable and other credit balances	-	1,117,921	2,809,242	-	-	3,927,163
Bonds	-	-	-	20,000,000	-	20,000,000
End of service indemnity	-	-	-	-	375,896	375,896
	-	1,117,921	35,100,192	26,908,750	375,896	63,502,759

The maturity profile of assets and liabilities as of December 31, 2007 was as follows:

	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Total
Assets:						
Cash and cash equivalents	7,969,985	-	-	-	-	7,969,985
Investments at fair value through income statement	58,976,274	-	-	-	-	58,976,274
Accounts receivable and other debit balances	-	-	1,188,880	-	-	1,188,880
Inventories	-	-	250,758	-	-	250,758
Due from related parties	-	70,500	-	-	-	70,500
Investments available for sale	-	-	-	45,815,292	-	45,815,292
Investment in associates	-	-	-	900,000	-	900,000
Investment in unconsolidated subsidiaries	-	-	-	159,249	-	159,249
Property under development	-	-	-	-	41,426,656	41,426,656
Investment properties	-	-	-	-	20,300,000	20,300,000
Fixed assets	-	-	-	-	37,538	37,538
	66,946,259	70,500	1,439,638	46,874,541	61,764,194	177,095,132
Liabilities:						
Due to banks	23,351,496	-	17,235,704	29,835,000	-	70,422,200
Accounts payable and other credit balances	1,487,741	-	2,225,478	-	-	3,713,219
Bonds	-	-	-	20,000,000	-	20,000,000
End of service indemnity	-	-	-	-	207,177	207,177
	24,839,237	-	19,461,182	49,835,000	207,177	94,342,596

Analysis of Group's contingent liabilities and commitments by remaining contractual maturities:

December 31, 2008

Contingent Liabilities & Commitments	1 - 5 years	Total
Uncalled capital for investments	706,299	706,299
Letters of guarantee	4,109,833	4,109,833

December 31, 2007

Contingent Liabilities & Commitments	1 - 5 years	Total
Uncalled capital for investments	1,707,015	1,707,015
Letters of guarantee	4,663,333	4,663,333

e) Equity price risk

Equity price risk is the risk that fair values of equities decrease as the result of changes in level of equity indices and the value of individual stocks. The equity price risk exposure arises from the Group's investment in equity securities classified as 'available for sale.

The following table demonstrates the sensitivity to a reasonably possible change in equity indices as a result of change in the fair value of these investments, to which the Group had significant exposure at December 31, 2008:

	2008			2007		
Market indices	Change in equity price %	Effect on equity	Effect on consolidated income statement	Change in equity price %	Effect on equity	Effect on consolidated income statement
Kuwait Stock Exchange	±5%	1,822,441	±208,325	±5%	796,965	±2,746,300

f) Fair value of financial instruments

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and other models as appropriate. As of December 31, 2008 the fair values of financial instruments approximate their carrying amounts, due to their short maturities, except for certain unquoted investments available for sale, which are mentioned in Note (6).

31 Capital Risk Management

The Group's objectives when managing capital resources 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 resources structure to reduce the cost of capital.

In order to maintain or adjust the capital resources structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, sell assets to reduce debt, repay loans or obtain additional loans.

For the purpose of capital risk management, the total capital resources consist of the following components:

	2008	2007
Due to banks	39,199,700	70,422,200
Bonds	20,000,000	20,000,000
Less: cash and cash equivalents	(3,002,208)	(7,969,985)
Net debt	56,197,492	82,452,215
Total equity	61,883,447	82,752,536
Total capital resources	118,080,939	165,204,751

32. Subsequent events

The group is exposed to equity price risk with respect to its equity investments. Equity investments are classified as financial assets carried at fair value through income statement (including trading securities).

Subsequent to the balance sheet date, as a result of the volatility in the local equity market, there has been a decline in the some of the investments held by the group.

The declines in stock market indices subsequent to the balance sheet date up to February 11, 2009, and its approximate impact on the group, were as follows:

	Effect on statement of income KD	Effect on statement of change in equity KD
Investments carried at fair value through income statement	(387,927)	-
Available for sale investments	(455,653)	(847,100)

33. Comparative figures

Certain of the prior year amounts have been reclassified to conform with the current year presentation.