

**NATIONAL INTERNATIONAL HOLDING
COMPANY K.S.C. (CLOSED) AND
SUBSIDIARIES**

**CONSOLIDATED FINANCIAL
STATEMENTS**

31 DECEMBER 2008

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF NATIONAL INTERNATIONAL HOLDING COMPANY K.S.C. (CLOSED)

We have audited the accompanying consolidated financial statements of National International Holding Company K.S.C. (Closed) (the parent company) and its Subsidiaries (the group), which comprise the consolidated balance sheet as at 31 December 2008 and the consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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' judgement, 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 consolidated financial statements in order to design audit procedures that are appropriate for 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.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
NATIONAL INTERNATIONAL HOLDING COMPANY K.S.C. (Closed) (continued)**

Opinion

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

Report on Other Legal and Regulatory Requirements

In our opinion, proper books of account have been kept by the parent company and the consolidated financial statements, together with the contents of the report of the parent company's board of directors relating to these consolidated financial statements, are in accordance therewith. Furthermore, we report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Commercial Companies Law of 1960, as amended, and by the parent company's articles of association, that an inventory was duly carried out, and that, to the best of our knowledge and belief, no violations of the Commercial Companies Law of 1960, as amended, nor of the 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 financial position.



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



ABDUL MAJEED ASHKANANI, CIDA
LICENCE NO. 95 A
FIRST AUDIT
MEMBER OF MGI INTERNATIONAL

24 March 2009

Kuwait

National International Holding Company K.S.C. (Closed) and Subsidiaries

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2008

	<i>Notes</i>	2008 KD	2007 KD
Realised gain on sale of investments carried at fair value through income statement		1,565,027	2,599,462
Unrealised loss on investments carried at fair value through income statement		(5,198,451)	(946,955)
Gain on sale of available for sale investments		1,151,515	6,629,539
Dividend income		1,580,099	1,622,097
Share of results of associates	9	34,075	302,340
Gain on sale of investment in an associate	9	668,476	-
Interest income		20,154	19,414
Fee income		11,475	13,212
Foreign exchange (loss) gain		(39,279)	9,038
Other income		-	1,650
General and administrative expenses	3	(519,344)	(481,706)
Impairment of available for sale investments		(6,601,988)	(955,197)
Finance costs		(142,119)	(124,394)
(LOSS) PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST), ZAKAT AND BOARD OF DIRECTORS' REMUNERATION		(7,470,360)	8,688,500
Contribution to KFAS		-	(78,197)
National Labour Support Tax		-	(211,042)
Zakat		-	(5,159)
Board of directors' remuneration	4	-	(90,000)
(LOSS) PROFIT FOR THE YEAR		(7,470,360)	8,304,102
BASIC AND DILUTED (LOSS) EARNINGS PER SHARE	5	(35.98) fils	39.63 fils

The attached notes 1 to 25 form part of these consolidated financial statements

National International Holding Company K.S.C. (Closed) and Subsidiaries

CONSOLIDATED BALANCE SHEET

At 31 December 2008

	Notes	2008 KD	2007 KD
ASSETS			
Bank balances and cash	6	445,420	4,103,945
Investments carried at fair value through income statement	7	3,566,953	10,101,678
Available for sale investments	8	42,472,962	34,015,779
Investment in associates	9	58,033	3,659,852
Property under development	10	11,708,523	7,134,351
Accounts receivable and prepayments	11	2,211,863	2,411,997
Furniture and equipment		9,590	12,316
TOTAL ASSETS		60,473,344	61,439,918
EQUITY AND LIABILITIES			
Equity			
Share capital	12	21,262,500	15,750,000
Share premium		21,023,856	21,023,856
Statutory reserve	14	2,479,285	2,479,285
General reserve	15	1,297,894	1,297,894
Cumulative changes in fair values		13,436,131	11,482,139
Foreign currency translation reserve		-	(200,865)
(Accumulated losses) retained earnings		(6,345,624)	6,637,236
Treasury shares	16	(1,212,364)	(991,082)
Treasury shares reserve	16	318,561	307,308
Total equity		52,260,239	57,785,771
Liabilities			
Bank overdrafts	6	460,244	407,558
Term loans	17	4,800,000	2,100,000
Murabaha payable	18	1,941,000	-
Other liabilities	19	1,011,861	1,146,589
Total Liabilities		8,213,105	3,654,147
TOTAL EQUITY AND LIABILITIES		60,473,344	61,439,918


Ali Ahmed Al-Bagli
(Chairman)


Abdulwahab Mohamed Al-Wazzan
(Deputy Chairman)

The attached notes 1 to 25 form part of these consolidated financial statements

National International Holding Company K.S.C. (Closed) and Subsidiaries

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2008

	Note	2008 KD	2007 KD
OPERATING ACTIVITIES			
(Loss) profit for the year		(7,470,360)	8,304,102
Adjustments for:			
Share of results of associates		(34,075)	(302,340)
Gain on sale of investment in an associate		(668,476)	-
Gain on sale of available for sale investments		(1,151,515)	(6,629,539)
Impairment of available for sale investments		6,601,988	955,197
Depreciation		4,128	4,030
Provision for employees' end of service benefits		14,451	13,085
Dividend income		(1,580,099)	(1,622,097)
Interest income		(20,154)	(19,414)
Finance costs		142,119	124,394
Foreign exchange loss (gain)		39,279	(9,038)
Changes in operating assets and liabilities:		(4,122,714)	818,380
Investments carried at fair value through income statement		(1,129,360)	2,581,509
Accounts receivable and prepayments		1,037,180	(861,172)
Other liabilities		(91,023)	388,790
Cash (used in) from operations		(4,305,917)	2,927,507
Employees' end of service benefits paid		(5,060)	-
Finance costs paid		(59,050)	(124,394)
Net cash (used in) from operating activities		(4,370,027)	2,803,113
INVESTING ACTIVITIES			
Purchase of available for sale investments		(12,630,036)	(2,623,761)
Proceeds from sale of available for sale investments		8,340,457	5,209,370
Proceeds from sale of investment in an associate		4,505,235	-
Costs incurred on property under development		(4,574,172)	(711,402)
Purchase of furniture and equipment		(1,402)	(9,241)
Dividend income received		703,774	1,622,097
Interest income received		20,154	19,002
Net cash (used in) from investing activities		(3,635,990)	3,506,065
FINANCING ACTIVITIES			
Murabaha payable obtained		1,941,000	-
Purchase of treasury shares		(260,211)	(796,782)
Proceeds from sale of treasury shares		50,182	453,113
Term loans obtained		2,700,000	1,650,000
Repayments of term loans		-	(2,054,340)
Wakala payable		-	(500,000)
Dividend paid		(136,165)	(1,466,408)
Net cash from (used in) financing activities		4,294,806	(2,714,417)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(3,711,211)	3,594,761
Cash and cash equivalents at the beginning of the year		3,696,387	101,626
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	6	(14,824)	3,696,387

The attached notes 1 to 25 form part of these consolidated financial statements

National International Holding Company K.S.C. (Closed) and Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2008

	Share capital KD	Share premium KD	Statutory reserve KD	General reserve KD	Cumulative change in fair values KD	Foreign currency translation reserve KD	Retained earnings (accumulated losses) KD	Treasury shares KD	Treasury shares reserve KD	Total KD
Balance at 1 January 2007	15,750,000	21,023,856	1,610,435	429,044	14,618,266	(28,350)	1,621,324	(592,529)	252,424	54,684,470
Net movement in fair value of available for sale investments (Note 8)	-	-	-	-	(3,136,127)	-	-	-	-	(3,136,127)
Foreign currency translations adjustments	-	-	-	-	-	(172,515)	-	-	-	(172,515)
Total expense for the year recognised directly in equity	-	-	-	-	(3,136,127)	(172,515)	-	-	-	(3,308,642)
Profit for the year	-	-	-	-	-	-	8,304,102	-	-	8,304,102
Total income and expense for the year	-	-	-	-	(3,136,127)	(172,515)	8,304,102	-	-	4,995,460
Cash dividends (Note 13)	-	-	-	-	-	-	(1,550,490)	-	-	(1,550,490)
Purchase of treasury shares	-	-	-	-	-	-	-	(796,782)	-	(796,782)
Sale of treasury shares	-	-	-	-	-	-	-	398,229	54,884	453,113
Transfer to reserves	-	-	868,850	868,850	-	-	(1,737,700)	-	-	-
At 31 December 2007	15,750,000	21,023,856	2,479,285	1,297,894	11,482,139	(200,865)	6,637,236	(991,082)	307,308	57,785,771
Net movement in fair value of available for sale investments (Note 8)	-	-	-	-	1,953,992	-	-	-	-	1,953,992
Foreign currency translation adjustments	-	-	-	-	-	200,865	-	-	-	200,865
Total income for the year recognised directly in equity	-	-	-	-	1,953,992	200,865	-	-	-	2,154,857
Loss for the year	-	-	-	-	-	-	(7,470,360)	-	-	(7,470,360)
Total income and expense for the year	-	-	-	-	1,953,992	200,865	(7,470,360)	-	-	(5,315,503)
Issue of bonus shares (Note 13)	5,512,500	-	-	-	-	-	(5,512,500)	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	(260,211)	-	(260,211)
Sale of treasury shares	-	-	-	-	-	-	-	38,929	11,253	50,182
At 31 December 2008	21,262,500	21,023,856	2,479,285	1,297,894	13,436,131	-	(6,345,624)	(1,212,364)	318,561	52,260,239

The attached notes 1 to 25 form part of these consolidated financial statements

1 ACTIVITIES

The consolidated financial statements of National International Holding Company K.S.C. (Closed) (the parent company) and its subsidiaries (the group) for the year ended 31 December 2008 were authorised for issue in accordance with a resolution of the Board of Directors on 24 March 2009.

National International Holding Company K.S.C. (Closed) (the parent company) is a Kuwaiti closed shareholding company incorporated on 14 January 1979 under the Commercial Companies Law No. 15 of 1960 and amendments thereto.

The group is primarily engaged in investments in the local and international markets. It is also engaged in the purchase and sale of real estate.

The registered office of the parent company is located on the 4th Floor, Chamber of Commerce and Industry Building, Al Shuhada Street, Kuwait.

Details of the subsidiary companies are set out in note 2.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and applicable requirements of Ministerial Order No. 18 of 1990.

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

The consolidated financial statements are presented in Kuwaiti Dinars.

Change in accounting policies and disclosures

The accounting policies used in preparation of these consolidated financial statements are consistent with those used in preparation of the consolidated financial statements for the year ended 31 December 2007, except for the implementation of the amendments to IAS 39 Financial Instruments: Recognition and Measurement and murabaha payable, as follows:

Amendments to IAS 39, Financial Instrument: Recognition and Measurement:

On 13 October 2008, the International Accounting Standards Board (IASB) approved and published amendments to IAS 39 Financial Instruments: Recognition and Measurement to allow reclassifications of certain financial instruments held for trading to either held to maturity, loans and receivables or available for sale categories with effect from 1 July 2008. Any reclassification of a financial instrument made in periods beginning on or after 1 November 2008 shall take effect from the date the reclassification was made.

The group has reclassified certain trading investments with a carrying value of KD 7,058,913 from the 'fair value through income statement' category to the 'available for sale' category with effect from 1 July 2008 as these investments are no longer held for the purpose of selling or repurchasing it in the near term due to the impact of the global financial crisis on the local and regional equity markets.

The group has recorded impairment losses of KD 4,477,908 in respect of the reclassified investments in the consolidated income statement.

Murabaha payable

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended IASB Standards issued but not yet adopted

- IAS 1 (Revised): Presentation of Financial Statements (effective for periods beginning on or after 1 January 2009);
- IFRS 8: Operating Segments (effective for periods beginning on or after 1 January 2009);
- IAS 23 (Revised): Borrowing costs (effective for periods beginning on or after 1 January 2009);
- IFRS 3 (Revised): Business Combinations (effective for periods beginning on or after 1 July 2009);
- IAS 27 (Revised): Consolidated and Separate Financial Statements (effective for periods beginning on or after 1 July 2009);
- IAS 40 (Revised): Investment Property (effective for periods beginning on or after 1 January 2009).

IAS 1 (Revised) Presentation of Financial Statements

The Standard separates owner and non-owner changes in equity. The consolidated statement of changes in equity will include only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The group is still evaluating whether it will have one or two statements.

IFRS 8 Operating Segments

IFRS 8 replaces IAS 14 Segment Reporting (IAS 14) upon its effective date. The group has not early adopted this amendment. The group is still evaluating the impact of application of IFRS 8 on the consolidated financial statement.

IAS 23 (Revised) Borrowing costs

This standard will require an entity to capitalise borrowing costs attributable to the acquisition, construction or production of a qualifying asset as a part of the cost of that asset and removes the option of expensing these borrowing costs in the consolidated income statement. The application of the revised IAS 23 will not impact the group's consolidated financial statements as the group currently capitalises bank borrowing costs.

IFRS 3 (Revised) Business Combinations and IAS 27 (Revised) Consolidated and Separate Financial Statements

IFRS 3 (Revised) introduces a number of changes in the accounting for business combinations occurring after this date that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27 (Revised) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 Statement of Cash Flows, IAS 12 Income Taxes, IAS 21 The Effects of Changes in Foreign Exchange Rates, IAS 28 Investment in Associates and IAS 31 Interests in Joint Ventures. The changes by IFRS 3 (Revised) and IAS 27 (Revised) will affect future acquisitions or loss of control and transactions with minority interests.

IAS 40 (Revised) Investment Property

IAS 40 (Revised) allow property under development which is within the scope of the investment property to be measured at cost if fair value cannot be measured reliably until such time as the fair value becomes reliably measurable or construction is completed (whichever comes earlier).

The above standards may be early applied. However, the group did not early adopt these standards as the application of these standards will be made when these standards become effective and are not expected to have significant impact on the consolidated financial statements of the group.

Other significant accounting policies used in the preparation of consolidated financial statements for the year ended 31 December 2008 are, as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the parent company and its subsidiaries stated below. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company using consistent accounting policies.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)**Basis of consolidation (continued)**

Details of subsidiary companies included in the consolidated financial statements are set out below:

<i>Name of the company</i>	<i>Country of incorporation</i>	<i>Interest in equity %</i>		<i>Principal activities</i>
		<i>2008</i>	<i>2007</i>	
Al Ola National Real Estate Company W.L.L.	Kuwait	100	100	Purchase and sale of real estate
Al Ghad Project Management Company W.L.L.	Kuwait	100	100	Real estate projects management

The above subsidiaries were established by the parent company in the prior year.

The financial statements of the subsidiary companies are consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. All significant intra-group balances, transactions and unrealised profits are eliminated on consolidation.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the group obtains control, and continue to be consolidated until the date that such control ceases. Control is achieved where the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Revenue recognition

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

Interest earned on investments and short-term bank deposits and call accounts is recognised on a time proportionate basis.

Fee income is recognised when the related revenue is provided.

KFAS, NLST and Zakat

Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST) and Zakat represent levies/taxes imposed on the parent entity at the flat percentage of net profits less permitted deductions under the prevalent respective fiscal regulations of the State of Kuwait. Under prevalent taxation/levy regulations no carry forward of losses is permitted and there are no significant differences between the tax/levy bases of assets and liabilities and their carrying amount for financial reporting purposes.

Tax/statutory levy	Rate
Contribution to KFAS	1.0% of net profit less permitted deductions
NLST	2.5% of net profit less permitted deductions
Zakat	1.0% of net profit less permitted deductions

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash in hand, bank balances, and short-term deposits with original maturities of three months or less, net of outstanding bank overdrafts.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

The group classifies its investments into the following categories:

- Investments carried at fair value through income statement
- Available for sale investments

Investments carried at fair value through income statement

All investments are initially recognised at fair value. Transaction costs are expensed immediately. After initial recognition, investments are re-measured at fair value. Unrealised gains and losses are included in the consolidated income statement.

Available for sale investments

Available for sale investments are recognised and derecognised, on a trade date basis, when the group becomes, or ceases to be, a party to the contractual provisions of the instrument.

Investments designated as available for sale investments are initially recorded at cost (including transactions costs that are directly attributable to the acquisition or issue) and subsequently measured at fair value, unless this cannot be reliably measured. Changes in fair value are reported as a separate component of equity.

An assessment is made at each balance sheet date to determine whether there is objective evidence that an investment may be impaired. If such evidence exists, any impairment loss (being the difference between cost and fair value, less any impairment loss previously recognised) is recognised in the consolidated income statement. In the case of equity and similar investments the investment is written down directly.

Investments in associates

The group's investments in associates are accounted for under the equity method of accounting. These are entities over which the group exercises significant influence and which are neither subsidiaries nor joint ventures. Investments in associates are carried in the consolidated balance sheet at cost, plus post-acquisition changes in the group's share of net assets of the associates, less any impairment in value. The consolidated income statement reflects the group's share of the results of its associates. Unrealised profits and losses resulting from transactions between the group and its associates are eliminated to the extent of the group's interest in the associates.

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

Property under development

Property under development represents property held for future use as investment property and is stated at cost less any impairment in value.

The carrying value of the property is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Capitalisation of borrowing costs

Borrowing costs are generally expensed as incurred. Borrowing costs that are directly attributable to the acquisition or construction of an asset are capitalised while the asset is being constructed as part of the cost of that asset. Capitalisation of borrowing costs should commence when:

- Expenditure for the asset and borrowing costs are being incurred; and
- Activities necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation ceases when the asset is substantially ready for its intended use or sale. If active development is interrupted for an extended period, capitalisation is suspended. When construction occurs piecemeal and use of each part is possible as construction continues, capitalisation for each part ceases on substantial completion of the part.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Capitalisation of borrowing costs (continued)

For borrowing associated with a specific asset, the actual rate on that borrowing is used. Otherwise, a weighted average cost of borrowing is used.

Accounts receivable and prepayments

Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Furniture and equipment

Furniture and equipment are stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful life of the applicable asset which is 5 years.

The carrying values of furniture and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Impairment and uncollectibility of financial assets

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

Assets carried at fair value

For assets carried at fair value, impairment is the difference between cost and fair value.

Assets carried at cost

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in consolidated income statement.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired receivables are written off when they are assessed as uncollectible.

Available for sale financial investments

If an available for sale asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognised in consolidated income statement, is transferred from consolidated statement of equity to consolidated income statement. Reversals in respect of equity instruments classified as available for sale are not recognised in consolidated income statement. Reversals of impairment losses on debt instruments are reversed through consolidated income statement; if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in consolidated income statement.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non financial assets

The group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or a cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and then its recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount by recognising impairment loss in the consolidated income statement. 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 (or cash-generating unit). In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by available fair value indicators.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated income statement.

Treasury shares

Treasury shares consist of the parent company's own shares that have been issued, subsequently reacquired by the group and not yet sold or cancelled. Treasury shares are accounted for using the cost method. When the treasury shares are sold, gains are credited to a separate account in equity (treasury shares reserve) which is non distributable. Any realised 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 realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and treasury shares reserve 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.

Term loans

Term loans are carried in the consolidated balance sheet at their principal amount.

Other liabilities

Other liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the consolidated income statement.

Exchange differences arising from the parent company's investments in associates whose functional currencies are different from the parent company are taken to a separate reserve within the consolidated statement of changes in equity.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired;
- The group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- The group has transferred its rights to receive cash flows from the asset and has either:
 - (a) transferred substantially all the risks and rewards of the asset; or
 - (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the group could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in consolidated income statement.

Trade and settlement date accounting

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

Fair values

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Consequently differences can arise between carrying values and the fair value estimates.

Underlying the definitions of fair value is the presumption that the group is a going concern without any intention or requirement to materially curtail the scale of its operation or to undertake a transaction on adverse terms.

Investments

For investments traded in an active market, fair value is determined by reference to quoted market bid prices.

For investments where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to recent arm's length transactions, market value of a similar investment, expected discounted cash flows of the investment or is based on the other valuations models. Fair value estimates take into account liquidity constraints and assessment for any impairment.

Investments with no reliable measures of their fair values and for which no fair value information could be obtained are carried at their initial cost less impairment in value.

The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values (continued)

Other financial assets and liabilities

For other financial assets and liabilities, fair value is determined based on expected future cash flows and management's estimate of the amount at which these assets could be exchanged for cash on an arm's length basis or a liability settled to the satisfaction of creditors.

Significant accounting judgments and estimates

The preparation of the 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 revenues and expenses during the reporting period. Actual results could differ from those estimates. The group has used judgments and estimates principally in, but not limited to, the classification of investments and real estate, the determination of impairment provisions and the valuation of unquoted investments.

Classification of investments

The group decides on acquisition of investments whether they should be classified as investments carried at fair value through income statement or available for sale investments.

The management classifies investments as carried at fair value through income statement if they are acquired primarily for the purpose of short term profit making and the fair value of those investments can be reliably determined.

Classification of investments as fair value through income statement depends on how management monitor the performance of these investments when they are not classified as held for trading but have readily available fair values and the changes in fair values are reported as part of profit or loss in the management accounts, they are classified as fair value through income statement.

All other investments are classified as available for sale.

Classification of real estate

Management decides on acquisition of real estate whether it should be classified as trading or investment property.

The management classifies real estate as trading property if it is acquired principally for sale in the ordinary course of business.

The management classifies real estate as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use.

Impairment provision of investments

The group treats available for sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment.

In addition, the group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

Impairment provision of receivables

An estimate of the collectible amount of receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)**Significant accounting judgments and estimates (continued)***Impairment provision of receivables (continued)*

At the balance sheet date, gross trade accounts receivable were KD 115,740, and the provision for doubtful debts was KD 30,033. Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated income statement.

Valuation of unquoted equity investments

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

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

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

3 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>2008</i> <i>KD</i>	<i>2007</i> <i>KD</i>
Staff costs	112,056	121,208
Depreciation	4,128	4,030
Rent	25,536	25,536
Provision for doubtful debts	-	33,093
Others	377,624	297,839
	<u>519,344</u>	<u>481,706</u>

4 BOARD OF DIRECTORS' REMUNERATION

Board of directors' remuneration amounting to Nil (2007: KD 90,000) are within the amount permissible under local regulations and are subject to approval by the annual general assembly of the shareholders' of the parent company.

5 BASIC AND DILUTED (LOSS) EARNINGS PER SHARE

Basic and diluted (loss) earnings per share are calculated by dividing the (loss) profit for the year by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares, as follows:

	<i>2008</i>	<i>2007</i>
(Loss) profit for the year (KD)	<u>(7,470,360)</u>	<u>8,304,102</u>
Weighted average number of ordinary shares outstanding during the year (excluding treasury shares)	<u>207,605,826</u>	<u>209,530,242</u>
Basic and diluted (loss) earnings per share	<u>(35.98) fils</u>	<u>39.63 fils</u>

Basic and diluted earnings per share for the previous year have been restated for the bonus issue in 2008 (Note 13).

6 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated cash flow statement contain the following balance sheet amounts:

	<i>2008</i> <i>KD</i>	<i>2007</i> <i>KD</i>
Short-term deposits	163,801	332,049
Bank balances	276,620	3,770,897
Cash in hand	4,999	999
	<u>445,420</u>	<u>4,103,945</u>
Bank overdrafts	(460,244)	(407,558)
	<u>(14,824)</u>	<u>3,696,387</u>

Included in short-term deposits and bank balances is an amount of KD 363,374 (2007: KD 1,291,914) denominated in foreign currencies, principally US Dollars and Euros.

Short-term deposits carry interest at an average rate of 5.2% (2007: 4.2%) per annum. The average interest rate on overdraft accounts is 2.5% (2006: 2.5%) per annum over the Central Bank of Kuwait discount rate.

7 INVESTMENTS CARRIED AT FAIR VALUE THROUGH INCOME STATEMENT

	<i>2008</i> <i>KD</i>	<i>2006</i> <i>KD</i>
Held for trading investments:		
Quoted investments	2,328,052	8,316,680
Managed portfolios (quoted securities)	1,238,901	1,784,998
	<u>3,566,953</u>	<u>10,101,678</u>

Due to the adoption of the IAS 39 amendments issued by the IASB on 13 October 2008, the group reclassified certain trading investments with a carrying value of KD 7,058,913 from the 'fair value through income statement category' to the 'available for sale category' with effect from 1 July 2008 (Note 2 and Note 8).

8 AVAILABLE FOR SALE INVESTMENTS

	<i>2008</i> <i>KD</i>	<i>2007</i> <i>KD</i>
Quoted investments	3,541,533	3,490,297
Unquoted investments	36,019,584	26,525,865
Managed funds	2,911,845	3,999,617
	<u>42,472,962</u>	<u>34,015,779</u>

A portion of unquoted securities and managed funds investments amounting to KD 4,812,964 (2007: KD 7,781,403) are carried at cost due to the non availability of reliable measures of their fair values.

Investments amounting to KD 21,703,690 (2007: KD 16,344,028) are denominated in foreign currencies, principally US Dollars and Euros.

8 AVAILABLE FOR SALE INVESTMENTS (continued)

Due to the adoption of the IAS 39 amendments issued by the IASB on 13 October 2008, the group reclassified certain trading investments with a carrying value of KD 7,058,913 from the 'fair value through income statement category' to the 'available for sale category' with effect from 1 July 2008 (Note 2 and Note 7).

Management has performed preliminary review of its investments to assess whether impairment has occurred in the value of these investments due to the impact of the global financial crisis. Based on specific information and in light of the global financial crisis, management has taken impairment loss of KD 6,601,988 on these investments. Management is not aware of any circumstances that would indicate any further impairment in the value of these investments at the balance sheet date.

Movements in cumulative changes in fair values arising from available for sale investments are as follows:

	<i>2008</i> <i>KD</i>	<i>2007</i> <i>KD</i>
Net unrealised (loss) gain	(3,496,481)	2,688,215
Net realised gain reclassified to the consolidated income statement on disposal	(1,151,515)	(6,629,539)
Impairment losses reclassified to the consolidated income statement	6,601,988	805,197
	<u>1,953,992</u>	<u>(3,136,127)</u>

9 INVESTMENT IN ASSOCIATES

The associated companies included in the consolidated financial statements are listed as follows:

<i>Name of the company</i>	<i>Country of incorporation</i>	<i>Equity interest</i>		<i>Carrying value</i>	
		<i>2008</i>	<i>2007</i>	<i>2008</i> <i>KD</i>	<i>2007</i> <i>KD</i>
Middle East for Digital Communications Company (Salah Yousef Abdullah Al Nafesi & Partners) W.L.L.	Kuwait	33%	33%	58,033	58,033
Real Estate Finance Company (REEF) B.S.C.C.	Bahrain	-	20%	-	3,601,819
				<u>58,033</u>	<u>3,659,852</u>

During the year, the parent company disposed of its entire interest in Real Estate Finance Company (REEF) B.S.C.C. to a related party and realised a total gain of KD 668,476 (Note 20).

National International Holding Company K.S.C. (Closed) and Subsidiaries
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At 31 December 2008

9 INVESTMENT IN ASSOCIATES

The following table illustrates summarised information of the group's investment in associates:

	2008 KD	2007 KD
Share of associates' assets and liabilities:		
Assets	127,528	6,290,745
Liabilities	(69,495)	(2,784,533)
Net assets	58,033	3,506,212
Goodwill related to Real Estate Finance (REEF) B.S.C.C.	-	153,640
	58,033	3,659,852
Share of associates' revenue and results:		
Revenue	110,003	914,186
Results	34,075	302,340

The group did not book any share of results of Middle East for Digital Communications Company (Salah Yousef Abdullah Al Nafesi & Partners) W.L.L. in the current year as in the opinion of the management, there were no significant events or transactions during the year.

10 PROPERTY UNDER DEVELOPMENT

Property under development comprises freehold land located in Kuwait which is in the process of construction and development for the ultimate use as an investment property. Property under development include capitalised borrowing costs of KD 247,184 (2007: KD 151,119).

The fair value of the property under development at the balance sheet date has been determined at KD 11,412,360 (2007: KD 7,134,351) by independent real estate assessors.

11 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2008 KD	2007 KD
Trade receivables	85,707	804,955
Amount due from sale of investments	1,439,413	1,439,412
Accrued income	490,366	-
Amount due from a related party (Note 20)	51,443	52,889
Advance paid for acquisition of available for sale investment	87,506	85,164
Other receivables	57,428	29,577
	2,211,863	2,411,997

Amount due from sale of investment represents remaining portion of the proceed of sale of an investment. This amount is collectible at call.

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At 31 December 2008

11 ACCOUNTS RECEIVABLE AND PREPAYMENTS (continued)

As at 31 December 2007, trade receivables at nominal value of KD 33,093 (2007: KD 33,093) were fully impaired. Movements in the allowance for impairment of receivables were as follows:

	2008 KD	2007 KD
At 1 January	33,093	-
Charge for the year	-	33,093
At 31 December	<u>33,093</u>	<u>33,093</u>

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

			<i>Past due but not impaired</i>				
	<i>Total KD</i>	<i>Neither past due nor impaired KD</i>	<i>< 30 days KD</i>	<i>30 – 60 days KD</i>	<i>60 – 90 day KD</i>	<i>90 – 120 days KD</i>	<i>More than 120 day KD</i>
2008	2,124,357	85,707	211,543	85,707	43,540	-	1,697,860
2007	2,326,833	804,955	-	52,889	69,313	1,399,676	-

It is not the group's policy to obtain collateral over receivables and the vast majority is, therefore unsecured.

12 SHARE CAPITAL

	2008 KD	2007 KD
Authorised, issued and fully paid up share capital :		
212,625,000 shares of 100 fils each (2007: 157,500,000 shares of 100 fils each)	<u>21,262,500</u>	<u>15,750,000</u>

13 ISSUANCE OF BONUS SHARE AND DIVIDENDS PAID

The board of directors of the parent company has not proposed any cash dividends or bonus shares for the year ended 31 December 2008. However, in prior year, the board of directors of the parent company has proposed a cash dividend of 15% of paid up share capital and bonus shares of 10% of paid up share capital related to the year ended 31 December 2007. However, the Annual General Assembly of the parent company's shareholders held on 15 April 2008 has approved the distribution of bonus shares of 35% of paid up capital for the year ended 31 December 2007.

14 STATUTORY RESERVE

As required by the Law of Commercial Companies and the parent company's articles of association, 10% of the profit for the year before contribution to KFAS, NLST, Zakat and board of directors' remuneration is transferred to statutory reserve. The parent company may resolve to discontinue such annual transfers when the reserve totals 50% of the issued share capital.

Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of paid-up share capital in years when retained earnings are not sufficient for the payment of a dividend of that amount.

In accordance with the Commercial Companies Law, no transfer has been made to statutory reserve since losses have been incurred during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2008

15 GENERAL RESERVE

In accordance with the parent company's articles of association, 10% of the profit for the year before Contribution to KFAS, NLST, Zakat and board of directors' remuneration is transferred to general reserve. Such annual transfers may be discontinued by a resolution of the general assembly of the shareholders' of the parent company upon a recommendation by the board of directors. Voluntary reserve is available for distribution.

There was no transfer during the current year to the general reserve since losses have been incurred during the year.

16 TREASURY SHARES

At 31 December 2008, the parent company held 5,288,850 (2007: 3,291,000) of its own shares, equivalent to 2.4% (2007: 2.09%) of the total share capital at that date. The cost of acquiring these shares is KD 1,212,364 (2007: KD 991,082). The market value of these shares at the balance sheet date was KD 1,057,770 (2007: KD 1,135,395). These shares are not entitled to receive any cash dividend.

During the year, the parent company sold two million treasury shares and realised a gain of KD 11,253 (2007: KD 54,884) which has been transferred to "Treasury shares reserve" within equity.

17 TERM LOANS

Term loans represent revolving loans borrowed from local financial institutions and bear an average interest rate of 8.25% (2007: 8.5%) per annum.

18 MURABAHA PAYABLE

	<i>2008</i> <i>KD</i>	<i>2007</i> <i>KD</i>
Gross amount	2,028,734	-
Less: deferred profit payable	(87,734)	-
Murabaha payable	<u>1,941,000</u>	<u>-</u>

Murabaha payable represents murabaha contract with a related party maturing within 9 months from the balance sheet date. The average effective cost attributable to this contract is 6.79% (2007: Nil) per annum.

The fair value of murabaha payable approximates the carrying value as at 31 December 2008.

19 OTHER LIABILITIES

	<i>2008</i> <i>KD</i>	<i>2007</i> <i>KD</i>
Kuwait Foundation for the Advancement of Sciences	93,898	93,898
National Labour Support Tax	211,042	211,042
Board of directors' remuneration	-	90,000
Unclaimed dividends	176,166	312,331
Accrued expenses	385,609	308,365
Employees' end of services benefits	55,217	45,826
Other payables	89,929	85,127
	<u>1,011,861</u>	<u>1,146,589</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2008

20 RELATED PARTY TRANSACTIONS

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

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

	<i>Associates</i> <i>KD</i>	<i>Major</i> <i>shareholders</i> <i>KD</i>	<i>2008</i> <i>KD</i>	<i>2007</i> <i>KD</i>
Realised gain on sale of investments carried at fair value through income statement	-	51,187	51,187	34,110
Unrealised gain (loss) on investments carried at fair value through income statement	-	1,168,900	1,168,900	113,827
Loss on sale of available for sale investments	-	-	-	(91,957)
Share of results of associates	34,075	-	34,075	302,340
Gain on sale of investment in an associate	-	668,476	668,476	-
General and administrative expenses	-	(120,000)	(120,000)	(120,000)

Balances with related parties included in the consolidated balance sheet are as follows:

	<i>Associates</i> <i>KD</i>	<i>Major</i> <i>shareholders</i> <i>KD</i>	<i>2008</i> <i>KD</i>	<i>2007</i> <i>KD</i>
Investments carried at fair value through income statement (managed by a related party)	-	1,233,700	1,233,700	268,248
Available for sale investments (managed by a related party)	-	2,953,183	2,953,183	4,747,818
Investments in associates	58,033	-	58,033	3,659,852
Amount due from a related party (Note 11)	-	51,443	51,443	52,889
Murabaha payable	-	1,941,000	1,941,000	500,000
Other liabilities	-	358,000	358,000	240,000

Key management compensation

	<i>2008</i> <i>KD</i>	<i>2007</i> <i>KD</i>
Short-term employee benefits	6,028	43,045
Provision for management executive bonus	-	90,000
End of service benefits	4,327	2,925

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2008

21 SEGMENTAL INFORMATION

Primary segment information

The group operates into two major business segments which are investment and real estate. The principal activities and services under these segments are as follows:

31 December 2008	<i>Investment KD</i>	<i>Real estate KD</i>	<i>Total KD</i>
ASSETS			
Bank balances and cash	435,922	9,498	445,420
Investments carried at fair value through income statement	3,566,953	-	3,566,953
Available for sale investments	42,472,962	-	42,472,962
Investment in associates	58,033	-	58,033
Property under development	-	11,708,523	11,708,523
Accounts receivable and prepayments	2,211,863	-	2,211,863
Furniture and equipment	9,590	-	9,590
TOTAL ASSETS	48,755,323	11,718,021	60,473,344
EQUITY AND LIABILITIES			
Equity	52,260,239	-	52,260,239
Bank overdrafts	460,244	-	460,244
Term loans	2,900,000	1,900,000	4,800,000
Murabaha payable	1,941,000	-	1,941,000
Other liabilities	1,011,861	-	1,011,861
TOTAL EQUITY AND LIABILITIES	58,573,344	1,900,000	60,473,344
Year ended 31 December 2008			
Segment revenue	5,030,821	-	5,030,821
Segment Results	(7,458,360)	(12,000)	(7,470,360)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2008

21 SEGMENTAL INFORMATION (continued)

31 December 2007	Investment KD	Real estate KD	Total KD
ASSETS			
Bank balances and cash	4,098,937	5,008	4,103,945
Investments carried at fair value through income statement	10,101,678	-	10,101,678
Available for sale investments	34,015,779	-	34,015,779
Investment in associates	3,659,852	-	3,659,852
Property under development	-	7,134,351	7,134,351
Accounts receivable and prepayments	2,410,497	1,500	2,411,997
Furniture and equipment	12,316	-	12,316
TOTAL ASSETS	54,299,059	7,140,859	61,439,918
EQUITY AND LIABILITIES			
Equity	57,785,771	-	57,785,771
Bank overdrafts	407,558	-	407,558
Term loans	1,000,000	1,100,000	2,100,000
Other liabilities	1,146,589	-	1,146,589
TOTAL EQUITY AND LIABILITIES	60,339,918	1,100,000	61,439,918
Year ended 31 December 2007			
Segment revenue	11,196,752	-	11,196,752
Segment results	8,691,000	(2,500)	8,688,500
Unallocated expenses			(384,398)
			8,304,102

Real estate segment is partially financed by the investment segment and intercompany transactions are eliminated in the consolidation.

Secondary segment information

The group operates in different geographical areas. A geographical analysis based on location of revenue, results, assets and liabilities is as follows:

	Net (deficit) revenue		Unallocated expenses		Results	
	2008	2007	2008	2007	2008	2007
	KD	KD	KD	KD	KD	KD
Geographical areas:						
Kuwait	(10,477,763)	962,610	-	384,398	(10,477,763)	578,212
United States of America	847,826	(72,791)	-	-	847,826	(72,791)
Europe	1,491,101	7,467,243	-	-	1,491,101	7,467,243
GCC	668,476	331,438	-	-	668,476	331,438
	(7,470,360)	8,688,500	-	384,398	(7,470,360)	8,304,102

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2008

21 SEGMENTAL INFORMATION (continued)

	<i>Assets</i>		<i>Liabilities</i>	
	<i>2008</i> <i>KD</i>	<i>2007</i> <i>KD</i>	<i>2008</i> <i>KD</i>	<i>2007</i> <i>KD</i>
Geographical areas:				
Kuwait	41,290,306	38,905,754	6,272,105	3,654,147
United States of America	6,001,312	4,751,266	1,941,000	-
Europe	12,328,077	12,884,676	-	-
GCC	853,649	4,898,222	-	-
	<u>60,473,344</u>	<u>61,439,918</u>	<u>8,213,105</u>	<u>3,654,147</u>

22 COMMITMENTS

At 31 December 2008, the group had commitment amounting to KD 2,925,000 (2007: KD Nil) toward acquisition of investments.

Commitments are due within 12 months from the balance sheet date.

23 RISK MANAGEMENT

Risk is inherent in the group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the group's continuing profitability and each individual within the group is accountable for the risk exposures relating to his or her responsibilities. The group is exposed to credit risk, liquidity risk and market risk. Market risk is subdivided into interest rate risk, currency risk and equity price risk. It is also subject to operating risks. The independent risk control process does not include business risks such as changes in the environment technology and industry. They are monitored through the group's strategic planning process.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Management of the parent company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. The maximum credit risk is limited to amounts appearing on the consolidated balance sheet.

The group has policies and procedures in place to limit the amount of credit exposure to any counter party.

Impaired or past due but not impaired financial assets of the group at 31 December 2008 and 31 December 2007 are disclosed in note 11.

The group's assets can be analysed by the industry sector as follows:

	<i>2008</i> <i>KD</i>	<i>2007</i> <i>KD</i>
Banks and financial institutions	48,755,231	54,293,251
Construction and real estate	11,708,523	7,134,351
Others	9,590	12,316
Total credit risk exposure	<u>60,473,344</u>	<u>61,439,918</u>

23 RISK MANAGEMENT (continued)**Liquidity risk**

Liquidity risk is the risk that the group will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. To guard against this risk, management has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash, cash equivalents, and readily marketable securities.

The table below summarises the maturity profile of the group's liabilities based on contractual undiscounted repayment obligations.

The liquidity profile of financial liabilities reflects the projected cash flows which includes future interest payments over the life of these financial liabilities. The liquidity profile of financial liabilities at 31 December was as follows:

31 December 2008	<i>Within 1 month KD</i>	<i>1 to 3 months KD</i>	<i>3 to 12 months KD</i>	<i>1 to 5 years KD</i>	<i>Total KD</i>
Bank overdrafts	-	-	487,859	-	487,859
Term loans	-	800,000	-	4,208,000	5,008,000
Murabaha payable	-	-	2,072,793	-	2,072,793
Other liabilities	332,548	27,608	596,488	55,217	1,011,861
Total liabilities	332,548	827,608	3,157,140	4,263,217	8,580,513
31 December 2007	<i>Within 1 month KD</i>	<i>1 to 3 months KD</i>	<i>3 to 12 months KD</i>	<i>1 to 5 years KD</i>	<i>Total KD</i>
Bank overdrafts	-	-	434,303	-	434,303
Term loans	-	-	-	2,457,000	2,457,000
Other liabilities	-	-	1,146,589	-	1,146,589
Total liabilities	-	-	1,580,892	2,457,000	4,037,892

Market risk

Market risk is the risk that the value of an asset will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all investments traded in the market.

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

Interest rate risk

The group is exposed to interest rate risk on its interest bearing assets and liabilities (bank deposits, bank overdrafts, term loans and murabaha payable).

The following table demonstrates the sensitivity of the consolidated income statement to reasonably possible changes in interest rates, with all other variables held constant.

The sensitivity of the consolidated income statement is the effect of the assumed changes in interest rates on the group's results before KFAS, NLST, Zakat and board of directors' remuneration for one year, based on the floating rate financial assets and financial liabilities held at 31 December.

There is no impact on the group's equity.

23 RISK MANAGEMENT (continued)**Interest rate risk (continued)**

	<i>Increase/decrease in basis points</i>	<i>Effect on results KD</i>
2008		
KD	+25	(99,437)
KD	-25	99,437
2007		
KD	+25	4,516
KD	-25	(4,516)

The interest on the term loan borrowed by one of the subsidiary companies is not included in the interest rate sensitivity because the group has adopted the alternative treatment of IAS 23 borrowing costs and accordingly capitalised the borrowing costs of this loan to the property under development. Hence, there is no effect on profit.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Currency risk is managed on the basis of limits determined by the parent company's board of directors and a continuous assessment of the group's open positions and current and expected exchange rate movements. The group does not engage in foreign exchange trading and where necessary matches currency exposures inherent in certain assets with liabilities in the same or a correlated currency.

The group had the following net foreign currency exposures at 31 December as follows:

	2008 KD	2007 KD
USD	20,811,591	16,823,415
EURO	30,060,772	29,119,356
BHD	470,750	380,771
AED	13,521	37,825

The effect on (loss) profit before taxes, Zakat, KFAS and directors' remuneration (due to change in the fair value of monetary assets and liabilities) and on equity, as a result of change in currency rate, with all other variables held constant is shown below:

<i>Currency</i>	2008			2007		
	<i>Change in currency rate in %</i>	<i>Effect on loss KD</i>	<i>Effect on equity KD</i>	<i>Change in currency rate in %</i>	<i>Effect on profit KD</i>	<i>Effect on equity KD</i>
USD	+5	11,721	1,440,921	+5	(995)	230,060
EURO	+5	29,074	586,185	+5	150,577	587,192
BHD	+5	Nil	1,044	+5	Nil	18,187
AED	+5	Nil	676	+5	Nil	490

Equity price risk

Equity price risk arises from the change in fair values of equity investments. The group manages this risk through diversification of investments in terms of industry concentration.

23 RISK MANAGEMENT (continued)**Equity price risk (continued)**

The effect on equity (as a result of a change in the fair value of available for sale investments) and group's results before KFAS, NLST, Zakat and board of directors' remuneration (as a result of a change in the fair value of investments carried at fair value through income statement) due to a reasonably possible change in market indices, with all other variables held constant is as follows:

<i>Market indices</i>	<i>2008</i>			<i>2007</i>		
	<i>Change in equity price %</i>	<i>Effect on equity KD</i>	<i>Effect on loss KD</i>	<i>Change in equity price %</i>	<i>Effect on equity KD</i>	<i>Effect on profit KD</i>
Kuwait	+5	1,249,743	106,084	+5	877,238	1,857,786
Others	+5	873,905	-	+5	1,367,812	-

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the group is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

Prepayment risk

Prepayment risk is the risk that the group will incur a financial loss because its customers and counterparties repay or request repayment earlier or later than expected. The group is not significantly exposed to prepayment risk.

Capital management

The primary objective of the group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value. The group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes during the years ended 31 December 2008 and 31 December 2007.

The group monitors capital using a leverage ratio, which is net debt divided by total capital. The group's policy is to keep the gearing ratio less than 30%. The group includes within net debt, interest bearing loans and borrowings, murabaha payable and other liabilities, less bank balances and cash. Total capital represents equity for the group less cumulative changes in fair values.

	<i>2008 KD</i>	<i>2007 KD</i>
Interest bearing loans and borrowings	5,260,244	2,507,558
Murabaha payable	1,941,000	-
Other liabilities	1,011,861	1,146,589
Less: Bank balances and cash	(445,420)	(4,103,945)
Net debt	7,767,685	(449,798)
Total capital	38,824,108	46,303,632
Gearing ratio (%)	20%	(1%)

24 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash, bank balances, investments and receivables. Financial liabilities consist of bank overdrafts, murabaha payable and other liabilities.

The fair values of financial instruments, with the exception of certain available for sale investments carried at cost (Note 8), are not materially different from their carrying values at the balance sheet date.

25 SUBSEQUENT EVENTS

The group is exposed to equity price risk with respect to its equity investments. Equity investments are classified either as investments carried at fair value through income statement or available for sale investments.

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

The decline in stock market indices subsequent to the balance sheet date up to 12 February 2009, and its approximate impact on the group, was as follows:

	<i>Effect on consolidated income statement KD</i>	<i>Effect on equity KD</i>
Investment carried at fair value through income statement	(861,518)	(861,518)
Available for sale investments	-	(512,522)
	<u>(861,518)</u>	<u>(1,374,040)</u>