

**SOKOUK HOLDING COMPANY
KUWAITI SHAREHOLDING COMPANY (HOLDING)
AND SUBSIDIARIES
STATE OF KUWAIT**

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

SOKOUK HOLDING COMPANY
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AND SUBSIDIARIES
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FOR THE YEAR ENDED DECEMBER 31, 2008
WITH
INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

The Shareholders
Sokouk Holding Company
Kuwaiti Shareholding Company (Holding)
State of Kuwait

Auditors' report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Sokouk Holding Company - Kuwaiti Shareholding Company (Holding) (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.

We did not audit the financial statements of the associates Munshaat Real Estate Projects Co.-K.S.C. (Closed), ELAF Bank-B.S.C. (Closed) and MAS Holding Company-K.S.C. The investment in these associates and the group's share of results from these associates constitute 35.48% and 38.20% of the respective consolidated assets and revenues. The financial statements of the above mentioned associates for the year ended December 31, 2008 were audited by other auditors whose reports expressed unqualified opinions and our opinion in so far as it relates to the amounts included in the consolidated financial statements related to these associates is based solely on the reports of the other auditors.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of 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, and the reports of other auditors, is sufficient and appropriate to provide a basis for our audit opinion of the consolidated financial statements.



Opinion

In our opinion and based on the reports of other auditors, the consolidated financial statements present fairly, in all material respects, the financial position of Sokouk Holding Company - Kuwaiti Shareholding Company (Holding) 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.

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, as amended, and we obtained the information we required to perform our audit. 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 Parent Company's books. According to the information available to us, there were no contraventions during the year ended December 31, 2008 of either the Commercial Companies Law or of the Parent Company's Articles of Association which might have materially affected the Group's financial position or results of its operations.

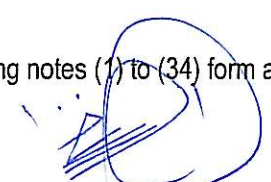
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SOKOUK HOLDING COMPANY - KUWAITI SHAREHOLDING COMPANY (HOLDING) AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2008
(All amounts are in Kuwaiti Dinars)

<u>ASSETS</u>	Note	2008	2007
Cash on hand and at banks		2,138,107	1,524,732
Investments at fair value through income statement	3	-	13,075,514
Accounts receivable and other debit balances	4	4,830,317	7,794,821
Sokouk utilization rights	5	7,284,200	7,284,200
Due from related parties	6	47,604,687	19,936,596
Investments in Murabaha	7	-	23,000,000
Investments in Wakala	8	8,611,122	2,261,938
Investments available for sale	9	5,978,746	4,172,707
Investment in associates	10	49,346,631	62,316,346
Investment in joint ventures	11	12,244,419	31,334,141
Investment in unconsolidated subsidiaries	12	750,000	-
Property and equipment	13	93,214	109,028
Intangible assets		4,500	10,500
Goodwill		188,000	188,000
Total assets		139,073,943	173,008,523
 <u>LIABILITIES AND EQUITY</u>			
Liabilities:			
Accounts payable and other credit balances	14	1,509,880	725,784
Due to related parties	6	5,980,526	11,635,608
Murabaha payables	15	11,498,436	25,673,758
Provision for end of service indemnity	16	81,155	69,242
Total liabilities		19,069,997	38,104,392
Equity:			
Capital	17	100,000,000	100,000,000
Share premium		17,500,000	17,500,000
Statutory reserve	18	2,229,106	2,229,106
Voluntary reserve	19	2,229,106	2,229,106
Foreign currency translation reserve		(463,365)	(1,047,661)
Cumulative changes in fair value		-	(166,810)
Effect of changes in associates' equity		(824,231)	-
(Accumulated losses) / Retained earnings		(1,647,708)	13,291,362
Total equity attributable to parent company's shareholders		119,022,908	134,035,103
Minority interest		981,038	869,028
Total equity		120,003,946	134,904,131
Total liabilities and equity		139,073,943	173,008,523

The accompanying notes (1) to (34) form an integral part of the consolidated financial statements


Ebrahim A. Al-Khuzam
Chairman


Masood Akbar
Vice Chairman and Chief Executive Officer

SOKOUK HOLDING COMPANY - KUWAITI SHAREHOLDING COMPANY (HOLDING) AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2008
(All amounts are in Kuwaiti Dinars)

	Note	2008	2007
Operating revenue	20	626,322	29,795,591
Operating cost	20	(626,322)	(23,622,177)
Gross profit		-	6,173,414
Other operating income	21	2,008,241	2,354,229
Expenses and charges:			
General and administrative	22	1,026,860	1,543,499
Depreciation and amortization		52,032	48,063
Operating profit		1,078,892	1,591,562
Net investment (loss) income	23	929,349	6,936,081
Gain from investments in Murabaha		(2,730,972)	93,894
Gain from investments in Wakala		830,017	83,010
Group's share of results from associates	10	417,444	82,986
Loss on sale of investment in an associate	10	4,196,021	589,104
Impairment loss for investment in an associate	10	(4,431,579)	-
Group's share of results from joint ventures	11	(8,357,578)	-
Gain on sale of investment in joint venture	11	(4,933,449)	(98,650)
Gain on sale of investment properties		954,928	-
Finance charges		-	200,065
Provision for doubtful debts	4	(1,497,848)	(1,954,241)
Provision for investment in wakala	8	(1,047,222)	-
Foreign currency exchange gain		(707,945)	-
(Loss) Profit for the year before contribution to National Labor Support Tax and Board of Directors' remuneration		1,551,774	534,139
National Labor Support Tax	26	(14,827,060)	6,466,388
Board of Directors' remuneration	27	-	(148,449)
Net (loss) profit for the year		-	(60,000)
		<u>(14,827,060)</u>	<u>6,257,939</u>
Attributable to :			
Parent company's shareholders		(14,939,070)	6,152,436
Minority interest		112,010	105,503
Net (loss) profit for the year		<u>(14,827,060)</u>	<u>6,257,939</u>
		<u>Fils</u>	<u>Fils</u>
(Loss) Earnings per share attributable to the equity holders of parent company	28	<u>(14.94)</u>	<u>14.06</u>

The accompanying notes (1) to (34) form an integral part of the consolidated financial statements

SOKOUK HOLDING COMPANY - KUWAITI SHAREHOLDING COMPANY (HOLDING) 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							Total equity attributable to the parent company's shareholders	Minority interest	Total equity	
	Capital	Share premium	Statutory reserve	Voluntary reserve	Foreign currency translation reserve	Cumulative changes in fair value	Effect of changes in associates' equity				(Accumulated losses) / Retained earnings
Balance at December 31, 2006	30,000,000	-	1,593,017	1,593,017	-	-	-	12,011,104	45,197,138	855,873	46,053,011
Changes in fair value	-	-	-	-	-	(166,810)	-	-	(166,810)	-	(166,810)
Foreign currency translation adjustments	-	-	-	-	(1,047,661)	-	-	-	(1,047,661)	-	(1,047,661)
Net loss recognized directly in equity	-	-	-	-	(1,047,661)	(166,810)	-	-	(1,214,471)	-	(1,214,471)
Net profit for the year	-	-	-	-	-	-	-	6,152,436	6,152,436	105,503	6,257,939
Total recognized (loss) income for the year	-	-	-	-	(1,047,661)	(166,810)	-	6,152,436	4,937,965	105,503	5,043,468
Rights issue - 233.34%	70,000,000	17,500,000	-	-	-	-	-	-	87,500,000	-	87,500,000
Transfer to reserves	-	-	636,089	636,089	-	-	-	(1,272,178)	-	-	-
Cash dividend (subsidiary)	-	-	-	-	-	-	-	(3,600,000)	-	(92,348)	(92,348)
Cash dividend (Note 32)	-	-	-	-	-	-	-	13,291,362	(3,600,000)	-	(3,600,000)
Balance at December 31, 2007	100,000,000	17,500,000	2,229,106	2,229,106	(1,047,661)	(166,810)	-	13,291,362	134,035,103	869,028	134,904,131
Foreign currency translation adjustments	-	-	-	-	(527,823)	-	-	-	(527,823)	-	(527,823)
Changes in fair value of investments available for sale	-	-	-	-	-	(213,914)	-	-	(213,914)	-	(213,914)
Reversal due to sale of investments available for sale	-	-	-	-	-	245,026	-	-	245,026	-	245,026
Due to transfer of an investment available for sale to a joint venture	-	-	-	-	(135,698)	135,698	-	-	-	-	-
Change in associates' equity	-	-	-	-	-	-	(824,231)	-	(824,231)	-	(824,231)
Reversal due to sale of investment in joint venture	-	-	-	-	1,247,817	-	-	-	1,247,817	-	1,247,817
Net income (loss) recognized directly in equity	-	-	-	-	584,296	166,810	(824,231)	(14,939,070)	(73,125)	-	(73,125)
Net (loss) profit for the year	-	-	-	-	-	-	-	(14,939,070)	(14,939,070)	112,010	(14,827,060)
Total recognized income (loss) for the year	-	-	-	-	584,296	166,810	(824,231)	(14,939,070)	(15,012,195)	112,010	(14,900,185)
Balance at December 31, 2008	100,000,000	17,500,000	2,229,106	2,229,106	(463,365)	-	(824,231)	(1,647,709)	119,022,908	981,038	120,003,946

The accompanying notes (1) to (34) form an integral part of the consolidated financial statements

SOKOUK HOLDING COMPANY - KUWAITI SHAREHOLDING COMPANY (HOLDING) AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2008
(All amounts are in Kuwaiti Dinars)

	2008	2007
Cash flows from operating activities:		
(Loss)Profit for the year before contribution to NLST and Board of Directors' remuneration	(14,827,060)	6,466,388
Adjustments for:		
Depreciation and amortization	52,032	48,063
Investments (loss) income	2,730,972	(93,894)
Gain from investments in Murabaha	(830,017)	(83,010)
Gain from investments in Wakala	(417,444)	(82,986)
Group's share of results from associates	(4,196,021)	(589,104)
Loss on sale of investment in an associate	4,431,579	-
Impairment loss for investment in an associate	8,357,578	-
Group's share of results from joint ventures and elimination of profit on intercompany transactions	5,594,685	2,252,594
Gain on sale of investment in joint venture	(954,928)	-
Gain on sale of investment properties	-	(200,065)
Finance charges	1,497,848	1,954,241
Provision for investment in Wakala	707,945	-
Provision for doubtful debts	1,047,222	-
Provision for end of service indemnity	51,742	53,976
	<u>3,246,133</u>	<u>9,726,203</u>
Changes in operating assets and liabilities:		
Sokouk utilization rights	-	24,366,432
Accounts receivable and other debit balances	1,795,490	1,102,456
Due from related parties	11,362,063	(10,247,817)
Accounts payable and other credit balances	1,094,104	606,446
Due to related parties	(5,655,082)	(4,209,117)
Cash generated from operations	<u>11,842,708</u>	<u>21,344,603</u>
Payment for Zakat	(6,467)	-
Payment for KFAS	(95,092)	(64,817)
Payment for NLST	(148,449)	(225,155)
Payment for board of directors remuneration	(60,000)	-
Payment for end of service indemnity	(39,829)	(24,562)
Net cash generated from operating activities	<u>11,492,871</u>	<u>21,030,069</u>
Cash flows from investing activities:		
Paid for purchase of investments at fair value through income statement	(9,611,920)	(13,000,000)
Proceeds from sale of investments at fair value through income statement	21,626,654	-
Net proceeds (paid) for investments in Murabaha	23,953,047	(20,894,720)
Net paid for investments in Wakala	(6,639,730)	(2,000,000)
Paid for purchase of investments available for sale	(9,146,995)	(362,143)
Proceeds from sale of investments available for sale	3,181,081	121,132
Dividends received from investments available for sale	8,968	-
Paid for purchase of investment in associates	(2,868,964)	(58,797,662)
Proceeds from sale of investment in associates	2,042,073	-
Paid for purchase of investment in joint ventures	(17,743,034)	(18,500,000)
Proceeds from sale of investment properties	-	2,205,953
Proceeds from sale of project under construction	-	1,335,000
Dividends received from associate	773,950	-
Paid for investment in unconsolidated subsidiaries	(750,000)	-
Paid for purchase of property and equipment	(31,456)	(62,818)
Net cash generated from (used in) investing activities	<u>4,793,674</u>	<u>(109,955,258)</u>

SOKOUK HOLDING COMPANY - KUWAITI SHAREHOLDING COMPANY (HOLDING) AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS (CONTD.)
FOR THE YEAR ENDED DECEMBER 31, 2008
 (All amounts are in Kuwaiti Dinars)

	<u>2008</u>	<u>2007</u>
Cash flows from financing activities:		
Proceeds from rights issue	-	87,500,000
Proceeds from murabaha payables	-	3,536,553
Paid for Murabaha payables	(15,673,170)	(360,044)
Cash dividend paid	-	(3,600,000)
Cash dividend paid (subsidiary)	-	(92,348)
Net cash (used in) generated from financing activities	<u>(15,673,170)</u>	<u>86,984,161</u>
Net increase (decrease) in cash on hand and at banks	613,375	(1,941,028)
Cash on hand and at banks at the beginning of the year	<u>1,524,732</u>	<u>3,465,760</u>
Cash on hand and at banks at the end of the year	<u><u>2,138,107</u></u>	<u><u>1,524,732</u></u>

The accompanying notes (1) to (34) form an integral part of the consolidated financial statements

SOKOUK HOLDING COMPANY - KUWAITI SHAREHOLDING COMPANY (HOLDING) AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2008
(All amounts are in Kuwaiti Dinars)

1. Incorporation and activities

Sokouk Holding Company – Kuwaiti Shareholding Company (Holding) “the parent company”, (previously known as Sokouk Real Estate Development Company – Kuwaiti Shareholding Company (Closed) and prior before as Al-Wasta Real Estate Development Company – Kuwaiti Shareholding Company (Closed)), is registered in the State of Kuwait and was incorporated and authenticated at the Ministry of Justice – Real Estate Registration and Authentication Department under Ref. No. 1909/Volume 1 on August 23, 1998 and registered on commercial register under Ref. No. 74323 dated August 29, 1998.

According to the memorandum issued by the Ministry of Commerce and Industry under Ref. No. 259/2005 dated August 29, 2005 and based on the extraordinary General Assembly held on August 28, 2005, it was approved and recorded in the commercial register the following:

1. Amending the 2nd item of the article of incorporation and the first item of the company's article of association to be as follows:

The company's name is: Sokouk Holding Company – Kuwaiti Shareholding Company (Holding).

2. Amending the 5th item of the article of incorporation and the 4th item of article of association attributable to main activities of the company would be as follows:

1. Ownership of shares of Kuwaiti or foreign shareholding companies or units in Kuwaiti or foreign limited liability companies, or establishing, managing, financing and sponsoring such companies.
2. Financing and sponsoring entities in which the Company has an ownership interest of not less than 20% of those entities.
3. Owning industrial rights such as patents, industrial trademarks, sponsoring foreign companies or any other related industrial rights and leasing such rights for the benefit of companies inside or outside State of Kuwait.
4. Ownership of movable assets or real estates required to pursue the Company's activities within the limits acceptable by law.
5. Utilizing available surplus funds by investing these funds in portfolios managed by specialized parties.

The Company shall have the right to have an interest or to take part in any manner with the authorities that practice similar operations, or that may help the Company to achieve its objectives inside and outside Kuwait. The Company shall also acquire these authorities or merge them with the Company. The objectives for which the Company was established shall be practiced according to Islamic Shari'a, and the Company shall not analyze the above objectives as it allows the Company directly or indirectly to deal in usury in the form of interest or any other form.

The parent company's registered address is P.O. Box 29110 Safat – Postal code 13152 - State of Kuwait.

SOKOUK HOLDING COMPANY - KUWAITI SHAREHOLDING COMPANY (HOLDING) AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2008

(All amounts are in Kuwaiti Dinars)

The parent company was listed on Kuwait Stock Exchange on December 27, 2005.

The Group's number of employees is 45 employees as at December 31, 2008 (2007 - 33 employees).

The consolidated financial statements were authorized for issue by the Board of Directors on April 6, 2009. The shareholders' General Assembly has the power to amend the 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 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.

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 on the accompanying consolidated financial statements is disclosed in Note 2(b).

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(t).

Standards and Interpretations issued but not 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 January 1, 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 January 1, 2009, will impact the presentation of financial statements to enhance the usefulness of the information presented.

IAS 23 "Borrowing Cost" (Revised)

The application of IAS 23 (Revised), which will be effective for the annual periods beginning on or after January 1, 2009, will require the Group to capitalize borrowing costs attributable to the acquisition, construction or production of a qualifying asset as a part of the cost of that asset and removing an option of expensing these borrowing costs in the consolidated statement of income.

IFRIC Interpretation 13 "Customer Loyalty Programmes"

The application of IFRIC Interpretation 13, which will be effective for annual periods beginning on or after July 1, 2008, provides guidance on the accounting for transactions relating to the sale of goods or services together with a customer loyalty incentive. This interpretation is not expected to have a material impact on the consolidated financial statements.

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 the consolidated statement of income.
- 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 the consolidated statement of income.
- 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.

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 the consolidated statement of income. This amendment is not expected to have a material impact on the consolidated financial statements.

Amendments to IFRS 2 Share-based Payment— Vesting Conditions and Cancellations

Amended IFRS 2, which will be effective for annual periods beginning on or after January 1, 2009 with retrospective application, clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations.

SOKOUK HOLDING COMPANY - KUWAITI SHAREHOLDING COMPANY (HOLDING) AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2008

(All amounts are in Kuwaiti Dinars)

b) 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:

<u>Particulars</u>	<u>Amount</u>
Amount reclassified from investments held for trading to available for sale investments on July 1, 2008.	1,452,500
Fair value of investments reclassified from investments held for trading to available for sale at December 31, 2008.	1,025,000
Unrealized gain on investments reclassified from investments held for trading to available for sale that have been already recognized in the consolidated statement of income till June 30, 2008.	7,822
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.	(1,166,322)
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.	(1,158,500)

c) Principles of consolidation

The consolidated financial statements incorporate the financial statements of Sokouk Holding Company - Kuwaiti Shareholding Company (Holding) and the following subsidiaries:

<u>Subsidiaries</u>	<u>Country of incorporation</u>	<u>Percentage of holding %</u>	
		<u>2008</u>	<u>2007</u>
Gulf Real Estate Development House Co. K.S.C.C.	Kuwait	75	75
Sokouk Investment Advisory Company	Cayman Island	100	100
Sokouk Real Estate Co. – K.S.C.C.	Kuwait	100	100
Gulf Money House for Money Collection - W.L.L.	Kuwait	100	100

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 unrealized profits 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.

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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.

d) Accounts receivable

Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective yield method, 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 yield rate. 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 administrative 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.

e) Investments

The Group classifies its investments in the following categories: Investments at fair value through income statement, and available for sale investments. 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.

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(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 balance sheet date.

Purchases and sales of investments are recognized on settlement date – the date on which an asset is delivered to or by the Group. 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 (and 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 income statement. 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 the consolidated statement of changes in shareholders' 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 the consolidated statement of changes 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 profit or loss – is removed from 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.

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f) Sokouk utilization rights

Sokouk utilization rights represent Sokouks that are held by the group either for trading purposes or to keep as long term investment, and are stated at cost less impairment loss in value (if any).

g) Murabaha

Murabaha is an Islamic transaction involving the purchase and immediate sale of an asset at cost plus an agreed profit. The amount due is settled on a deferred payment basis. Investments in murabaha are stated at amortized cost using the effective yield method.

h) Wakala

Wakala represents an agreement whereby the Group gives certain amount of cash to another party, and invests it according to specific conditions in return for certain fee. Investments in wakala is stated at amortized cost using the effective yield method.

i) 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 at the balance sheet date 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.

Investment in associate is impaired if its carrying amount exceeds its estimated recoverable amount. The recoverable amount of the associate is the higher of the associate's fair value less cost to sell and value in use. Fair value less cost to sell is the amount obtainable from the sale of the associate in an arm's length transaction. Value in use is the group's share of the present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or the present value of the estimated future cash flows expected to arise from dividends to be received from the associate and from its ultimate disposal. An assessment is made at each balance sheet date to determine whether there is objective evidence that the associate may be impaired. If such evidence exists, an impairment loss is recognized in the consolidated income statement.

j) Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control that is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

Where a Group undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognized in the Group's financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognized when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group reports its interests in jointly controlled entities using the equity method of accounting, 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 joint ventures 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 joint venture, less any impairment in the value of individual investment.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of an associate.

Where the Group transacts with its jointly controlled entities, unrealized profits and losses are eliminated to the extent of the Group's interest in the joint venture.

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k) Property and equipment

The initial cost of property and equipment 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 property and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to 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 property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Property, plant and equipment 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 these property and equipment as follows:

	<u>Years</u>
Furniture and fixtures	5
Computer equipment & softwares	3
Office equipment	3

The useful life 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 property and equipment.

l) Intangible assets

Key money is stated at cost less accumulated amortization. Key money is amortized on a straight-line basis over 5 years.

m) Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the group reviews the carrying amounts of its tangible and intangible 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 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.

n) Goodwill

Goodwill arising on an acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of the acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities as at the date of the acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described under 'Investment in associates' in note 2(i).

Where there is an excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost, the Group is required to reassess the identification and measurement of the net identifiable assets and measurement of the cost of the acquisition and recognize immediately in the consolidated statement of income any excess remaining after that remeasurement.

o) Accounts payable

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

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p) Provision for end of service indemnity

Provision is made for amounts payable to employees under the Kuwaiti Labor Law in the private sector and employees' 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.

q) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

r) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of Sokouk and services in the ordinary course of the Group's activities. Revenue is shown net of returns, rebates and discounts and after eliminating sales within the Group.

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 customer, the type of transaction and the specifics of each arrangement.

Sale of Sokouk

Sales represent the total invoiced value of Sokouks sold during the year. Revenue from sale of Sokouks is recognized when the significant risks and rewards of ownership of Sokouk are transferred to the buyer.

Wakala income

Income of Wakala investment is accounted on a time proportion basis.

Dividend income

Dividend income is recognized when the group's right to receive payments is established.

Rent

Rental income is recognized, when earned, on a time apportionment basis.

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.

s) Borrowing costs

Borrowing costs are recognized in net profit or loss in the period in which they are incurred.

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t) Critical 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) Provision for doubtful debts

The determination of the recoverability of the amount due from customers and the factors determining the impairment of the receivable involve significant judgment.

(iii) Classification of investments

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

The Group classifies investments as "at fair value through statement of income" 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".

(iv) 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 judgment.

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b) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimating 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.

(ii) Impairment of Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the "value in use" of the asset or the cash-generating unit to which the goodwill is allocated. Estimating a value in use requires the Group to make an estimate of the expected future cash-flows from the asset or the cash-generating unit and also choose an appropriate discount rate in order to calculate the present-value of the cash-flows.

(iii) Provision for doubtful debts

The extent of provision for doubtful debts involves estimation process. Provision for doubtful debts is made when there is an objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified. The benchmarks for determining the amount of provision or write-down include ageing analysis, technical assessment and subsequent events. The provisions and write-down of accounts receivable are subject to management approval.

u) 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 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 the consolidated statement of income for the period. 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 investments available for sale are included in "cumulative changes in fair value" in the consolidated statement of changes in equity.

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The assets and liabilities of the foreign subsidiary are translated into Kuwaiti Dinars at rates of exchange prevailing at the 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 the consolidated income statement in the period 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.

v) 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.

w) Financial instruments

Financial assets and financial liabilities carried on the consolidated balance sheet include cash on hand and at banks, investment in murabaha and wakala, receivables, due from related parties, investments, due to related parties, accounts payables and murabaha 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. Interest, dividends, gains, and losses relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to 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.

x) Contingencies

Contingent liabilities are not recognized but disclosed in the consolidated financial statements 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.

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3. Investments at fair value through income statement

	<u>2008</u>	<u>2007</u>
Funds	-	13,075,514
	-	13,075,514

The carrying amounts of the above investments are classified as follows

	<u>2008</u>	<u>2007</u>
Held for trading	-	13,075,514
	-	13,075,514

The movement during the year is as follows:

	<u>2008</u>	<u>2007</u>
Balance at the beginning of the year	13,075,514	13,000,000
Additions	9,611,920	-
Disposals	(21,242,756)	-
Unrealized gain on investments at fair value through income statement (Note 23)	7,822	75,514
Reclassified to investments available for sale (Note 9)	(1,452,500)	-
Balance at the end of the year	-	13,075,514

4. Accounts receivable and other debit balances

	<u>2008</u>	<u>2007</u>
Trade receivables(a)	5,795,826	7,604,807
Less: Provision for doubtful debts (b)	(1,047,222)	-
	4,748,604	7,604,807
Staff receivables	18,433	14,299
Prepaid expenses	22,763	27,920
Accrued income	31,217	147,077
Refundable deposits	50	-
Other receivables	9,250	718
	4,830,317	7,794,821

The fair values of accounts receivable and other debit balances approximated their carrying values as at December 31, 2008.

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a) Trade receivables

Trade receivables that are less than 4 months past due are not considered impaired. As of December 31, 2008, trade receivables amounting to KD 575,690 were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	<u>2008</u>	<u>2007</u>
3 to 6 months	1,486,594	788,850
6 to 12 months	830,672	1,494,755
Over 1 year	2,431,338	5,321,202
	<u>4,748,604</u>	<u>7,604,807</u>

As of December 31, 2008, trade receivables amounting to KD 1,047,222 (2007: KD Nil) were impaired and provided for. The amount of the provision was KD1,047,222 as of December 31, 2008 (2007: Nil). The individually impaired receivables mainly relate to customers which are in unexpectedly difficult economic situations.

b) Provision for doubtful debts

The movement in the provision for bad and doubtful accounts were as follows:

	<u>2008</u>	<u>2007</u>
Provision for the year	1,047,222	-

Provisions, written off as uncollectible receivables and utilization of the provision for bad and doubtful debts are included in the consolidated statement of income.

c) The other classes within accounts receivable and other debit balances do not contain impaired assets. The maximum exposure to credit risk at the consolidated financial statements date is the fair value of each class of receivable mentioned above.

Trade receivables are represented as follows:

	<u>2008</u>	<u>2007</u>
<u>Current:</u>		
Trade receivables	2,766,244	3,114,003
Deferred profit	(448,979)	(830,398)
	<u>2,317,265</u>	<u>2,283,605</u>
<u>Non current:</u>		
Trade receivables	2,748,101	6,009,188
Deferred profit	(316,762)	(687,986)
	<u>2,431,339</u>	<u>5,321,202</u>
	<u>4,748,604</u>	<u>7,604,807</u>

The group preserves the deeds of the utilization rights that had been sold, as a guarantee of related amounts, and the deed is not transferred in the name of the buyer, until the settlement of the total amount.

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5. Sokouk utilization rights

Sokouk utilization rights represent the subsidiary company's ownership of real estate sokouk in the Kingdom of Saudi Arabia. Sokouk are a certificate or deed that entitles its holder the right to utilize a specific real estate property for a specific duration of time per year over a determined number of years. This right is wholly owned by the Sokouk investor who is entitled to sell, grant, inherit or invest the Sokouk.

The movement during the year is as follows:

	<u>2008</u>	<u>2007</u>
Balance at the beginning of the year	7,284,200	31,650,632
Addition / sales return	-	36,053
Disposals	-	(24,402,485)
Balance at the end of the year	<u>7,284,200</u>	<u>7,284,200</u>

6. Related party balances and transactions

The Group has entered into various transactions with related parties, i.e. shareholders, key management personnel, associates, joint ventures 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:

	<u>2008</u>	<u>2007</u>
<u>Assets:</u>		
Due from associates	42,803,501	8,447,035
Due from joint ventures	1,287,276	2,064,330
Due from major shareholders	-	9,400,000
Due from companies under common control	3,513,910	-
Due from other related parties	-	25,231
Total due from related parties	<u>47,604,687</u>	<u>19,936,596</u>
Cash with portfolios managers	74,601	195,531
Investment available for sale managed by related parties	2,005,810	-
Investments in Wakala	6,011,120	2,261,938
Purchase of investment in associates	-	58,797,662
<u>Liabilities:</u>		
Due to associates	-	11,631,486
Due to companies under common control	4,666,168	-
Due to unconsolidated subsidiaries	742,250	-
Due to other related parties	572,108	4,122
Total due to related parties	<u>5,980,526</u>	<u>11,635,608</u>
Murabaha payables	11,498,436	12,621,485

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Due from / to related parties are represented as follows:

	Current	Non current	2008	2007
Due from related parties	3,697,549	43,907,138	47,604,687	19,936,596
Due to related parties	1,701,319	4,279,207	5,980,526	11,635,608

Due from / to related parties mainly result from purchase and sale of Sokouk utilization rights and investments.

	2008	2007
Statement of income:		
Operating revenue	-	22,891,121
Operating cost	-	(17,271,306)
Gain from investments in Murabaha	280,603	-
Gain from investments in Wakala	417,444	-
Gain on sale of investment property	-	64,815
Gain on sale of investment in joint venture	954,928	-
Other operating income	1,108,179	1,618,713
Finance charges	(1,399,041)	(1,312,343)
General and administrative expenses	(32,393)	(384,890)

	2008	2007
Compensation to key management personnel		
Short term benefits and Board of Directors' remuneration	169,123	166,971
Termination benefits	17,629	9,091
	186,752	176,062

7. Investments in Murabaha

Investments in Murabaha represents deposits held with a Kuwaiti financial institutions, related parties, which has experience in fund investment management in local and international market. These investments earn an average annual rate of return of 8 %.

Investments in murabaha are presented as follows:

	2008	2007
Current:		
Investments in Murabaha	-	23,000,000

8. Investments in Wakala

Investments in Wakala represent a Wakala investment contract with Kuwaiti Financial Institutions – related parties. Investment earns an average variable rate of return with an average rate of return at 8.5 % per annum.

Investments in Wakala are presented as follows:

	2008	2007
Current:		
Investments in wakala	9,319,067	2,261,938
Provision for investment in wakala	(707,945)	-
	8,611,122	2,261,938

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9. Investments available for sale

	<u>2008</u>	<u>2007</u>
Quoted:		
Investments in funds & portfolios	2,314,640	-
Unquoted:		
Equity securities	3,664,106	4,172,707
	<u>5,978,746</u>	<u>4,172,707</u>

The movement during the year is as follows:

	<u>2008</u>	<u>2007</u>
Balance at the beginning of the year	4,172,707	4,080,126
Additions	9,146,995	362,143
Disposals	(3,415,404)	(102,752)
Reclassified from investments held for trading (Note 3)	1,452,500	-
Transferred to investment in Joint Ventures (Note 11)	(2,511,828)	-
Changes in fair value	31,112	(166,810)
Impairment loss (Note 23)	(2,897,336)	-
Balance at the end of the year	<u>5,978,746</u>	<u>4,172,707</u>

It was not possible to reliably measure the fair value of unquoted investments amounting to KD 3,664,106 (December 31, 2007 – KD 4,172,707) 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, if any.

Investments available for sale are denominated in the following currencies:

<u>Currency</u>	<u>2008</u>	<u>2007</u>
US Dollar	2,641,895	2,912,707
KD Dinar	3,028,021	1,260,000
EGP	308,830	-
	<u>5,978,746</u>	<u>4,172,707</u>

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10. Investment in associates

The investment in associates consists of the following:

Name of the associate	Country of Incorporation	Principal activities	Ownership percentage		2008	2007
			2008	2007		
MAS International Company for General Trading and Contracting-W.L.L.	Kuwait	General trading	-	40	-	3,334,848
ELAF Bank-B.S.C. (Closed)	Bahrain	Bank	15	15	7,976,113	8,435,123
Munshaat Real Estate Projects Company- K.S.C. (Closed)	Kuwait	Real estate	27.67	27.53	40,537,884	50,146,375
Mas Holding Company-K.S.C.	Kuwait	General trading	40	40	832,634	400,000
					<u>49,346,631</u>	<u>62,316,346</u>

The movement during the year was as follows:

	2008	2007
Balance at the beginning of the year	62,316,346	3,371,330
Acquisition of associates	3,903,945	58,797,662
Disposal of associates	(9,808,498)	-
Group's share of results from associates	3,161,038	589,104
Change in associates' equity	(824,231)	-
Cash dividend received from an associate	(773,950)	-
Foreign currency translation adjustments	94,869	(441,750)
Provision for impairment in value	(8,357,578)	-
Elimination of profit on inter company transactions	(365,310)	-
Balance at the end of the year	<u>49,346,631</u>	<u>62,316,346</u>

In accordance with international accounting standard 36 "Impairment of assets", the management has performed an impairment exercise using the value in use by taking into consideration the present value of the estimated future cash flows expected to be generated by the associate including the cash flows from the operations of the associate and proceeds on the ultimate disposal of the investment. The Group had accounted for an impairment loss of KD 8,357,578. The discount rate used to determine the present value of future cash flows is 13.6% being the cost of equity.

The market value of the Investment in Munshaat Real Estate Projects Company – K.S.C (Closed) at the balance sheet date is KD 7,483,917 (2007 – KD 40,081,600).

Goodwill amounting to KD 20,039,155 is included in the investment in Munshaat Real Estate Projects Co. K.S.C (Closed).

The auditors' report for the consolidated financial statements of Munshaat Real Estate Projects Company – K.S.C. (Closed) for the year ended December 31, 2008 included an emphasis of matter which was as follows:

The consolidated financial statements which indicates that the associate's current liabilities exceeded its current assets by KD 11,920,341. The associate is in discussion with lenders which include a significant shareholder for restructuring the liabilities. The management is confident of a positive outcome of the discussion.

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The investment in ELAF Bank – B.S.C (Closed) was recognized as an investment in associate even though it owns only 15% of the voting power, since the parent company has representative of 2 members in the associate's Board of Directors.

The group's share of results from associates comprise of:

	<u>2008</u>	<u>2007</u>
Share of results from associates	3,161,038	589,104
Excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost	1,034,983	-
	<u>4,196,021</u>	<u>589,104</u>

The excess of acquirer's interest in the net fair value of identifiable assets, liabilities and contingent liabilities at the date of acquisition over cost resulting from the purchase of additional shares in Munshaat Real Estate Projects Co. - K.S.C. (Closed) during the year is as follows:

	<u>KD</u>
Group's share of fair value of identifiable assets, liabilities and contingent liabilities at the date of acquisition	3,708,088
Less: consideration paid	(2,673,105)
Excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost	<u>1,034,983</u>

During the year, the group sold a part of its share in Munshaat Real Estate Project – K.S.C (Closed) resulting in a loss of KD 4,431,579.

The aggregate assets, liabilities, net assets, revenues and results of the following associates as of December 31, are as follows:

Name of the associate	Assets		Liabilities		Net Assets	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
MAS International Company for General Trading and Contracting – W.L.L.	-	24,417,211	-	20,456,494	-	3,960,717
ELAF Bank -B.S.C. (Closed)	53,537,813	59,559,064	363,723	599,185	53,174,090	58,959,879
Munshaat Real Estate Projects Company- K.S.C.C.	277,448,641	252,089,632	172,471,578	152,852,984	104,977,063	99,236,648
MAS Holding Company – K.S.C	18,167,926	-	15,846,722	-	2,321,204	-
	<u>349,154,380</u>	<u>336,065,907</u>	<u>188,682,023</u>	<u>173,908,663</u>	<u>160,472,357</u>	<u>162,157,244</u>

Name of the associate	Revenues		Results	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
MAS International Company for General Trading and Contracting – W.L.L.	-	2,248,440	-	(951,024)
ELAF Bank -B.S.C. (Closed)	2,059,937	2,757,279	641,134	1,467,878
Munshaat Real Estate Projects Company- K.S.C.C.	38,174,029	43,461,287	9,675,209	27,216,571
MAS Holding Company – K.S.C	4,506,370	-	997,022	-
	<u>44,740,336</u>	<u>48,467,006</u>	<u>11,313,365</u>	<u>27,733,425</u>

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11. Investment in Joint Ventures

The investment in joint ventures consists of the following:

Name of the joint venture	Country of Incorporation	Ownership Percentage %		2008	2007
		2008	2007		
Joint Venture – Zamzam Tower	Kuwait	-	45.94	-	28,450,759
Joint Venture – Al-Salmiya Hotel Project	Kuwait	74.25	24.25	9,769,811	2,883,382
Joint Venture – Qitaf GCC	Kuwait	17.15	-	2,474,608	-
				<u>12,244,419</u>	<u>31,334,141</u>

The movement during the year was as follows:

	2008	2007
Balance at the beginning of the year	31,334,141	15,711,905
Transferred from investments available for sale (Note 9)	2,511,828	-
Increase of investment in joint venture	17,743,034	-
Joint venture's capital increase	-	18,500,000
Group's share of results from joint ventures	(4,933,449)	(98,650)
Elimination of profit on intercompany transactions	(661,236)	(2,153,944)
Foreign currency translation adjustments	(622,647)	(625,170)
Disposals	(33,127,252)	-
Balance at the end of the year	<u>12,244,419</u>	<u>31,334,141</u>

The aggregate assets, liabilities, net assets, revenues and results of the following Joint Ventures as of December 31, are as follows:

Name of the joint venture	Assets		Liabilities		Net Assets	
	2008	2007	2008	2007	2008	2007
Joint Venture – Zamzam Tower	-	122,666,947	-	52,448,924	-	70,218,023
Joint Venture – Al-Salmiya Hotel Project	20,243,896	15,288,541	8,276,662	3,339,437	11,967,234	11,949,104
Joint Venture – Qitaf GCC	16,888,879	-	2,452,825	-	14,436,054	-
	<u>37,132,775</u>	<u>137,955,488</u>	<u>10,729,487</u>	<u>55,788,361</u>	<u>26,403,288</u>	<u>82,167,127</u>

Name of the joint venture	Revenue		Results	
	2008	2007	2008	2007
Joint Venture – Zamzam Tower	-	26,829,845	-	1,401,669
Joint Venture – Al-Salmiya Hotel Project	15,395	18,130	13,462	(57,792)
Joint Venture – Qitaf GCC	270,997	-	(170,988)	-
	<u>286,392</u>	<u>26,847,975</u>	<u>(157,526)</u>	<u>1,343,877</u>

During the year, the group sold its investment in Joint Venture – Zamzam Tower to a related party resulting in a gain of KD 954,928 and the group recognized its share of results from this joint venture till the date of sale.

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12. Investment in unconsolidated subsidiaries

The investment in unconsolidated subsidiaries consists of the following:

<u>Name of the subsidiary</u>	<u>Country of Incorporation</u>	<u>Ownership Percentage %</u>	<u>2008</u>	<u>Principal activities</u>
Sokouk Al-aqlemiya Trading Co. – W.L.L.	Kuwait	100	150,000	General Trading
Sokouk Al-Arabia Trading Co. – W.L.L.	Kuwait	100	150,000	General Trading
Sokouk Al-Owla Trading Co. – W.L.L.	Kuwait	100	150,000	General Trading
Sokouk Al-Kuwaitia Trading Co. – W.L.L.	Kuwait	100	150,000	General Trading
Sokouk Islamic Trading Co. – W.L.L.	Kuwait	100	150,000	General Trading
			<u>750,000</u>	

The Group has not accounted for its share of results in these unconsolidated subsidiaries since the subsidiaries have not yet commenced any operations till date.

The Group had not consolidated these investments since they are not considered material to the accompanying consolidated financial statements.

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13. Property and equipment

	Furniture and fixtures	Computer equipment & softwares	Office equipment	Total
Cost:				
At December 31, 2007	113,756	60,834	23,733	198,323
Additions	7,948	20,921	2,587	31,456
At December 31, 2008	121,704	81,755	26,320	229,779
Accumulated depreciation:				
At December 31, 2007	31,836	42,735	14,724	89,295
Charge for the year	24,234	17,667	5,369	47,270
At December 31, 2008	56,070	60,402	20,093	136,565
Net book value:				
At December 31, 2008	65,634	21,353	6,227	93,214
At December 31, 2007	81,920	18,099	9,009	109,028

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14. Accounts payable and other credit balances

	<u>2008</u>	<u>2007</u>
Trade payables	2,680	6,460
Accrued staff leave	37,038	43,026
Excess capital increase payable	2,419	11,771
Other accrued expenses	48,896	305,283
Dividends payable	24,258	50,689
Zakat Payable	9,406	5,329
KFAS payable	8,355	94,777
NLST payable	-	148,449
Board of Directors' remuneration	-	60,000
Payable to portfolio manager	1,376,828	-
	<u>1,509,880</u>	<u>725,784</u>

There is no material difference between the fair value and the book value of accounts payable and other credit balances.

15. Murabaha payables

The balance of Murabaha payables represent payments received from Islamic Financing Company. Murabaha payables carry an annual average charge from 5% to 10.5%.

	<u>2008</u>	<u>2007</u>
Murabaha payables	12,107,788	28,811,738
Deferred expenses	(609,352)	(3,137,980)
	<u>11,498,436</u>	<u>25,673,758</u>

Murabaha payables are presented as follows:

	<u>2008</u>	<u>2007</u>
Current:		
Murabaha payables	7,058,954	13,818,974
Non Current:		
Murabaha payables	4,439,482	11,854,784
	<u>11,498,436</u>	<u>25,673,758</u>

16. Provision for end of service indemnity

	<u>2008</u>	<u>2007</u>
Balance at the beginning of the year	69,242	39,828
Charge for the year	51,742	53,976
Paid during the year	(39,829)	(24,562)
Balance at the end of the year	<u>81,155</u>	<u>69,242</u>

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17. Capital

Authorized, issued and fully paid-up capital consist of 1,000,000,000 shares (2007 - 1,000,000,000 shares) of 100 fils each.

18. Statutory reserve

As required by the 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 the Advancement of Sciences (KFAS), National Labour Support Tax (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 equals 50% of the capital. This reserve is not available for distribution except in cases stipulated by Law and the Parent Company's Articles of Association. No statutory reserve has been provided for the year ended December 31,2008 due to group's losses incurred during the year.

19. Voluntary reserve

As required by 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 KFAS, NLST, Zakat and Board of Directors' remuneration is transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' General Assembly upon recommendation by the Board of Directors. No voluntary reserve has been provided for the year ended December 31,2008 due to group's losses incurred during the year.

20. Operating revenue and cost

Operating revenue and cost consist mainly of revenue and cost from sokouk utilization rights that were sold and bought during the year.

21. Other operating income

	<u>2008</u>	<u>2007</u>
Gain from financing activities	826,675	690,065
Commission income on sale of utilization rights	40,502	218,203
Income from consulting services	271,371	502,004
Management fees	796,306	814,114
Others	73,387	129,843
	<u>2,008,241</u>	<u>2,354,229</u>

22. General and administrative expenses

	<u>2008</u>	<u>2007</u>
Salaries and wages	444,957	374,283
Bonus	21,590	320,756
Other employees' benefits and allowances	154,021	134,512
Other general and administrative expenses	406,292	713,948
	<u>1,026,860</u>	<u>1,543,499</u>

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23. Net investment (Loss) income

	<u>2008</u>	<u>2007</u>
Unrealized gain from changes in fair value of investments at fair value through income statement (Note 3)	7,822	75,514
Realized gain from sale of investments at fair value through income statement	383,898	-
Impairment loss for investments available for sale (Note 9)	(2,897,336)	-
Dividend income from investments available for sale	8,968	-
Realized (loss) gain on sale of investments available for sale	(234,324)	18,380
	<u>(2,730,972)</u>	<u>93,894</u>

24. Contribution to Zakat

Contribution to Zakat is calculated at 1% of the profit of the Parent Company 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.

Contribution to Zakat has not been calculated for the year ended December 31, 2008 due to the group's losses incurred during the year.

25. Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)

Contribution to Kuwait Foundation for the Advancement of Sciences is calculated at 1% of the profit of the Parent Company after deducting its share of income from shareholding subsidiaries and associates and transfer to statutory reserve.

Contribution to KFAS has not been calculated for the year ended December 31, 2008 due to the group's losses incurred during the year.

26. National Labor Support Tax

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

National Labor Support Tax has not been calculated for the year ended December 31, 2008 due to current year losses.

27. Board of Directors' remuneration

The Board of Directors did not propose any board of directors' remuneration for the year ended December 31, 2008. This proposal is subject to the approval of the shareholders' General Assembly .

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28. (Loss) Earnings per share

There are no potential dilutive ordinary shares. The information necessary to calculate basic (loss) earnings per share based on the weighted average number of shares outstanding during the year is as follows:

	2008	2007
Net (loss) profit for the year attributable to equity holders of parent company	<u>(14,939,070)</u>	<u>6,152,436</u>
	<u>Shares</u>	<u>Shares</u>
<u>Number of shares outstanding:</u>		
Number of issued shares at the beginning of the year	1,000,000,000	300,000,000
Adjusted outstanding shares due to right issue	-	137,596,562
Weighted average number of shares outstanding	<u>1,000,000,000</u>	<u>437,596,562</u>
	<u>Fils</u>	<u>Fils</u>
(Loss) Earnings per share	<u>(14.94)</u>	<u>14.06</u>

29. Financial risk management

In the normal course of business, the Group uses primary financial instruments such as cash on hand and at banks, investments in murabaha and wakala, receivables, investments, accounts payable and murabaha payables 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) Rate of return risk

Financial instruments are subject to the risk of changes in value due to changes in the level of rate of return. The effective rate of return and the periods in which rate of return bearing financial assets and liabilities are repriced or mature are indicated in the respective notes. The Group currently does not have any exposure to such risks.

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 receivables and investments in murabaha and wakala. Receivables are presented net of allowance for doubtful debts. Credit risk with respect to receivables is limited due to the large number of customers and their dispersion across different industries.

The Group's maximum exposure arising from default of the counter-party is limited to the carrying amount of cash at banks, receivables, due from related parties, investments in murabaha and wakala.

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.

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The Group has translational currency exposure on account of significant investment in foreign operations.

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange between USD, AED, SAR, QAR, EGP and Kuwaiti Dinar.

Year	Increase / (Decrease) against KD	Effect on consolidated statement of income	Effect on consolidated changes in equity
2008			
USD	±5%	±2,685,891	±688,327
AED	±5%	±3,587	-
SAR	±5%	±3,369	-
QAR	±5%	±261	-
EGP	±5%	-	±15,441
2007			
USD	±5%	±1,159,903	±2,093,262
AED	±5%	±2,026	-
SAR	±5%	±497	-
QAR	±5%	±5	-

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 investments that are readily realizable.

Maturity Table for financial liabilities

2008

<u>Financial Liabilities</u>	<u>1 month</u>	<u>1-3 months</u>	<u>3-12 months</u>	<u>1-3 years</u>	<u>Total</u>
Accounts payable and other credit balances	-	674,000	835,880	-	1,509,880
Due to related parties	-	-	4,180,344	1,800,182	5,980,526
Murabaha payables	-	1,617,758	7,241,378	2,639,300	11,498,436
Total	-	2,291,758	12,257,602	4,439,482	18,988,842

2007

<u>Financial Liabilities</u>	<u>1 month</u>	<u>1-3 months</u>	<u>3-12 months</u>	<u>1-3 years</u>	<u>Total</u>
Accounts payable and other credit balances	19,478	427,576	278,730	-	725,784
Due to related parties	-	262,323	8,260,969	3,112,316	11,635,608
Murabaha payables	-	11,122,627	2,696,347	11,854,784	25,673,758
Total	19,478	11,812,526	11,236,046	14,967,100	38,035,150

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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 'at fair value through profit or loss' and '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		
	Change in equity price %	Effect on consolidated statement of changes in equity	Change in equity price %	Effect on consolidated statement of income	Effect on consolidated statement of changes in equity
Funds	±5	±298,937	±5	±653,776	±208,635

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 current bid prices, discounted cash flow models and other models as appropriate. At December 31, the fair values of financial instruments approximate their carrying amounts, except that it was not possible to reliably measure the fair value of unquoted available-for-sale investments as indicated in Note 9.

30. 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 stockholders 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, return paid up capital 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
Murabaha Payables	11,498,436	25,673,758
Less : cash on hand and at banks	(2,138,107)	(1,524,732)
Net debt	9,360,329	24,149,026
Total equity	120,003,946	134,904,131
Total capital resources	129,364,275	159,053,157

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31. Capital commitments and contingent liabilities

The Group had capital commitments in respect of future capital expenditure related to the construction of a hotel in a joint venture and capital commitments in respect of construction cost in an associate, and a contingent liabilities in respect of bank guaranties in an associate as follows:

	<u>2008</u>	<u>2007</u>
Capital commitments	6,230,437	4,258,415
Contingent liabilities	151,618	-
	<u>6,382,055</u>	<u>4,258,415</u>

32. Proposed dividend and bonus shares

The Board of Directors did not propose any cash dividends or bonus shares for the year ended December 31,2008. This proposal is subject to the approval of the shareholders' General Assembly.

The Shareholders' General Assembly held on April 1,2008 approved non distribution of dividends for the year ended December 31, 2007.

The shareholders' General Assembly held on April 16, 2007 approved the cash dividends of 12 fils per share for the year ended December 31, 2006.

33. Subsequent events

The group is exposed to equity price risk with respect to its equity investments. Equity investments are classified as available for sale(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 April 6,2009 , and its approximate impact on the group for investments available for sale amount to KD 445,860.

34. Comparative figures

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