

**The Investment Dar Company K.S.C. (Closed)
and its subsidiaries
State of Kuwait**

**Consolidated Financial Statements
and
Independent Auditors' Report**

Year ended 31 December 2008

The Investment Dar Company K.S.C. (Closed)
and its subsidiaries
State of Kuwait

Consolidated Financial Statements and
Independent Auditors' Report

Year ended 31 December 2008

C o n t e n t s

	Pages
Independent Auditors' Report	1 – 2
Consolidated Balance Sheet	3
Consolidated Statement of Income	4
Consolidated Statement of Changes in Equity	5 – 6
Consolidated Statement of Cash Flows	7
Notes to the Consolidated Financial Statements	8 – 45

The Investment Dar Company K.S.C. (Closed)

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

Report on the Consolidated Financial Statements

We were engaged to audit the accompanying consolidated financial statements of The Investment Dar Company KSC (Closed), (the "Parent Company") and its subsidiaries (together "the Group"), which comprise the consolidated balance sheet as of 31 December 2008, and the consolidated statement of income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. We were not engaged to audit subsidiaries and associates with aggregate assets of KD 596,364,596 (2007: KD 462,291,109) aggregate liabilities of KD 17,769,817 (2007: KD 1,679,599) and aggregate net profit of KD 60,909,791 (2007: KD 84,101,018) included in these consolidated financial statements. Those financial statements were audited by other auditors except for assets of KD 14,572,512 and net profit of KD 14,569,850 which are unaudited.

Management's Responsibility for the Consolidated Financial Statements

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

Basis of Disclaimer

As disclosed in notes 2 and 16 to the consolidated financial statements, on 8 October 2008 the Parent Company defaulted on the repayment of a Wakala facility and subsequently suspended all principal repayment and related profit payments to creditors (banks, financial institutions and others) falling due after the default date. This debt repayment default triggered the cross default provisions within the documentation of the Group's other debt obligations, consequently resulting in default of its entire debt obligations. Certain creditors have also filed legal action in Kuwaiti courts, including that for winding up of the Parent Company for recovery of amounts due from the Group. Furthermore, the Group incurred a net loss of approximately KD 80 million for the year ended 31 December 2008 and is in breach of the covenants in the agreements signed with these fund providers, triggering immediate debt repayment obligations. The Group is actively, engaged with these fund providers to restructure its debt obligations and the ability of the Group to continue as a going concern is critically dependent on a successful outcome of these discussions. We have not been able to obtain sufficient, reliable audit evidence to determine whether the Group will be able to reach an agreement to restructure its debt obligations.

The Investment Dar Company K.S.C. (Closed)
State of Kuwait

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS (Continued)

As disclosed in note 12 to the consolidated financial statements the Group has filed legal action in Kuwait, against a local bank, for recovery of its ownership in an investment in a Kuwaiti bank listed on the Kuwait Stock Exchange and classified within investment in associates, carried at approximately KD 142 million in these consolidated financial statements. The carrying amount of the related Wakala payable in these consolidated financial statements is approximately KD 75 million. We have not been able to obtain sufficient reliable audit evidence to determine whether, any adjustments may be necessary to the consolidated financial statements, as a result, of this matter.

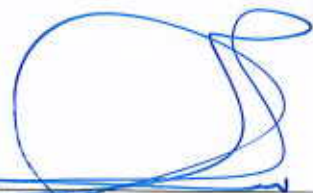
Disclaimer

Because of the significance of the matters discussed in the preceding basis of disclaimer paragraphs, we do not express an opinion on the consolidated financial statements.

Report on Other Legal and Regulatory Requirements

In our opinion, proper books of accounts have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Commercial Companies Law of 1960, as amended, and by the Parent Company's Articles of Association, that an inventory count 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, or of the Parent Company's 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.

We further report that, during the course of our audit, we have not become aware of any material violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organization of banking business, and its related regulations, during the year ended 31 December 2008, except as disclosed in note 7 regarding Murabaha and Wakala placements with a related party, which exceeds the credit concentration limit stipulated by the Central Bank of Kuwait.



Bader A. Al-Wazzan
License No. 62A
Deloitte & Touche
Al-Fahad, Al-Wazzan & Co.



Safi A. Al-Mutawa
License No. 138 - A
of KPMG Safi Al-Mutawa & Partners
Member firm of KPMG International

Kuwait
13 April 2010

The Investment Dar Company K.S.C. (Closed)
and its subsidiaries

Consolidated Balance Sheet as of 31 December 2008

	Note	Kuwaiti Dinars	
		2008	2007 (Restated)
Assets			
Cash and cash equivalents	4	15,170,243	33,385,657
Investments at fair value through profit or loss	5	72,830,075	81,731,132
Investments available for sale	6	17,053,007	141,945,095
Murabaha and Wakala placements	7	115,289,958	173,373,360
Financing receivables	8	82,950,271	130,326,831
Other receivables	9	62,502,826	98,739,179
Investment properties	10	74,705,498	113,404,245
Land and real estate under development	11	60,075,841	3,580,927
Investments in associates	12	668,878,806	461,235,476
Intangible assets and goodwill	13	9,415,492	13,029,069
Property and equipment	14	21,659,414	8,867,825
Total assets		1,200,531,431	1,259,618,796
Liabilities and equity			
Liabilities			
Accounts payable	15	34,008,486	54,464,425
Murabaha and Wakala payables	16	912,758,216	760,341,543
Islamic Sukuk	17	50,585,198	55,859,747
Employees' end of service indemnity		1,766,604	1,323,763
Total Liabilities		999,118,504	871,989,478
Equity			
Equity attributable to the shareholders of the Parent Company			
Share capital	18	95,415,110	76,332,088
Share premium	18	116,968,443	116,968,443
Treasury shares	18	(45,224,360)	(33,019,929)
Statutory reserve	18	37,044,566	37,044,566
Voluntary reserve	18	32,861,570	37,044,566
General reserve	18	15,000,000	15,000,000
Change in fair value reserve	18	(13,692,850)	(1,992,181)
Foreign currency translation reserve	18	(50,545,318)	(14,531,494)
Actuarial reserve	18	(1,686,873)	-
Gain on sale of treasury shares	18	2,137,355	2,314,517
(Accumulated losses)/ retained earnings		(19,808,075)	114,447,376
Total		168,469,568	349,607,952
Minority interest		32,943,359	38,021,366
Total Equity		201,412,927	387,629,318
Total Liabilities and Equity		1,200,531,431	1,259,618,796

The accompanying notes 1 to 34 form an integral part of these consolidated financial statements.



Adnan A. Al-Musallam
Chairman and Managing Director

Consolidated Statement of Income for the year ended 31 December 2008

	Note	Kuwaiti Dinars	
		2008	2007 (Restated)
Revenues			
Financing income		27,062,180	27,620,714
Investment (losses)/ income	19	(9,273,904)	63,482,524
Investment services revenue	20	3,765,348	4,582,361
Land and real estate revenue	21	6,578,072	37,148,959
Group's share of associates' results	12	72,811,824	78,837,928
Foreign exchange (losses)/ gains		(1,024,310)	10,484,980
Other income	22	4,279,595	2,173,349
		<u>104,198,805</u>	<u>224,330,815</u>
Expenses and other charges			
Finance cost		72,167,821	61,435,600
General and administrative expenses	23	20,349,133	21,601,762
Provision for impairment - financing receivables	8	1,371,010	378,687
Provision for impairment - other financial assets	24	88,135,198	3,006,068
Depreciation and amortization		2,488,903	1,490,870
Contribution to Kuwait Foundation for the Advancement of Science		-	966,235
National Labor Support Tax		-	3,185,739
Zakat expense		-	77,874
Board of Directors' remuneration		-	150,000
		<u>184,512,065</u>	<u>92,292,835</u>
Net (loss)/ profit for the year		<u>(80,313,260)</u>	<u>132,037,980</u>
Attributable to:			
Shareholders of the Parent Company		(78,608,280)	129,780,212
Minority interest		(1,704,980)	2,257,768
		<u>(80,313,260)</u>	<u>132,037,980</u>
(Losses)/ earnings per share attributable to the shareholders of the Parent Company (fils)	25	<u>(87.45)</u>	<u>140.58</u>

The accompanying notes 1 to 34 form an integral part of these consolidated financial statements.

The Investment Dar Company K.S.C. (Closed)
and its subsidiaries

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

	Kuwaiti Dinars							
	Equity attributable to the shareholders of the Parent Company						Minority interest	Total equity
	Share capital	Share premium	Treasury shares	Reserves	Retained earnings	Total		
Balance as of 1 January 2007 (as previously stated)	71,006,593	116,968,443	(9,794,002)	75,440,099	55,518,993	309,140,126	64,487,161	373,627,287
Adjustments	-	-	-	(436,243)	(4,581,947)	(5,018,190)	-	(5,018,190)
Balance as of 1 January 2007 (restated)	71,006,593	116,968,443	(9,794,002)	75,003,856	50,937,046	304,121,936	64,487,161	368,609,097
Effect of acquisition of an associate	-	-	-	(9,825,540)	5,721,214	(4,104,326)	-	(4,104,326)
Change in fair value of investments available for sale (restated)	-	-	-	(3,267,319)	-	(3,267,319)	-	(3,267,319)
Foreign currency translation losses	-	-	-	(15,206,637)	-	(15,206,637)	-	(15,206,637)
Gain on sale of treasury shares	-	-	-	2,126,382	-	2,126,382	-	2,126,382
Zakat for 2006 from subsidiaries	-	-	-	-	(1,679,508)	(1,679,508)	-	(1,679,508)
Zakat for 2006	-	-	-	(3,988,024)	-	(3,988,024)	-	(3,988,024)
Total (losses)/ profit recognized directly in equity	-	-	-	(30,161,138)	4,041,706	(26,119,432)	-	(26,119,432)
Net profit for the year (restated)	-	-	-	129,780,212	129,780,212	129,780,212	2,257,768	132,037,980
Total (losses)/ profit recognized during the year (restated)	-	-	-	(30,161,138)	133,821,918	103,660,780	2,257,768	105,918,548
Cash dividends for year 2006	-	-	-	-	(34,948,837)	(34,948,837)	-	(34,948,837)
Bonus shares for year 2006	5,325,495	-	-	-	(5,325,495)	-	-	-
Purchase of treasury shares	-	-	(27,081,833)	-	-	(27,081,833)	-	(27,081,833)
Sale of treasury shares	-	-	25,486,190	-	-	25,486,190	-	25,486,190
Treasury shares owned by associates	-	-	(21,630,284)	-	-	(21,630,284)	-	(21,630,284)
Transferred to reserves	-	-	-	30,037,256	(30,037,256)	-	-	-
Net movement in investments in subsidiaries	-	-	-	-	-	-	(28,723,563)	(28,723,563)
Balance as of 31 December 2007	76,332,088	116,968,443	(33,019,929)	74,879,974	114,447,376	349,607,952	38,021,366	387,629,318

The accompanying notes 1 to 34 form an integral part of these consolidated financial statements.

The Investment Dar Company K.S.C. (Closed)
and its subsidiaries

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

	Kuwaiti Dinars						Total equity
	Equity attributable to the shareholders of the Parent Company						
	Share capital	Share premium	Treasury shares	Reserves	(Accumulated losses)/ retained earnings	Total	
Balance as of 1 January 2008 (as previously stated)	76,332,088	116,968,443	(11,389,645)	75,205,217	115,115,427	372,231,530	410,252,896
Adjustments (Note 34)	-	-	(21,630,284)	(325,243)	(668,051)	(22,623,578)	(22,623,578)
Balance as of 1 January 2008 (restated)	76,332,088	116,968,443	(33,019,929)	74,879,974	114,447,376	349,607,952	387,629,318
Effect of acquisition of associates (Note 12)	-	-	-	4,125,336	18,909,188	23,034,524	23,034,524
Change in fair value of investments available for sale	-	-	-	(15,826,005)	-	(15,826,005)	(15,826,005)
Foreign currency translation losses	-	-	-	(36,013,824)	-	(36,013,824)	(36,013,824)
Actuarial losses	-	-	-	(1,686,873)	-	(1,686,873)	(1,686,873)
Gain on sale of treasury shares	-	-	-	(177,162)	-	(177,162)	(177,162)
Zakat for 2007 from subsidiaries	-	-	-	-	(2,551,748)	(2,551,748)	(2,551,748)
Zakat for 2007	-	-	-	(4,182,996)	-	(4,182,996)	(4,182,996)
Total (losses)/ profit recognized directly in equity	-	-	-	(53,761,524)	16,357,440	(37,404,084)	(37,404,084)
Net loss for the year	-	-	-	-	(78,608,280)	(78,608,280)	(80,313,260)
Total losses recognized during the year	-	-	-	(53,761,524)	(62,250,840)	(116,012,364)	(117,717,344)
Cash dividends for year 2007	-	-	-	-	(52,921,589)	(52,921,589)	(52,921,589)
Bonus shares for year 2007	19,083,022	-	-	-	(19,083,022)	-	-
Purchase of treasury shares	-	-	(16,229,189)	-	-	(16,229,189)	(16,229,189)
Sale of treasury shares	-	-	17,387,312	-	-	17,387,312	17,387,312
Treasury shares owned by associates	-	-	(13,362,554)	-	-	(13,362,554)	(13,362,554)
Net movement in investments in subsidiaries	-	-	-	-	-	-	(3,373,027)
Balance as of 31 December 2008	95,415,110	116,968,443	(45,224,360)	21,118,450	(19,808,075)	168,469,568	201,412,927

The accompanying notes 1 to 34 form an integral part of these consolidated financial statements.

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

	Note	Kuwaiti Dinars	
		2008	2007 (Restated)
Cash flows from operating activities			
Net (loss)/ profit for the year		(80,313,260)	132,037,980
Adjustments:			
Murabaha and Wakala placements income		(12,964,028)	(10,459,898)
Gain on sale of investments available for sale	19	(2,065,472)	(1,025,616)
Loss/ (gain) on sale of shares in associates	19	2,052,915	(998,634)
Loss/ (gain) on sale of subsidiaries	19	31,852	(50,630,563)
Dividend income	19	(1,817,288)	(1,886,918)
Gain on sale of land and real estate under development and investment properties	21	(4,180,164)	(21,355,569)
Impairment losses on real estate under development	21	3,307,112	-
Change in fair value of investment properties	21	(5,274,287)	(15,042,755)
Group's share of associates' results	12	(72,811,824)	(78,837,928)
Foreign exchange gains		(2,386,963)	(4,255,679)
Finance cost		72,167,821	61,435,600
Provision for impairment - financing receivables	8	1,371,010	378,687
Provision for impairment - other financial assets	24	88,135,198	3,006,068
Depreciation and amortization		2,488,903	1,490,870
Employee's end of service indemnity		654,086	679,716
Operating (losses)/ income before changes in operating assets and liabilities		(11,604,389)	14,535,361
Investments at fair value through profit or loss		8,901,057	(2,355,647)
Financing receivables		46,005,550	(29,970,286)
Other receivables		28,418,663	(21,494,857)
Accounts payable		(28,888,430)	124,869,913
Payment of employees end of service indemnity		(211,245)	(184,127)
Net cash generated from operating activities		42,621,206	85,400,357
Cash flows from investing activities			
Murabaha and Wakala placements		45,424,968	(114,929,132)
Murabaha and Wakala income received		12,964,028	10,459,898
Net payment for purchase of investment in associates		(109,850,049)	(305,236,315)
Net (payment for purchase)/ proceeds from sale of investments available for sale		(6,453,100)	57,016,261
Net proceeds from sale of subsidiaries		-	80,621,916
Dividend income received		1,817,288	1,886,918
Net (payment for purchase)/ proceeds from sale of investment properties		(15,116,393)	53,647,676
Net payment for purchase of land and real estate under development		(1,230,584)	(20,837,946)
Payments for purchase of intangible assets		(3,250,008)	(671,237)
Payment for purchase of property and equipment		(9,059,342)	(3,853,485)
Net cash used in investing activities		(84,753,192)	(241,895,446)
Cash flows from financing activities			
Net receipts from Murabaha and Wakala payables		148,860,768	167,355,993
Net payments to Islamic Sukuk		(4,930,914)	(8,216,792)
Finance cost paid		(66,397,374)	(50,524,936)
Payment for purchase of treasury shares		(16,229,189)	(27,081,833)
Proceeds from sale of treasury shares		17,210,150	27,612,572
Cash dividends paid		(51,223,842)	(34,789,599)
Net cash generated from financing activities		27,289,599	74,355,405
Net change in minority interest		(3,373,027)	1,314,033
Net decrease in cash and cash equivalents		(18,215,414)	(80,825,651)
Cash and cash equivalents at beginning of the year		33,385,657	114,211,308
Cash and cash equivalents at end of the year	4	15,170,243	33,385,657

The accompanying notes 1 to 34 form an integral part of these consolidated financial statements.

1. Incorporation

The Investment Dar Company is a Closed Kuwaiti Shareholding Company ("The Parent Company") established in Kuwait in 1994 and is registered as an investment company with the Central Bank of Kuwait from 27 August 1995. The shares of the Parent Company were listed on the Kuwait Stock Exchange in April 1999. The Parent Company's registered office is in Kuwait Re-Insurance Tower, Building 2, Block 5, Sharq, Kuwait.

The activities of the Parent Company and its principal subsidiaries listed in note 28 (together referred to as "the Group") are carried out in accordance with Noble Islamic Sharia'a Principles.

The principal activities of the Group are investment management; land and real estate trading, development, and management; consumer financing and portfolio management. The Group's financing activities for motor vehicles and real estate properties to consumers are based on Musawama, Murabaha, Ijara and Wakala contracts.

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 13 April 2010 and are subject to the approval of the Parent Company's shareholders at their annual general assembly meeting.

2. Fundamental accounting concept

In January 2009, the Parent Company appointed an independent financial advisor to manage a debt restructuring plan as the Group's short term liabilities as of 31 December 2008 significantly exceeded the assets that can be realised in the short term, due to the Parent Company's defaulting on its debt obligations to fund providers (banks, financial institutions and others) in October 2008. Furthermore, the Group incurred a net loss of KD 80,313,260 (2007: profit of KD 132,037,980) for the year ended 31 December 2008 and debt covenants have been breached.

Certain creditors have appointed their independent advisor and have also filed lawsuits against the Parent Company, including that for its winding up, for recovery of their principal and profit share. These legal cases are still in court until the date of issue of these consolidated financial statements. The Group is negotiating with creditors for the withdrawal of these law suits as part of the debt restructuring negotiations.

The value of the Group's investments in an associate, engaged in development of an investment property in the UK, whose carrying value in these consolidated financial statements is KD 18 million (2007: KD 21 million) approximately, is contingent on its ability to meet maturing debt obligations, refinance them on maturity and to raise additional finance required to complete the development. The ability of this associate to meet capital commitments is also contingent on the Group's financial support. The unqualified auditor's report on the financial statements of this associate for the year ended 31 December 2008 includes an emphasis of matter regarding a material uncertainty that may cast a significant doubt about this associate's ability to continue as a going concern. Furthermore, the underlying assets of this associate are pledged as collateral to banks for borrowings from banks as of 31 December 2008.

The ability of the Group and this associate to continue as a going concern is dependent on the rescheduling of the terms of obligations with the lenders (ie, the restructuring of profit bearing payables from short term to medium/long term payables), continued support from shareholders and future profitability which is dependent on adoption and implementation of a restructuring plan currently in discussions with the majority of the Group's lending banks/ financial institution and other creditors, as disclosed in note 16 to these consolidated financial statements.

Notes to the Consolidated Financial Statements for the year ended 31 December 2008

The auditor's report on the consolidated financial statements of The Investment Dar Bank Bahrain BSC (TID Bank "B.S.C.") for the year ended 31 December 2008 has been modified with an emphasis of matter paragraph which discloses the existence of a material uncertainty which may cast significant doubt about its ability to continue as a going concern due to difficulties in recovering significant balances placed with the Parent Company and its related entities and court cases filed by investors disclosed in note 16. The approximate carrying amounts of assets, liabilities and loss of TID Bank (B.S.C.) included in these consolidated financial statements are KD 60.10 million, KD 13 million and KD (9.00) million respectively (2007: KD 41.2 million, KD 0.1 million, and KD 0.1 million). Subsequent to the balance sheet date, the Bahraini High Civil Court ruled that Bahraini courts do not have jurisdiction over these court cases.

From 8 October 2008, based on Shari'a principles, the Group has not accrued for the profit share payable on matured Murabaha and Wakala payables pending finalisation of the debt restructuring plan. This was approved by the Parent Company's Sharia'a Committee in the year 2009.

As of the date of these consolidated financial statements, the Board of Directors of the Parent Company are considering the debt restructuring options and discussions are ongoing with the lending banks/ financial institutions and other creditors (collectively the lenders) and no definitive restructuring arrangements have been reached. Group management has prepared these consolidated financial statements and that of TID Bank (B.S.C.) on the going concern concept of accounting on the basis that, discussions with lenders on the restructuring plan will have a positive outcome and that the Parent Company's shareholders will support a resolution to continue the Group's business.

In March 2010, a Kuwaiti court granted the Parent Company protection from creditors in accordance with Law No. 2 "Financial Stability Law" for the year 2009.

Had the going concern basis not been used, adjustments would have been necessary to restate the recorded amounts of assets and liabilities as of 31 December 2008, to reflect the fact that the Group may be required to realise its assets and extinguish its liabilities as of that date, other than in the normal course of business, at amounts different from those stated in these consolidated financial statements.

3. Basis of preparation and significant accounting policies

3.1 Basis of preparation

These consolidated financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as adopted for use in the State of Kuwait for financial institutions regulated by the Central Bank of Kuwait (CBK). These regulations require adoption of all IFRS except for the IAS 39 requirements for general provisions, which have been replaced by the Central Bank of Kuwait's requirements for a minimum general provision as described in note 3.5. These consolidated financial statements are prepared under the historical cost basis of measurement as modified by the revaluation at fair value of financial assets held as "at fair value through profit or loss" or "available for sale", investment properties and derivative financial instruments.

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosure of contingent assets and contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. It also requires management to exercise its judgment in the process of applying the accounting policies.

The areas involving a high degree of judgment or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in notes 2 and 30.

The consolidated financial statements are presented in Kuwaiti Dinars, which is the Parent Company's functional and presentation currency.

3.2 Changes in accounting policies

The accounting policies used to present these consolidated financial statements are consistent with those used in the previous year.

New accounting standards and interpretations that are not yet effective and have not been early adopted by the Group:

IAS 1	- (Amended) - Presentation of Financial Statements (effective from 1 January 2009)
IAS 16	- (Amendments) - Property, Plant and Equipment (effective from 1 January 2009)
IAS 19	- Employee Benefits (effective from 1 January 2009)
IAS 24	- Related Party Disclosures (revised 2009) (effective from 1 January 2011)
IAS 27	- Consolidated and Separate Financial Statements (amended in 2008) (effective from 1 July 2009)
IAS 28	- (Amendments) - Investments in Associates (effective from 1 January 2009)
IAS 36	- (Amendments) - Impairment of Assets (effective from 1 January 2009)
IAS 38	- (Amendments) - Intangible assets (effective from 1 January 2009)
IAS 40	- (Amendments) - Investment property (effective from 1 January 2009)
IFRS 3	- (Revised) Business Combinations (effective from 1 July 2009)
IFRS 8	- Operating Segments (effective from 1 January 2009)
IFRS 9	- Financial Instruments (effective from 1 January 2009)
IFRIC 13	- Customer Loyalty Programmes (effective from 1 July 2009)

The adoption of IAS 1, IFRS 8, IAS 40 and IFRS 9 will result in amendments to the presentation of the consolidated financial statements of the Group as follows:

IAS 1 Presentation of Financial Statements (revised)

The revised Standard requires only owner changes in equity to be presented in the statement of changes in equity. All non-owner changes in equity (ie; comprehensive income) are required to be presented separately from owner changes in equity in a performance statement (statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the statement of changes in equity.

IFRS 8 Operating Segments

The new standard which replaced IAS 14 "Segment Reporting" requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker.

IAS 40 Investment property (revised)

The revised Standard applies to property that is under construction or development for future use as investment property and allows such property to be measured at fair value except where fair value is not reliably measurable.

The Group will adopt these new standards and amendments to other standards from their effective date. Except for the IAS 40 and IFRS 8 amendments their adoption is not expected to have a material impact on the consolidated financial statements of the Group.

IFRS 9 Financial Instruments

IFRS 9 is the first standard issued as part of a wider project to replace IAS 39. The new standard retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply.

Directors of the Parent Company are in the process of assessing the impact of the adoption of IFRS 9 on the Parent Company's financial instruments.

3.3 Consolidation

Subsidiaries are those enterprises, including special purpose entities, controlled by the Group. Control exists when the Group 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 on a line-by-line basis, from the date on which control is transferred to the Group until the date that control ceases.

Minority interest in an acquiree is stated at the minority's proportion of the net fair value of the identifiable assets, liabilities and contingent liabilities at the acquisition date and the minority's share of changes in the equity since the date of acquisition. Equity and net income attributable to minority shareholders' interests are shown separately in the balance sheet and statement of income respectively. Minority interest is classified as financial liability to the extent there is an obligation to deliver cash or another financial asset to settle the minority interest.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances based on latest audited financial statements or audited financial information of the subsidiaries. All intra group balances, transactions, income and expenses are eliminated in full. Unrealised losses resulting from inter-company transactions are also eliminated unless cost cannot be recovered.

The subsidiaries' financial statements are prepared either to the Group's reporting date or to a date not earlier than three months of the Group's reporting date using consistent accounting policies. Where practicable, adjustments are made for the effects of significant transactions or other events that occur during the period from the reporting date of the subsidiary until the Group's reporting date.

3.4 Cash and cash equivalents

Cash on hand, demand and time deposits with banks whose original maturities do not exceed three months are classified as cash and cash equivalents in the consolidated statement of cash flows.

3.5 Financial instruments - Classification, recognition, de-recognition and measurement

In the normal course of business the Group uses financial instruments, principally cash, Murabaha and Wakala placements, financing receivables, investment in equity securities, payables, Murabaha and Wakala payables, Islamic Sukuk and financial derivatives.

Classification

In accordance with IAS 39, the Group classifies financial instruments as "at fair value through profit or loss", "loans and receivables" or "available for sale". Financial liabilities are classified as "other than at fair value through profit or loss". Management determines the appropriate classification of each instrument at the time of acquisition.

At fair value through profit or loss

Financial assets "at fair value through profit or loss" are further divided into two sub categories: "held for trading" and "designated at fair value through profit or loss at inception". A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if they are managed and their performance is evaluated and reported internally on a fair value basis in accordance with a documented investment strategy approved by the Group's management.

Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

The Group offers Sharia'a compliant products and services only, such as Musawama, Murabaha, Ijara, and Wakala which are classified as financing receivables. The amount due is settled either by installments or on a deferred payment basis.

Notes to the Consolidated Financial Statements for the year ended 31 December 2008

Murabaha and Musawama are the sale of commodities and real estate at cost plus an agreed profit mark up whereby the seller informs the purchaser of the price at which he purchases the product and also stipulates an amount of profit.

Wakala is an agreement whereby the Group provides a sum of money to a customer under an agency arrangement, who invests it according to specific conditions in return for a fee. The agent is obliged to return the amount in case of default, negligence or violation of any terms and conditions of the Wakala.

Available for sale

These are non-derivative financial assets not included in any of the above classifications and are principally acquired to be held for an indefinite period of time; which may be sold in response to needs for liquidity or changes in rates of return or equity prices.

Financial liabilities other than at fair value through profit or loss

Financial liabilities which are not held for trading are classified as "other than at fair value through profit or loss". They are created by Wakala, Murabaha contracts and Sukuk contracts. These are agreements whereby the Group agrees to provide a certain rate of return for the transactions entered on behalf of the investors.

Recognition and de-recognition

A financial asset or a financial liability is recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset is de-recognized (in whole or in part) where:

- the rights to receive cash flows from the assets have expired, or
- 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 either (a) has 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.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where 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 de-recognition of the original liability and the recognition of a new liability.

All regular way purchases and sales of financial assets are recognised on the trade date (which is the date that the Group commits to deliver or receive the asset). Changes in fair value between the trade date and settlement date are recognised in the statement of income, or in equity in accordance with the policy applicable to the related instrument. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the market place.

Measurement

All financial instruments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Transaction costs are included only for those financial instruments that are not measured at fair value through profit or loss. Transaction costs on financial assets classified as investments at fair value through profit or loss are recognised in the statement of income.

Notes to the Consolidated Financial Statements for the year ended 31 December 2008

On subsequent re-measurement, financial assets classified as "at fair value through profit or loss" are carried at fair value with resultant unrealised gains or losses arising from changes in fair value included in the statement of income. "Loans and receivables" are carried at amortised cost using the effective yield method less any provision for impairment. Losses arising from impairment are recognized in the statement of income. Those classified as "available for sale" are subsequently measured and carried at fair values. Unrealised gains and losses arising from changes in fair value of financial assets classified as "available for sale" are taken to fair valuation reserve in equity. When the "available for sale" asset is disposed of, or impaired, the related accumulated fair value adjustments previously recognised in equity are transferred to the statement of income as realized gains or losses.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted instruments are measured at cost less impairment loss, if any. "Financial liabilities other than at fair value through profit or loss" are carried at amortised cost using the effective yield method.

Derivatives are subsequently re-measured at their fair value. Derivatives with positive fair values (unrealised gains) are included in other receivables and derivatives with negative fair values (unrealised losses) are included in accounts payable in the balance sheet.

Financial liabilities other than those classified at fair value through profit or loss are remeasured at its amortized cost by using effective yield rate.

Fair values

Fair values of quoted instruments are based on quoted closing bid prices. Fair values for unquoted instruments are based on net asset values provided by fund managers or are estimated using applicable price/earnings or price/cash flow ratios refined to reflect the specific circumstances of the issuer. The fair value of investments in mutual funds, unit trusts or similar investment vehicles are based on the last published bid price.

The fair value of unquoted financial instruments is determined by reference to the market value of a similar investment, or the expected discounted cash flows, brokers' quotes, or other appropriate valuation models.

The fair value of financial instruments carried at amortised cost is estimated by discounting future cash flows at the current market rate of return for similar financial instruments.

The fair value of a financial derivative is the equivalent of the unrealised gain or loss from marking to market the derivative using prevailing market rates or internal pricing models.

Impairment and uncollectibility of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset or a group of similar financial assets may be impaired as a result of one or more events that occurred after the initial recognition of those assets and that event has an impact on the estimated future cash flows of the financial asset or group of financial assets, that can be reliably measured. If such evidence exists, any impairment loss is recognised in the statement of income.

Impairment is determined as follows:

- a) for financial assets with fixed rates of return, carried at amortised cost, impairment is the difference between the carrying value and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the original effective interest rate; and for financial assets with variable interest rates, carried at amortised cost, discounted at the current effective rate of return;
- b) for financial assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the statement of income;
- c) for financial assets carried at cost, impairment is the difference between the carrying value and present value of future cash flows discounted at the current market rate of return for a similar financial asset.

Notes to the Consolidated Financial Statements for the year ended 31 December 2008

Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased and the decrease can be related objectively to an event occurring after the impairment was recognized. Except for equity instrument classified as available for sale, reversal of impairment losses are recognized in the statement of income to the extent the carrying value of the asset does not exceed its amortised cost at the reversal date. For available for sale equity investments, reversals of impairment losses are recorded as increases in fair valuation reserve through equity.

In addition, in accordance with CBK instructions, a minimum general provision is made on all credit facilities net of certain categories of collateral, to which CBK instructions are applicable and not subject to specific provision.

In March 2007, the CBK issued a circular amending the basis of making minimum general provisions on facilities changing the rate from 2% to 1% for cash facilities and 0.5% for non cash facilities. The required rates were applied effective from 1 January 2007 on the net increase in facilities, net of certain restricted categories of collateral during the reporting period. The minimum general provision in excess of the present 1% for cash facilities and 0.5% for non cash facilities has been retained as a general provision until a further directive from the Central Bank of Kuwait is issued.

In November 2008, the CBK issued a circular regarding the general provision set aside above to be reversed through the statement of income.

Financial assets are written off when there is no realistic prospect of recovery.

3.6 Collateral pending sale

The Group occasionally acquires assets in settlement of financing receivables and Wakala and Murabaha placements. Such assets are stated at the lower of the carrying value of the related financing receivables or Wakala and Murabaha placements and the current fair value of such assets. Gains or losses on their disposal, and revaluation losses, are recognised in the consolidated statement of income.

3.7 Land and real estate

Held for trading

Land and real estate acquired for resale are classified as held for trading and are carried out at the lower of cost and net realisable value. Net realisable value is the estimated selling price less estimated selling costs.

Investment properties

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

Land and real estate under development

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

3.8 Investment in associates

Associate companies are entities over which the Group has significant influence but not control, generally, accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for under the equity method of accounting.

Under the equity method, the investment in associate is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of the associate's equity. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. The Group recognises in the consolidated statement of income, its share of the total recognised profit or loss of the associate from the date that influence effectively commences until the date that it effectively ceases. Distributions received from the associate reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in Group's share in the associate arising from changes in the associate's equity. The Group's share of those changes is recognised directly in equity, fair value reserve or foreign exchange translation reserve as appropriate.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivable, the Group does not recognise further losses unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions with an associate are eliminated to the extent of the Group's share in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred. An assessment for impairment of investments in associates is performed when there is an indication that the investment or other interest in the associate is impaired. Impairment is tested for the entire carrying amount of the associate as a single asset. Goodwill is included in the carrying amount of an investment in associate and therefore, it is not separately tested for impairment. Impairment losses and any subsequent reversal are recognised in the consolidated statement of income.

The associates' financial statements are prepared either to the Group's reporting date or to a date not earlier than three months of the Group's reporting date using consistent accounting policies. Where practicable, adjustments are made for the effects of significant transactions or other events that occur during the period from the reporting date of the associates until the Group's reporting date.

3.9 Intangible assets and goodwill

Identifiable non-monetary assets acquired directly or in a business combination and from which future benefits are expected to flow are treated as intangible assets. Intangible assets comprise of acquired computer software and leasehold rights.

Intangible assets which have a finite life are amortized over their useful lives. Leasehold rights are amortized on a straight-line basis over their expected useful lives up to 20 years. Acquired computer software is amortized on a straight-line basis over their expected useful lives of 3 years.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/ associate on the date of acquisition. If the cost of acquisition is less than the fair value of the net assets of the subsidiary/ associate acquired, the difference is recognized in the consolidated statement of income.

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is allocated to each of the cash generating units for the purpose of impairment testing. Gains and losses on disposal of an entity or a part of the entity include the carrying amount of goodwill relating to the entity or the portion sold.

Goodwill and intangible assets with indefinite useful lives are tested at least annually for impairment and carried at cost less accumulated impairment losses.

Assets are grouped at the lowest levels for which there are separately identifiable cash flows, known as cash generating units for the purpose of assessing impairment of goodwill and intangible assets. 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. That relating to goodwill cannot be reversed in a subsequent period. Recoverable amount is the higher of 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 pre-tax discount rate that reflects current market assessments of the time value of money and risk specific to the asset for which the estimates of future cash flows have not been adjusted. Fair value less costs to sell is determined using valuation techniques and considering the outcome of recent transactions for similar assets in the same industry in the same geographical region.

3.10 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Property and equipment are depreciated on a straight-line basis over their estimated economic useful lives, which are as follows:

	Years
Equipment and furniture	3
Software and computer equipment	3
Buildings	20
Private aircraft	20

These assets are reviewed periodically for any impairment. If there is an indication that the carrying value of an asset is greater than its recoverable amount, the asset is written down to its recoverable amount and the resultant impairment loss is taken to the consolidated statement of income. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

3.11 Provisions for liabilities

Provisions for liabilities are recognized when as a result of past events it is probable that an outflow of economic resources will be required to settle a present legal or constructive obligation; and the amount can be reliably estimated.

3.12 Post employment benefits

The Group is liable to make defined contributions to State Plans and lump sum payments under defined benefit plans to employees at cessation of employment, in accordance with the laws of the place where they are deemed to be employed. The defined benefit plan is unfunded and is computed as the amount payable to employees as a result of involuntary termination on the balance sheet date. This basis is considered to be a reliable approximation of the present value of the Group's final obligation.

3.13 Treasury shares

The cost of the Parent Company's own shares purchased, including directly attributable costs, is classified under equity. Gains or losses arising on sale are separately disclosed under shareholders' equity and **these amounts are not available for distribution. These shares are not entitled to cash dividends.** 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. Reserves equal to the cost of treasury shares held are not available for distribution. Treasury shares include the Group's share of such shares held by an associate.

3.14 Accounting for leases

Where the Group is the lessee

Operating leases

Leases of property and equipment under which, all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of income on a straight-line basis over the period of the lease.

Finance leases

Leases of property and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are recognised as assets in the balance sheet at the estimated present value of the related lease payments. Each lease payment is allocated between the liability and finance charge so as to produce a constant periodic rate of interest on the liability outstanding.

3.15 Revenue recognition

Income from Musawama, Wakala, Murabaha and Ijara are recognised on an effective yield basis so as to yield a constant rate of return on the net investment outstanding.

The calculation of the effective yield or profit rate includes all fees paid or received, transactions costs and discounts or premiums that are an integral part of the effective yield or interest rate.

Fees and commission income that relate mainly to transaction and service fees are recognised as the related services are performed.

Once a financial instrument categorised as "financing receivables" is written down to its estimated recoverable amount, related income is thereafter recognised on the unimpaired portion based on the original effective yield rate that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

Operating lease income is recognised on a straight-line basis over the lease term. Dividend income is recognized when right to receive payment is established. Income from sale of real estate properties and of goods are recognised when the significant risks and rewards of ownership have passed to the buyer and the amount of revenue can be measured reliably. Management fees are recognised when earned.

3.16 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred, except to the extent that they are capitalised. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the asset.

3.17 Income taxes

Income tax payable on profits is recognized as an expense in the period in which the profits arise based on the applicable tax laws in each jurisdiction.

3.18 Zakat under Islamic Shariaa

The Group determines Zakat under Islamic Shariaa based on assets and liabilities that are subject to such Zakat and it is then deducted from the voluntary reserve.

3.19 Foreign currencies

The functional currency of an entity is the currency of the primary economic environment in which it operates and in the case of the Parent Company it is the Kuwaiti Dinar and in the case of subsidiaries it is their respective national currencies or the applicable foreign currency. Foreign currency transactions are recorded at the rates of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Kuwaiti Dinars at the rates of exchange prevailing on that date. Resultant gains and losses are taken to the consolidated statement of income.

Translation differences on non-monetary items, such as equities classified as available for sale financial assets and investment in associates are included in the investment fair valuation reserve in equity.

The income and cash flow statements of foreign operations are translated into the Parent Company's reporting currency at average exchange rates for the year and their balance sheets are translated at exchange rates ruling at the year-end. Exchange differences arising from the translation of the net investment in foreign operations (including goodwill and fair value adjustments arising on business combinations) and of investment in associates borrowings and foreign currency instruments designated as hedges of such instruments, are taken to shareholders' equity. When a foreign operation is sold, any resultant exchange differences are recognised in the consolidated statement of income as part of the gain or loss on sale.

Notes to the Consolidated Financial Statements for the year ended 31 December 2008

3.20 Contingencies

Contingent assets are not recognised as an asset until realisation becomes virtually certain. Contingent liabilities, other than those arising on acquisition of subsidiaries, are not recognized as a liability unless as a result of past events it is probable that an outflow of economic resources will be required to settle a present, legal or constructive obligation; and the amount can be reliably estimated. Contingent liabilities arising in a business combination are recognized if their fair value can be measured reliably.

3.21 Fiduciary assets

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

3.22 Segment information

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 (geographic segment), which is subject to risks and rewards that are different from those of other segments.

4. Cash and cash equivalents

	Kuwaiti Dinars	
	2008	2007
Cash at banks and financial institutions	14,625,807	32,540,229
Cash with investment portfolios	378,272	576,467
Cash on hand	166,164	268,961
	<u>15,170,243</u>	<u>33,385,657</u>

Cash at banks and financial institutions includes KD 1,229,667 as of 31 December 2008 (2007: KD Nil) representing margin money with a local financial institution.

5. Investments at fair value through profit or loss

	Kuwaiti Dinars	
	2008	2007
Held for trading investments	849,495	114,172
Investments designated at fair value through profit or loss at inception	<u>71,980,580</u>	<u>81,616,960</u>
	<u>72,830,075</u>	<u>81,731,132</u>
	2008	2007
Quoted		
Local shares	<u>5,717,898</u>	<u>5,168,513</u>
Unquoted		
Local shares	3,103,862	13,457,708
Local funds	58,093,042	62,469,931
Foreign shares	389,373	634,980
Foreign Funds	<u>5,525,900</u>	-
	<u>67,112,177</u>	<u>76,562,619</u>
	<u>72,830,075</u>	<u>81,731,132</u>

Notes to the Consolidated Financial Statements for the year ended 31 December 2008

Investments at fair value through profit or loss are denominated in the following currencies:

	<u>2008</u>	<u>2007</u>
Kuwaiti Dinar	66,914,802	81,096,152
Saudi Riyal	5,525,900	-
Euro	389,373	-
Others	-	634,980
	<u>72,830,075</u>	<u>81,731,132</u>

Unquoted local funds with a fair value of KD 55,575,647 as of 31 December 2008 (2007: KD 60,710,023) are in funds managed by the Group. Approximately 52% of the assets of these funds of KD 65,287,835 are held by the Group under Murabaha and Wakala payables.

6. Investments available for sale

	<u>Kuwaiti Dinars</u>	
	<u>2008</u>	<u>2007</u>
Quoted		
Local shares	196,657	565,195
Unquoted		
Local shares	2,214,496	126,638,114
Local funds	3,683,473	1,917,293
Foreign shares	940,397	2,887,246
Local portfolios	10,656,837	11,183,451
Impairment in value	(638,853)	(1,246,204)
	<u>16,856,350</u>	<u>141,379,900</u>
	<u>17,053,007</u>	<u>141,945,095</u>

Investments available for sale includes unquoted shares of KD 10,818,365 (2007: KD 139,462,607) carried at cost less impairment as there is no reliable estimate for their fair value.

Investments available for sale are denominated in the following currencies:

	<u>2008</u>	<u>2007</u>
Kuwaiti Dinar	15,356,282	139,330,300
Saudi Riyal	1,094,800	-
US Dollar	-	2,614,795
Others	601,925	-
	<u>17,053,007</u>	<u>141,945,095</u>

During the year, the Group reclassified its investments in Rehal Logistics Co. K.S.C.C. and Stehwaz Holding Company K.S.C.C. from "available for sale" to investments in associate, as the Group obtained representation on their Boards of Directors (Note 12).

Notes to the Consolidated Financial Statements for the year ended 31 December 2008

7. Murabaha and Wakala placements

This represents amounts placed in local and international financial institutions and other parties in accordance with Murabaha and Wakala agreements as follows:

	Kuwaiti Dinars	
	2008	2007
Financial institutions		
Local	59,790,647	98,111,546
International	12,197,782	62,601,695
	71,988,429	160,713,241
Others	43,301,529	12,660,119
	115,289,958	173,373,360

Murabaha and Wakala placements include KD 51,200,339 placed with a related party as of 31 December 2008.

The Group does not hold collaterals (2007: KD Nil) for these placements. Subsequent to the balance sheet date, the Group secured collaterals amounting to KD 33,895,223.

Murabaha and Wakala placements are denominated in the following currencies:

	2008	2007
Kuwaiti Dinar	61,121,780	97,743,239
US Dollar	41,477,368	57,400,627
Sterling Pound	12,630,131	2,200,465
Saudi Riyal	-	16,029,029
Bahraini Dinar	60,679	-
	115,289,958	173,373,360

The average effective rate of return was 9.3% per annum (2007: 8.6%). Murabaha and Wakala placements income included in financing income is KD 12,964,028 (2007: KD 10,459,898).

The fair values of Murabaha and Wakala placements approximate its carrying value as of 31 December 2008 and 31 December 2007, as the profit rates on these placements approximate the market profit rate and they are of short term nature, except as disclosed in note 2

Movements in specific and general provision are as follows:

	Kuwaiti Dinars		
	Specific provision	General provision	Total
Balance as of 1 January 2007	-	-	-
Charge during the year (Note 24)	-	1,759,864	1,759,864
Balance as of 31 December 2007	-	1,759,864	1,759,864
Balance as of 1 January 2008	-	1,759,864	1,759,864
Charge during the year (Note 24)	12,211,882	(152,394)	12,059,488
Balance as of 31 December 2008	12,211,882	1,607,470	13,819,352

Notes to the Consolidated Financial Statements for the year ended 31 December 2008

8. Financing receivables

	Kuwaiti Dinars	
	2008	2007
Cost	111,153,749	165,393,542
Deferred income	(9,319,205)	(17,553,386)
	101,834,544	147,840,156
Provision for impairment	(18,884,273)	(17,513,325)
	82,950,271	130,326,831

Financing receivables comprise of amounts due from customers on Murabaha and Musawma and Ijara contracts and are denominated in Kuwaiti Dinars.

The fair value of collateral against financing receivables was KD 92,176,137 (2007: KD 46,779,992).

The average yield rate on financing receivables was 10.25% per annum (2007: 12%).

The fair value of financing receivables was KD 84,821,617 (2007: KD 131,805,022) as computed by a discounted cash flows analysis using a rate of return of 9% per annum.

Movements in provision is as follows:

	Kuwaiti Dinars		
	Specific provision	General provision	Total
Balance as of 1 January 2007	(16,101,749)	(4,753,787)	(20,855,536)
Effect of sale of subsidiary	536,369	1,856,609	2,392,978
Provisions no longer required	674,672	-	674,672
Amounts written off	1,327,920	-	1,327,920
Charge for the year	(834,246)	(219,113)	(1,053,359)
Balance as of 31 December 2007	(14,397,034)	(3,116,291)	(17,513,325)
Balance as of 1 January 2008	(14,397,034)	(3,116,291)	(17,513,325)
Provisions no longer required	210,939	1,089,703	1,300,642
Amounts written off	-	62	62
Charge for the year	(3,072,077)	400,425	(2,671,652)
Balance as of 31 December 2008	(17,258,172)	(1,626,101)	(18,884,273)

During the year, based on Central Bank of Kuwait instructions, an amount of KD 1,089,698 was written back from the 1% general provision held as of 31 December 2006.

Subsequent to the balance sheet date, the Group acquired the underlying collateral of 8.7% of the equity shares of Bahrain Islamic Bank BSC (an associate) as settlement for finance receivables of KD 21,327,253. The market value of these shares on the settlement date was KD 12,256,833, resulting in a provisional goodwill of KD 10,706,237 pending a purchase price allocation. The Group's ownership of these shares is held through letters of assignment, as legal title has not been transferred to the Group up to the date of these consolidated financial statements.

Notes to the Consolidated Financial Statements for the year ended 31 December 2008

9. Other receivables

	Kuwaiti Dinars	
	2008	2007
Due from associates (Note 26)	40,779,457	36,066,341
Receivables from investment operations	10,447,091	17,073,062
Due from related parties (Note 26)	2,446,319	24,792,254
Advances to purchase investments and real estate	7,865,094	3,561,200
Suppliers – advance payments	777,128	2,272,717
Advance payment under option contracts	-	5,452,293
Letters of guarantee	2,835	1,940,034
Refundable deposit	207,753	-
Accrued income	511,840	2,565,738
Others	7,678,876	5,015,540
	<u>70,716,393</u>	<u>98,739,179</u>
Impairment in value (Note 24)	(8,213,567)	-
	<u>62,502,826</u>	<u>98,739,179</u>

During 2008, a short term interest-free loan of KD 17,432,970 to Aston Martin Holding Company Limited – UK (an associate) was converted to equity (Note 12) in a non cash transaction.

During the year, the Group exercised its option to acquire 40% of the share capital of Prodrive Holding Limited – UK which is now classified as an associate (Note 12).

Due from associates represents amounts that the Group intends to convert to equity in order to increase the capital of these associates.

10. Investment properties

	Kuwaiti Dinars	
	2008	2007
Balance at beginning of the year	113,404,245	80,830,463
Additions	69,756,471	133,939,773
Disposals	(51,014,714)	(121,947,902)
Transferred (to)/ from land and real estate under development (Note 11)	(63,108,866)	19,248,435
Change in fair value (Note 21)	5,274,287	15,042,755
Foreign currency revaluation	394,075	-
Effect of sale of a subsidiary	-	(13,709,279)
Balance at end of the year	<u>74,705,498</u>	<u>113,404,245</u>

Investment properties are carried at fair values determined by registered independent valuers.

Subsequent to the balance sheet date, investment properties aggregating KD 15,797,730 were transferred in a non cash transaction to settle a Murabaha of KD 16,763,386 payable to a creditor. This transaction resulted in a gain of KD 965,656.

Notes to the Consolidated Financial Statements for the year ended 31 December 2008

11. Land and real estate under development

	Kuwaiti Dinars	
	2008	2007
Balance at beginning of the year	3,580,927	38,252,437
Additions	1,785,384	3,449,117
Disposals	-	(11,453,257)
Net transfer from/ (to) investment properties (Note 10)	63,108,866	(19,248,435)
Net transfer to property and equipment	(5,092,224)	-
Impairment loss of land under development (Note 21)	(3,307,112)	-
Effect of sale of a subsidiary	-	(7,418,935)
Balance at end of the year	60,075,841	3,580,927

12. Investments in associates

	Kuwaiti Dinars			
	Interest held (%)	2008	Interest held (%)	2007 (Restated)
<i>Banking</i>				
Bahrain Islamic Bank B.S.C.	40	64,662,821	40	70,689,311
Boubyan Bank K.S.C.	20	142,041,421	20	148,842,021
		206,704,242		219,531,332
<i>Real Estate</i>				
Al-Dar National Real Estate K.S.C.C.	25.6	8,924,788	25.6	14,054,979
Manazel Holding Company K.S.C.C.	25.7	17,700,904	25.7	19,701,354
Oqyana Real Estate Company K.S.C.C.	22.7	87,668,518	18	53,967,040
Al Bilad Real Estate Investment Company (Bahrain) W.L.L.	47.5	149,834,181	32.5	61,486,204
Khabari Holding Company K.S.C.C.	23	9,404,899	23	11,403,796
Park Lane Properties Limited – UK	38	-	38	42,533
Ewaa Real Estate Company K.S.C.C.	38	2,499,731	38	3,035,748
Al Jobeel Development Company (Saudi Arabia) W.L.L.	12.5	1,841,975	-	-
		277,874,996		163,691,654
<i>Automotive</i>				
Aston Martin Holding Company Limited – UK	56.2	70,580,687	55.5	71,592,425
Prodrive Holding Limited – UK	40	9,402,137	-	-
ASMAR Limited – Jersey	57	14,572,512	-	-
		94,555,336		71,592,425
<i>Other activities</i>				
Rehal Logistics K.S.C.C.	38.4	38,442,841	-	-
Stehwaz Holding Company K.S.C.C.	19	42,064,970	-	-
Others		9,236,421		6,420,065
		89,744,232		6,420,065
Total		668,878,806		461,235,476

Reclassification

During the year, the Group reclassified the investments in Rehal Logistics Company K.S.C.C. and Stehwaz Holding Company K.S.C.C. from investments “available for sale” to investments in associates, as the Group gained representation on their Boards of Directors. To give effect to the equity method of accounting due to the reclassification, opening retained earnings and change in fair value reserve have been increased by KD 18,909,188 and KD 4,125,336 respectively.

The reclassification resulted in provisional goodwill of KD 73,484,333 which was written down to KD 22,977,017 as of 31 December 2008 due to impairment (Note 24).

Notes to the Consolidated Financial Statements for the year ended 31 December 2008

Fair values

The fair value of investments in associates for which there are published price quotations are as follows:

	Kuwaiti Dinars	
	2008	2007
Boubyan Bank K.S.C.	88,316,406	151,413,276
Bahrain Islamic Bank B.S.C.	56,335,616	91,641,507
Al Dar National Real Estate K.S.C.C.	5,789,681	15,467,208
Safwan General Trading Company K.S.C.C.	2,149,480	3,401,700

Boubyan Bank K.S.C.

The Group's investment in Boubyan Bank (K.S.C.) was transferred to a local bank under a repurchase (repo) agreement as part of an agreement with that bank to act as an advisor for restructuring of the Group's debts. The Group revoked the repo agreement when the local bank terminated the advisory agreement. However the local bank did not transfer title of these shares back to the Group but set off its value of KD 94,103,965 against amounts due from the Parent Company of KD 74,616,098 which is included in Murabaha and Wakala payables as of 31 December 2008. The Group is pursuing legal action for recovering ownership of these equity shares. The Group carries this investment at its adjusted acquisition cost under equity method of accounting. The fair value of this investment as of 31 December 2008 was KD 88,316,406. Subsequently, the Group ceased to have significant influence over Boubyan Bank since it is no longer represented on its Board of Directors when it was reconstituted in April 2009, and has reclassified it as investments available for sale from that date.

On 16 June 2009, the court issued a verdict to suspend dealing on those shares temporarily, pending a ruling on the dispute.

Automotive

During the year the Group, along with the other shareholders, converted to equity, a loan given to Aston Martin Holding Limited UK ("AML") and participated in its capital increase (Note 9).

During the year the Group participated in the incorporation of ASMAR Limited ("ASMAR") in Jersey British Channel Islands by subscribing to 57% of its share capital.

The Group classifies its investments in "AML" and "ASMAR" as associates though it holds more than fifty percent of voting power, due to shareholder agreements, which restricts the Group's influence over their financial and operational policies to significant influence rather than control.

The Group's share of this associate's profit includes KD 14,569,850 gain on partial disposal of the associate's investment in its subsidiary company Aston Martin Middle East and North Africa Limited, Jersey.

In 2008, the Group exercised its call option and acquired 40% of the share capital of Prodrive Holding Limited, a UK company engaged in the automotive business for a total consideration of KD 11,219,063 of which KD 7,063,672 is payable and the remaining of KD 4,155,391 is recorded as a liability. The Group is evaluating the fair values of the identifiable assets and liabilities acquired and has recognised a provisional goodwill of KD 8,669,847 pending finalisation of the purchase price allocation within one year from the acquisition date.

Liens and restrictions on distributions

Borrowing covenants restrict the ability of the Aston Martin Holding Limited and Park Lane Properties Limited to distribute dividend.

Due to the legal cases disclosed in notes 2 and 16 Bahrain Islamic Bank B.S.C. (BIB) and Al Bilad Real Estate Investment Company (Bahrain) W.L.L. were unable to distribute profits to the Parent Company until those matters are resolved. Accordingly, BIB withheld remittance of its dividends declared during 2009 to the Parent Company. Based on the favourable verdict issued by the Bahrain High Court disclosed in note 2, the Parent Company is of the opinion that these restrictions no longer apply and has claimed the unpaid dividends.

Carrying values

The ability of Park Lane Properties Limited UK to complete the development of the investment property is contingent on securing adequate credit facilities of at least GBP 40 million (KD 16 million approximately). Currently the associate is in an advanced stage of negotiation for these credit facilities with its bankers.

The Group's investment in associates include goodwill of KD 176,337,498 as of 31 December 2008 (2007: KD 155,818,129) and intangible assets of KD 2,210,978 as of 31 December 2008 (2007: KD 2,417,132).

The Group's investment in Stehwaz Holding Company K.S.C.C. and Al Jobeel Developments Company (Saudi Arabia) W.L.L. with a carrying value of KD 43,906,945 (2007: KD Nil) is less than 20%, but they are classified as associates as the Group is represented on their Boards of Directors.

The underlying assets of certain associates carried at KD 237,502,699 in these consolidated financial statements are investment properties in Bahrain and Dubai carried at fair value. The Group's share in associates' results, includes gain on revaluation of these investment properties of KD 60,657,096 based on the average of the range of values of independent valuation experts.

Subsequent to the balance sheet date, these associates have reported a significant decline in the carrying value of these investment properties. Consequently, the carrying value of the investment in these associates has declined by KD 60,222,492 as of 30 September 2009. The associates have not determined the impact of change in market values after that date and up to the date of issue of these financial statements.

Impairment testing

The Group determines whether there is an impairment in an associate whenever there is such an indication. This requires an estimation of the recoverable amount of the cash generating units (CGUs) to which these items are allocated. The recoverable amount is determined based on value-in-use calculations or fair value less cost to sell if that is higher.

Management used the below approach to determine values to be assigned to the following key assumptions in the value in use calculations:

Key assumption	Basis used to determine value to be assigned to key assumption
Growth rate	3% per annum, relying on the expectations of growth rate in GDP (Gross Domestic Product)
Discount rate	Discount rates range from 10% to 12% per annum. Discount rates used are pre-tax and reflect specific risks relating to the relevant CGU.

The Group has performed a sensitivity analysis by varying these input factors by a reasonably possible margin and assessing whether the change in input factors result in any of the goodwill allocated to appropriate cash generating units being impaired.

The Group has recognised provisions for impairment of KD 61,560,335 (Note 24) on certain investments in associates arising from a decline in their value due to the global and regional financial crisis. These provisions will be written back through the consolidated statement of income in subsequent years if they are no longer required.

The value in use calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. The recoverable amount so obtained was lower than the carrying amount of the CGU by KD 50,507,316.

The recoverable amount, based on estimated fair value less cost to sell, was lower than the carrying amount of the CGU by KD 11,053,019.

Notes to the Consolidated Financial Statements for the year ended 31 December 2008

Treasury shares held by associates

The Group's share of the losses of KD 26,546,911 (2007: losses of KD 3,913,896) on treasury shares held by associates has been eliminated when computing the Group's share profit/ loss of associates and along with the related cost of treasury shares of KD 34,992,838 (2007: KD 21,630,284) has been directly recognised in equity.

Group's share of the assets, liabilities, revenues & profit or loss of associates is as follows:

	Kuwaiti Dinars			
	31 December 2008			
	Assets	Liabilities	Revenues	Profit/ (loss)
<i>Banking</i>				
Bahrain Islamic Bank B.S.C.	256,324,383	24,460,546	16,317,980	6,934,318
Boubyan Bank K.S.C.	168,092,200	140,584,000	11,938,800	533,428
<i>Real Estate</i>				
Al-Dar National Real Estate K.S.C.C.	24,140,305	8,347,391	(5,885,815)	(3,940,378)
Manazel Holding Company K.S.C.C.	31,814,019	16,696,929	(5,950,350)	(1,166,396)
Oqyana Real Estate Company K.S.C.C.	103,297,097	11,029,232	77,422,253	31,217,257
Al Bilad Real Estate Investment Company W.L.L.	174,634,796	23,755,775	59,722,807	29,439,839
Khabari Holding Company K.S.C.C.	28,081,106	17,924,276	(6,105,399)	328,268
Park Lane Properties Limited UK	39,754,050	39,754,050	32,204	46,425
Ewaa Real Estate Company K.S.C.	2,439,516	33,190	53,555	63,983
<i>Automotive</i>				
Aston Martin Holding Limited – UK	171,846,731	105,907,406	120,208,219	3,947,922
Prodrive Holding Limited – UK	6,112,898	6,362,339	17,637,985	62,360
ASMAR Limited – Jersey	98,955,569	84,382,525	14,580,396	14,569,850
<i>Other activities</i>				
Rehal Logistics K.S.C.C.	25,961,328	7,370,515	2,922,899	(889,691)
Stehwaz Holding Company K.S.C.	78,532,707	33,069,512	(11,634,326)	(11,305,670)
Others	10,673,577	5,261,023	9,341,857	2,970,309
Total	1,220,660,282	524,938,709	300,603,065	72,811,824
Kuwaiti Dinars				
31 December 2007				
	Assets	Liabilities	Revenues	Profit/ (loss) (Restated)
<i>Banking</i>				
Bahrain Islamic Bank B.S.C.	191,747,185	19,955,169	10,773,429	6,778,865
Boubyan Bank K.S.C.	149,185,600	121,287,600	10,859,000	2,644,581
<i>Real Estate</i>				
Al-Dar National Real Estate K.S.C.C.	28,203,850	8,087,590	1,334,635	270,154
Manazel Holding Company K.S.C.C.	38,399,914	16,898,328	2,776,613	1,216,483
Oqyana Real Estate Company K.S.C.C.	82,346,361	14,139,756	10,907,884	723,172
Al Bilad Real Estate Investment Company W.L.L.	77,522,662	14,459,754	63,116,641	64,669,637
Khabari Holding Company K.S.C.C.	33,775,267	16,010,065	2,348,510	1,834,974
Park Lane Properties Limited UK	46,565,878	46,359,025	283,228	-
Ewaa Real Estate Company K.S.C.C.	2,359,363	3,686	75,677	35,748
<i>Automotive</i>				
Aston Martin Holding Limited – UK	228,966,076	159,621,196	101,950,677	-
Others	42,552,360	17,777,845	12,206,247	664,314
Total	921,624,516	434,600,014	216,632,541	78,837,928

Notes to the Consolidated Financial Statements for the year ended 31 December 2008

15. Accounts Payable

	Kuwaiti Dinars	
	2008	2007
Trade payables	1,058,751	3,934,880
Accrued expenses	1,114,517	4,553,885
Accrued Zakat	11,373,846	5,541,349
Kuwait Foundation for the Advancement of Sciences	966,235	966,235
National Labour Support Tax	3,166,005	3,166,005
Board of Directors' Remuneration	121,570	150,000
Accrued dividends	-	86,994
Payable on real estate purchases	-	25,020,171
Payables from investment operations	4,155,391	-
Due to related parties (Note 26)	8,486,883	7,545,639
Others	3,565,288	3,499,267
	<u>34,008,486</u>	<u>54,464,425</u>

The fair value of accounts payable approximates their book value.

16. Murabaha and Wakala payables

These are borrowings from local and international financial institutions or money market funds under Murabaha and Wakala contracts.

Murabaha and wakala payables amounting to KD 273,721,963 are secured by a negative pledge over the Group's assets.

Principal covenants include

- Current ratio not to be less than 1:08
- Debt/ equity ratio of not more than 3:1

Since 2008, the Group is in breach of the above covenants on Murabaha and Wakala payables contracts that have a carrying value of KD 195,147,683 as of 31 December 2008.

On 8 October 2008, the Parent Company defaulted on repayment of a Wakala and since that time has suspended repayments of principal and profit rate dues on its debt obligations towards banks and financial institutions and other creditors falling due after that date. As a result of cross – default provisions in most of the credit facility agreements, the Group defaulted on almost the entire debt obligations. Cross default provisions typically state that if any financial indebtedness, is not paid when due, then all other financial indebtedness becomes prematurely due and payable and undrawn commitments stand cancelled.

Investment Dar Bank B.S.C. (a subsidiary of the Parent Company), as agent of its Wakala investors, has filed legal cases in the Kingdom of Bahrain against the Parent Company seeking to obtain as collateral the Group's investments in Bahraini associates amounting to KD 214 million to secure the amounts it placed with the Parent Company. The carrying amount of the related Wakala payable is KD 253 million approximately. As disclosed in note 2 the Bahraini High Court has ruled that Bahraini courts have no jurisdiction over this matter. The Group is negotiating with creditors for the withdrawal of these law suits as part of the debt restructuring negotiations.

In January 2009, the Parent Company appointed Credit Suisse Group AG as its financial advisor to advice on restructuring of its debt portfolio. The Parent Company and its advisors are in ongoing discussions with the lending banks and financial institutions and regulators to arrive at an acceptable debt restructuring solution and certain creditors have signed a stand still agreement. The Parent Company's Board of Directors has approved a detailed restructuring proposal that has been presented to the Group's lending banks, financial institutions and creditors for their approval, prior to obtaining shareholder and regulatory approvals.

Notes to the Consolidated Financial Statements for the year ended 31 December 2008

The debt restructuring may involve converting existing debt into a new financing facility composed of senior secured Murabaha and a convertible Musharaka payable over a medium term, providing the Parent Company's investments as collateral, renegotiating the pricing of credit facilities, restrictions on capital and business acquisitions and bonus pay-outs to the management, distribution of cash and stock dividends and other terms and restrictions usually associated with the debt restructuring process.

The fair value of Murabaha and Wakala payables approximates their book value.

Murabaha and Wakala payables are denominated in the following currencies:

	<u>2008</u>	<u>2007</u>
Kuwaiti Dinar	609,936,356	591,562,299
US Dollar	172,492,656	137,453,230
Saudi Riyal	105,286,602	29,931,577
Euro	629,259	1,394,437
UAE Dirham	12,310,678	-
Qatari Riyal	5,028,659	-
Bahraini Dinar	4,115,667	-
Omani Riyal	2,958,339	-
	<u>912,758,216</u>	<u>760,341,543</u>

17. Islamic Sukuk

The remaining balance of the five year \$150 million Sukuk maturing on 20 September 2011 and repayable in one installment on that date or redeemable at the option of the issuer or the holder after three years from the issue date. Sukuk returns are payable every six months at 1.25% over the six months LIBOR rate for the first three years, and 1.75% over the six months LIBOR rate for the fourth and fifth year.

	<u>Kuwaiti Dinars</u>	
	<u>2008</u>	<u>2007</u>

	39,883,148	39,629,764
--	------------	------------

Five year \$100 million Sukuk maturing on 27 April 2011 payable semi-annually with a Sukuk return of 2% over the six months LIBOR rate.

	<u>10,702,050</u>	<u>16,229,983</u>
	<u>50,585,198</u>	<u>55,859,747</u>

Islamic Sukuks are secured by the assignment of financing receivables of KD Nil (2007: KD 18,251,420). The fair value of the Islamic Sukuks approximates their carrying amount.

Sukuk covenants

Principal covenants include

- Current ratio not to be less than 0.75 : 1
- Cash and cash equivalents/ current liabilities ratio of not less than 0.04 : 1

The Group is in breach of these covenants. As a result of this breach and the cross default provisions in the Sukuk agreement taking effect due to the matters stated in note 16, the Sukuk is now prematurely due.

18. Share capital and reserves

Share capital

The Parent Company's issued and paid up share capital is KD 95,415,110 comprising of 954,151,095 shares of 100 fils each fully paid up as of 31 December 2008 (2007: KD 76,332,088 comprising of 763,320,876 shares of 100 fils each).

Notes to the Consolidated Financial Statements for the year ended 31 December 2008

In April 2009, the Parent Company's Board of Directors resolved to recommend a 100% increase in the share by issue of 954,151,095 shares at an issue price of 250 fils per share which includes a share premium 150 fils per share for approval of the Parent Company shareholders and regulatory authorities.

Treasury shares

	2008	2007 (Restated)
Number of treasury shares	60,708,612	36,330,164
Ownership percentage	6.36	4.76
Market value in KD	6,192,278	36,330,164

Associates hold 45,135,892 treasury shares acquired at a cost of KD 34,992,838 (2007: 35,019,092 treasury shares at a cost of KD 21,630,284) which is included above and adjusted from the carrying value of associates.

The Parent Company's shares have been suspended from trading on the Kuwait Stock Exchange since 8 April 2009.

Dividends

The shareholders of the Parent Company approved the distribution of a cash dividend of 70% (2007: 50%) and 25% of bonus shares (2007: 7.5%) at their annual general assembly held in 7 May 2008 and this was registered in the Ministry of Commerce on 21 May 2008.

The Board of Directors do not propose distribution of dividends for the year ended 31 December 2008.

The Investment Dar Company K.S.C. (Closed)
and its subsidiaries

Notes to the Consolidated Financial Statements for the year ended 31 December 2008

	Kuwaiti Dinars							
	Statutory reserve	Voluntary Reserve	General reserve	Change in fair value reserve	Foreign currency translation reserve	Actuarial reserve	Gain on sale of treasury shares	Total
Balance as of 1 January 2007 (as previously stated)	24,019,950	24,019,950	15,000,000	11,536,921	675,143	-	188,135	75,440,099
Adjustments	-	-	-	(436,243)	-	-	-	(436,243)
Balance as of 1 January 2007 (restated)	24,019,950	24,019,950	15,000,000	11,100,678	675,143	-	188,135	75,003,856
Effect of acquisition of an associate	-	-	-	(9,825,540)	-	-	-	(9,825,540)
Change in fair value of investments available for sale (Restated)	-	-	-	(3,267,319)	-	-	-	(3,267,319)
Foreign currency translation losses	-	-	-	-	(15,206,637)	-	-	(15,206,637)
Gain on sale of treasury shares	-	-	-	-	-	-	2,126,382	2,126,382
Zakat for year 2006	-	(3,988,024)	-	-	-	-	-	(3,988,024)
Transferred to reserves	13,024,616	17,012,640	-	-	-	-	-	30,037,256
Balance as of 31 December 2007	37,044,566	37,044,566	15,000,000	(1,992,181)	(14,531,494)	-	2,314,517	74,879,974
Balance as of 1 January 2008 (as previously stated)	37,044,566	37,044,566	15,000,000	(1,666,938)	(14,531,494)	-	2,314,517	75,205,217
Adjustments (Note 34)	-	-	-	(325,243)	-	-	-	(325,243)
Balance as of 1 January 2008 (restated)	37,044,566	37,044,566	15,000,000	(1,992,181)	(14,531,494)	-	2,314,517	74,879,974
Effect of acquisition of associates	-	-	-	4,125,336	-	-	-	4,125,336
Change in fair value of investments available for sale	-	-	-	(15,826,005)	-	-	-	(15,826,005)
Foreign currency translation losses	-	-	-	-	(36,013,824)	-	-	(36,013,824)
Actuarial losses	-	-	-	-	-	(1,686,873)	-	(1,686,873)
Loss on sale of treasury shares	-	-	-	-	-	-	(177,162)	(177,162)
Zakat for year 2007	-	(4,182,996)	-	-	-	-	-	(4,182,996)
Balance as of 31 December 2008	37,044,566	32,861,570	15,000,000	(13,692,850)	(50,545,318)	(1,686,873)	2,137,355	21,118,450

Actuarial reserve

This represents the Group's share of actuarial losses relating to the employee benefit plan of a foreign associate.

Share premium

The share premium is not distributable but may be utilised to absorb accumulated losses or increase the share capital.

Statutory, voluntary and general reserves

The following reserves are appropriated from net profit. There are no appropriations in 2008 due to the loss reported for the year.

Statutory reserve

In accordance with the Kuwait Commercial Companies Law and the Parent Company's Articles of Association, 10% of net profit before KFAS and National Labour Support Tax and Board of Directors' remuneration and Zakat expense is transferred to statutory reserve. Statutory reserve is not distributable but can be utilized to distribute a dividend of 5% of share capital in years when retained earnings are not sufficient for payment of dividends. When the balance of the reserve exceeds 50% of the share capital, shareholders may resolve to discontinue further appropriations. There is no restriction in utilisation of any amounts exceeding 50% of the share capital (2007 appropriation: 10%).

Voluntary reserve

In accordance with the Parent Company's Articles of Association, a percentage of net profit for the year as proposed by the Board of Directors and approved by the General Assembly is transferred to voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders based on a proposal put forward by the Board of Directors. (2007 appropriation: 10%).

General reserve

In accordance with the Parent Company's Articles of Association, an amount of net profit proposed by the Board of Directors and approved by the General Assembly is transferred to the general reserve. Such transfer may be discontinued by a resolution of the General Assembly based on a proposal put forward by the Board of Directors. (2007 appropriation: KD Nil).

19. Investment (losses)/ income

	Kuwaiti Dinars	
	2008	2007
(Losses)/ gains on sale of investments at "fair value through profit or loss"	(2,722,372)	2,858,598
Change in fair value of investments at "fair value through profit or loss"	(8,349,525)	6,082,195
Gain on sale of investments "available for sale"	2,065,472	1,025,616
(Losses)/ gains on sale of shares in associates	(2,052,915)	998,634
Dividend income	1,817,288	1,886,918
(Losses)/ gains on sale of subsidiaries	(31,852)	50,630,563
	<u>(9,273,904)</u>	<u>63,482,524</u>

20. Investment services revenue

	Kuwaiti Dinars	
	2008	2007
Management fees on portfolios and investments	1,053,982	947,497
Funds' management fees	2,049,994	3,129,791
Sales commissions	-	179,665
Research and consultancy	661,372	325,408
	<u>3,765,348</u>	<u>4,582,361</u>

Notes to the Consolidated Financial Statements for the year ended 31 December 2008

21. Land and real estate revenues

	Kuwaiti Dinars	
	2008	2007
Gain on sale of land and real estate under development	-	1,413,809
Gain on sale of investment properties	4,180,164	19,941,760
Change in fair value of investment properties (Note 10)	5,274,287	15,042,755
Rental income	430,733	512,573
Effect of sale of subsidiary	-	238,062
Impairment loss on real estate under development (Note 11)	(3,307,112)	-
	<u>6,578,072</u>	<u>37,148,959</u>

22. Other income

	Kuwaiti Dinars	
	2008	2007
Operating lease income	131,790	643,270
Collection of receivables written off in previous years	367,716	158,760
Collection fees	525,358	420,495
Education fees	460,989	-
Insurance operations income	471,208	-
Travel and tourism income	80,142	-
Gain on sale of property and equipment	14,128	5,496
Provisions no longer required	417,683	-
Miscellaneous income	1,810,581	856,441
Effect of sale of subsidiary	-	88,887
	<u>4,279,595</u>	<u>2,173,349</u>

23. General and administrative expenses

General and administrative expenses includes staff costs of KD 8,637,544 (2007: KD 7,938,777).

24. Impairment - other financial assets

	Kuwaiti Dinars	
	2008	2007
Impairment in available for sale investments	567,149	1,246,204
Impairment in Wakala and Murabha placements (Note 7)	12,059,488	1,759,864
Impairment in other receivables (Note 9)	8,213,567	-
Impairment in investments in associates (Note 12)	61,560,335	-
Impairment in goodwill (Note 13)	5,734,659	-
	<u>88,135,198</u>	<u>3,006,068</u>

Notes to the Consolidated Financial Statements for the year ended 31 December 2008

25. (Losses)/ earnings per share attributable to the shareholders of the Parent Company

(Losses)/ earnings per share are calculated by dividing the net (loss)/ profit attributable to the shareholders of the Parent Company by the weighted average number of outstanding shares during the year as follows:

	<u>2008</u>	<u>2007</u> <u>(Restated)</u>
Net (loss)/ profit for the year attributable to the shareholders of the Parent Company	(78,608,280)	129,780,212
Weighted average number of issued and outstanding shares during the year	<u>898,903,211</u>	<u>923,167,074</u>
(Losses)/ earnings per share (Fils)	<u>(87.45)</u>	<u>140.58</u>

Basic earnings per share reported for the previous year were 166.53 fils, before retroactive adjustment for bonus shares issued in 2008 and the treasury shares held by the associates.

26. Related party transactions

Related parties represent major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties, and associates. All related party transactions are carried out on terms approved by Group management.

The related party transactions included in the consolidated financial statements are as follows:

	<u>Kuwait Dinars</u>	
	<u>2008</u>	<u>2007</u>
Directors		
Financing receivables	994,365	3,616,655
Balances		
Investments at "fair value through profit or loss"	55,575,647	60,710,023
Murabaha and Wakala placements	92,134,203	2,285,969
Financing receivables	15,191,530	5,286,197
Other receivables (Note 9)	43,225,776	60,858,595
Murabaha payables	13,614,483	52,943,944
Accounts payable (Note 15)	8,486,883	7,545,639
Transactions		
Financing income	7,272,118	-
Cash Dividend	863,177	826,648
Finance cost	4,158,652	2,425,295
Purchases for resale	401,348	3,453,149
Impairment provision	10,134,407	-
Key management compensation:		
Salaries and other short term employee benefits	1,202,000	2,372,774
Post-employment benefits	662,216	703,128

Notes to the Consolidated Financial Statements for the year ended 31 December 2008

27. Segment information

The Group manages its business through the following three major business segments:

Financing	:	Financing consumers and companies.
Real estate	:	Land and real estate development, trading and management.
Investment	:	Direct and portfolio investments and portfolio management.

The Group primarily operates in one geographical region (Kuwait and the GCC) and accordingly does not have a secondary segment.

	Kuwaiti Dinars			
	31 December 2008			
	Financing	Real Estate	Investment	Total
Segment revenues	30,317,464	6,578,072	67,303,269	104,198,805
Net (loss)/ profit	2,027,917	737,475	(74,855,090)	(72,089,698)
<i>Unallocated items:</i>				(8,223,562)
Loss for the year				(80,313,260)
Segment assets	80,634,137	134,781,339	938,132,394	1,153,547,870
<i>Unallocated items:</i>				46,983,561
Consolidated assets				1,200,531,431
Segment liabilities				
<i>Unallocated items:</i>				999,118,504
Consolidated liabilities				999,118,504
Net consolidated assets				201,412,927
Capital expenditure incurred during the year				12,309,350
Total capital expenditure				12,309,350
Depreciation and amortization				2,488,903
Total depreciation and amortization				2,488,903

The Investment Dar Company K.S.C. (Closed)
and its subsidiaries

Notes to the Consolidated Financial Statements for the year ended 31 December 2008

	Kuwaiti Dinars			
	31 December 2007 (Restated)			
	Financing	Real Estate	Investment	Total
Segment revenues	40,279,043	37,148,959	146,902,813	224,330,815
Net profit	24,990,833	23,398,055	89,519,810	137,908,698
Unallocated items:				(5,870,718)
Profit for the year				132,037,980
Segment assets	132,599,548	116,985,172	954,565,456	1,204,150,176
Unallocated items:				55,468,620
Consolidated assets				1,259,618,796
Segment liabilities				
Unallocated items:				871,989,478
Consolidated liabilities				871,989,478
Net consolidated assets				387,629,318
Capital expenditure incurred during the year				4,524,722
Total capital expenditure				4,524,722
Depreciation and amortization				1,490,870
Total depreciation and amortization				1,490,870

28. Subsidiaries

Those subsidiaries that contribute to either of the following are considered as principal subsidiaries:

- 5% of total assets of the Group
- 5% of total liabilities of the Group
- 5% of the net profit/loss of the Group

The principal subsidiaries of the Group are as follows:

Name of subsidiary	Activity	Legal Form	Ownership%		
			2008	2007	
Wared Lease and Finance Company	Finance	K.S.C.C	100	100	4% by a letter of renunciation
Al Dar Asset Management Company	Investment	K.S.C.C	100	100	4% by a letter of renunciation
Wethaq Takaful Insurance Company	Insurance	K.S.C.C	70	67	
Credit Rating and Collection Company	Services	K.S.C.C	83	83	
Investment Dar Bank (Kingdom of Bahrain)	Investment Bank	B.S.C.	79	79	48% by a letter of renunciation
Saudi Joint Company (Kingdom of Saudi Arabia)	Real estate	S.S.C	77	74	
Al Khatawat Al Ekleemiya Company for General Trading & Contracting Company	Trading & Contracting	W.L.L.	100	100	
Al Dar Capital (UK)	Investment	L.L.C	100	100	
TID Aviation (Jersey)	Aviation	L.L.C	100	-	

29. Financial Risk Management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value profit return risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The Group has an independent process whereby risks are identified, measured and monitored. The head of risk management unit is responsible for monitoring this process and has independent access to the Parent Company's Board of Directors. The following is the general framework of the risk management policies applied in the Group:

Risk management structure

Board of Directors

The Board of Directors of the Parent Company is responsible for the overall risk management approach and for approving risk strategies and principles. The Board of Directors of the Parent Company receives a comprehensive risk reports on the financial risk exposure of the Group.

Risk management department

The Parent Company's risk management unit is responsible for implementing and maintaining risk management procedures to ensure the existence of an independent control process over the Group's risk management procedures.

Treasury department

Treasury is responsible for managing the Group's assets and liabilities with regard to funding and liquidity management.

Risk management and reporting systems

Monitoring of financial risks is managed through reports provided by risk management department and through limits set by the Parent Company's Board of Directors. These limits reflect the business strategy and market environment of the Group's operations as well as the Parent Company's risk appetite.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of three types of risks – foreign exchange risk, profit rate risk and other price risk (other than those arising from rate of return risk or currency risk).

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar, Sterling Pound, Bahraini Dinar and Saudi Riyal. Foreign exchange risk arises when assets or liabilities are denominated in a currency that is not the entity's functional currency.

Management requires Group companies to manage their foreign exchange risk against their functional currency. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through limiting exposures to major foreign currencies with links to the Kuwaiti Dinar.

Notes to the Consolidated Financial Statements for the year ended 31 December 2008

A 5% appreciation of the following foreign currencies against the Kuwaiti Dinar with all other variables held constant, would have affected the net profit (or loss) and equity as shown in the schedule presented below:

Description	2008		2007	
	On income statement	On equity	On income statement	On equity
USD	(8,642,634)	-	(8,444,178)	130,740
GBP	1,002,748	4,929,872	1,274,113	4,756,491
BHD	(86,283)	11,850,062	639,587	7,713,873
SAR	(5,197,384)	(516,911)	(134,974)	-

A 5% depreciation of the above currencies against the Kuwaiti Dinar would have had an equal, but opposite, effect on the amounts shown above, assuming all other variables remain constant.

The following is the Group's net positions in foreign currencies:

	2008				
	USD	GBP	BHD	SAR	Other
Net Exposure	(172,852,679)	118,652,401	235,275,591	(93,609,460)	(18,576,172)
	2007				
	USD	GBP	BHD	SAR	Other
Net Exposure	(166,268,780)	120,612,083	167,069,208	22,282,202	(646,664)

Price risk

This is a risk that the value or future cash flow of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from rate of return risk or currency risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet either as available for sale or at fair value through profit or loss. To manage this risk, the Group diversifies its portfolio.

The Group has specific risk management policies related to the acquisition of equity investments. These policies are executed in accordance with the authority and responsibility matrix approved by the Parent Company's Board of Directors.

The Group regularly monitors the prices of quoted investments and the net asset values of investments in funds disclosed by Fund Managers.

The Group also regularly assesses available for sale investments for impairment. The table below summarises the impact of a 5% increase or decrease in the stock market index on the Group's net profit (or loss) for the year and on its equity with all other variables held constant.

	Kuwaiti Dinars			
	Effect on income statement		Effect on equity	
	2008	2007	2008	2007
Investments at fair value through profit or loss	(571,790)	(646,349)	-	-
Investments available for sale	-	-	(19,666)	-

Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates will affect future cash flows or the fair values of financial instruments.

The Group is exposed to profit rate risk on its Islamic Sukuk which bears variable profit rates. The Group manages this risk by preparing scenario analysis for likely changes in profit rates and its effect on the net profit. These scenarios take into consideration the re-financing and renewal of the existing facilities. The Group is not exposed to profit rate risks on its financing receivables, Murabaha and Wakala placements and payables as these are fixed profit rate contracts.

The fair value of Wakala and Murabaha placements and financing receivables are disclosed in notes 7 and 8.

Credit risk

Credit risk is the risk that the Group will incur a loss because its customers, clients or counterparties may fail to discharge their contractual obligations.

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, financing and other receivables and Wakala and Murabaha placements.

The Group manages credit risk related to cash, deposits at banks, Wakala and Murabaha placements by dealing with local and foreign financial institutions of repute.

The Group manages credit risk related to financing receivables through credit policies that avoid credit concentration by diversifying the financing receivable portfolio among a number of clients, by obtaining collateral and using authorized limits to approve extension of credit. The Group periodically monitors and credit policy and any changes need approval of the Parent Company's Board of Directors.

The Group uses specified types of collateral to reduce the credit risk exposure to an acceptable level. The credit policy identifies the type of collateral required for each kind of transaction as well as the valuation basis for the collateral and the frequency of its valuation. The acceptable collateral is cash, letters of guarantee issued by banks, investment securities and real estate properties. The Group also monitors collateral value on a regular basis for any decline in value below the amount due from the counterparty.

The Group classifies its clients based on the following risk grades:

High quality: Clients who expose the Group to normal risks and fully covered by collateral.

Notes to the Consolidated Financial Statements for the year ended 31 December 2008

Medium quality: Clients who expose the Group to normal risk levels but do not provide sufficient collateral.

	KD '000		
	Neither past due nor impaired		
	High quality	Medium quality	Total
2008			
Financing receivables:			
Corporate finance	8,645	7,774	16,419
Consumer and installment finance	3,816	23,734	27,550
Commercial finance	26,835	-	26,835
	<u>39,296</u>	<u>31,508</u>	<u>70,804</u>
Other receivables:			
Due from associates	-	40,779	40,779
Receivables from investment operations	-	7,368	7,368
Due from related parties	-	2,446	2,446
Refundable deposit	-	208	208
	<u>-</u>	<u>50,801</u>	<u>50,801</u>
2007			
Financing receivables:			
Corporate finance	11,109	27,367	38,476
Consumer and installment finance	19,585	28,887	48,472
Commercial finance	21,911	-	21,911
	<u>52,605</u>	<u>56,254</u>	<u>108,859</u>
Other receivables:			
Due from associates	-	36,066	36,066
Receivables from investment operations	-	17,073	17,073
Due from related parties	-	24,792	24,792
Advance payment under option contracts	-	5,452	5,452
	<u>-</u>	<u>83,383</u>	<u>83,383</u>

	KD '000			
	Past due but not impaired			
	Past due upto 30 days	Past due 30 to 60 days	Past due 60 to 90 days	Total
2008				
Financing receivables:				
Corporate finance	619	7,165	4,173	11,957
Consumer and installment finance	509	347	238	1,094
	<u>1,128</u>	<u>7,512</u>	<u>4,411</u>	<u>13,051</u>
2007				
Financing receivables:				
Corporate finance	6,779	4,920	11,227	22,926
Consumer and installment finance	8,085	3,027	2,163	13,275
	<u>14,864</u>	<u>7,947</u>	<u>13,390</u>	<u>36,201</u>

Notes to the Consolidated Financial Statements for the year ended 31 December 2008

	KD '000		
	Gross exposure	Impairment	Fair value of collateral
2008			
Financing receivables:			
Corporate finance	49,186	(10,566)	35,935
Consumer and installment finance	35,133	(8,050)	22,997
Commercial finance	26,835	(268)	33,244
	<u>111,154</u>	<u>(18,884)</u>	<u>92,176</u>
Other receivables:			
Due from associates	40,779	(2,739)	-
Receivables from investment operations	10,447	(2,892)	-
Due from related parties	2,446	-	-
Refundable deposit	208	-	-
Others	293	(293)	-
	<u>54,173</u>	<u>(5,924)</u>	<u>-</u>
2007			
Financing receivables:			
Corporate finance	70,006	(7,686)	16,984
Consumer and installment finance	73,477	(9,608)	9,621
Commercial finance	21,911	(219)	20,175
	<u>165,394</u>	<u>(17,513)</u>	<u>46,780</u>
Other receivables:			
Due from associates	36,066	-	-
Receivables from investment operations	17,073	-	-
Due from related parties	24,792	-	-
Advance payment under option contracts	5,452	-	-
	<u>83,383</u>	<u>-</u>	<u>-</u>

As of 31 December 2008, 82.93% of financing receivables is fully secured (2007: 28.28%).

The table below shows the maximum exposure to credit risk. The maximum exposure is shown gross, before the effect of mitigation through collateral agreements.

	Gross maximum exposure (KD)	
	2008	2007
Cash and cash equivalents	15,170,243	33,385,657
Murabaha and Wakala placements	115,289,958	173,373,360
Financing receivables	82,950,271	130,326,831
Other receivables	54,173,620	83,383,950
	<u>267,584,092</u>	<u>420,469,798</u>

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting obligations associated with financial liabilities. To limit liquidity risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a daily basis.

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2008

As disclosed in notes 2 and 16, under cross default provisions, all borrowings are immediately due. The Group was unable to renew or replace maturing obligations to fund providers due to the global and regional financial crisis in 2008 which has had an adverse impact on the Group's liquidity.

The table below analyses the Group's financial liabilities into relevant maturity Groupings based on the remaining period at the balance sheet to the contractual maturity date.

The amounts disclosed in the table are the contractual undiscounted cash flows and do not take account of the matters disclosed in note 2.

	Kuwaiti Dinars			
	2008			
	Within 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years
Liabilities				
Accounts payable	34,008,486	-	-	-
Murabaha and Wakala payables	613,897,157	160,928,932	195,493,917	-
Islamic Sukuk	1,319,205	7,307,964	50,631,958	-

	Kuwaiti Dinars			
	2007			
	Within 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years
Liabilities				
Accounts payable	54,464,425	-	-	-
Murabaha and Wakala payables	198,799,254	384,410,959	219,476,967	1,531,337
Islamic Sukuk	1,091,457	5,861,332	54,418,947	-

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the costs of capital. In order to maintain or adjust the capital structure, the Group monitors capital on the basis of the gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total Wakala, Murabaha, and Sukuk less cash and cash equivalents. Total capital is calculated as equity as shown in the consolidated balance sheet plus net debt.

The Group seeks to maintain a gearing ratio of less than 70%. However due to losses and decline in foreign currencies, equity has declined in 2008 resulting in an increase in the gearing ratio.

The gearing ratio as of 31 December 2008 and 2007 is as follows:

	Kuwaiti Dinars	
	2008	2007
Total debts	963,343,414	816,201,290
Less: Cash and cash equivalents	(15,170,243)	(33,385,657)
Net debt	948,173,171	782,815,633
Total equity	201,412,927	387,629,318
Total capital	1,149,586,098	1,170,444,951
Gearing ratio %	82.48%	66.9%

30. Significant accounting judgments and estimates

Judgments

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Classification of investments

On acquisition of an investment, the Group decides whether it should be classified as "at fair value through profit or loss" or "available for sale".

The Group classifies investments as "at fair value through profit or loss" if they are acquired primarily for the purpose of short term profit making or if they are managed and their performance is evaluated on a reliable fair value basis in accordance with a documented investment strategy. All other investments are classified as "available for sale".

Impairment of investments

The Group treats "available for sale" equity investments as impaired when there has been a significant or prolonged decline in their fair value below their cost. The determination of what is "significant" or "prolonged" requires significant judgement. In addition, the Group also evaluates among other factors, normal volatility in the share price for quoted equities and the future cash flows and the discount factors for unquoted equities. Impairment may be considered appropriate when there is evidence of deterioration in the financial position of the investee, industry and sector performance, changes in technology and operational and financing cash flows.

Classification of real estate property

Management decides on acquisition of a real estate property whether it should be classified as trading or investment property. The Group classifies property as trading property if it is acquired principally for sale in the ordinary course of business. The Group classifies property as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use. The Group classifies property as under development if it is acquired with the intention of development.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the 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:

Impairment losses on financing receivables and investments in debt instruments

The Group reviews irregular loans and financing receivables and investments in debt instruments on a regular basis to assess whether a provision for impairment should be recorded in the consolidated statement of income. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty.

Valuation of unquoted equity investments and investment properties

Valuation techniques for unquoted investment securities is based on estimates such as expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; recent arm's length market transactions, current fair value of another instrument that is substantially the same, or valuation models.

The Group uses fair values reported by independent international and local property valuation experts to value investment properties. Some of them have reported that there is shortage of comparable evidence to base valuations as well as volatility in the market place or potential over supply in relation to demand. The Group uses the average of independent valuations to minimise the variability in the range of fair values of investment properties.

Impairment of intangible assets and goodwill

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

Impairment of associates

After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss on the Group's investment in its associated companies, at each balance sheet date based on existence of any objective evidence that the investment in associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated statement of income. Any changes in these estimates and assumptions as well as the use of different, but equally reasonable estimates and assumptions may have an impact on the carrying value of the above assets.

31. Derivative financial instruments

In the ordinary course of business the Group uses derivative financial instruments to manage its exposure to fluctuations in foreign exchange rates. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price of one or more underlying financial instruments, reference rate or index.

The table below shows the positive and negative fair values of derivative financial instruments, together with the notional amounts analysed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured.

The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of either market or credit risk.

At 31 December 2008 (KD):	Notional amounts by term to maturity					
	Positive fair value	Negative fair value	Notional amount Total	Within 3 months	3 months to 1 year	Over 1 year
Forward foreign exchange contracts	4,584,778	-	166,104,082	1,193,919	8,966,822	155,943,341

Forward foreign exchange contracts are primarily entered to cover the Group's foreign currency needs and manage the foreign currency exposures and risks.

32. Fiduciary accounts

The Group manages portfolios on behalf of others which are not included in the consolidated balance sheet of the Parent Company. The net assets of these portfolios amounted to KD 477,188,682 (2007: KD 251,823,878), out of which an amount of KD 145,099,954 (2007: KD 22,226,408) was for related parties.

33. Contingent liabilities and commitments

The total outstanding contingent liabilities and commitments are as follows:

Commitments	Kuwaiti Dinars	
	2008	2007
Collateral for outstanding Aston Martin interest-free loan	-	16,718,683
Commitments to buy securities	5,500,000	240,000
	<u>5,500,000</u>	<u>16,958,683</u>

Notes to the Consolidated Financial Statements for the year ended 31 December 2008

Commitments for development of properties

Commitments for development of properties include the unexecuted portion of the development contracts for various properties under development and investment properties.

The Group's associates are committed to complete the development in accordance with a contractual time frame.

	Kuwaiti Dinars	
	2008	2007
Commitments for development of properties (including Group's share of commitments of associates)		
Not later than one year	154,159,817	95,304,244

Contingent liabilities

	Kuwaiti Dinars	
	2008	2007
Letter of guarantees	3,428,640	760,093

Legal claims

As disclosed in note 2, following declaration of default on its international and local debt, there are legal cases filed against the Parent Company including its winding up and for recovery of principal and profit share. In the opinion of the Group's legal advisors, these claims do not result in possible liabilities other than those already reflected or disclosed in the consolidated financial statements of the Group.

34. Comparative figures

Comparative figures have been reclassified to conform to the current year presentation with the following effect on previously reported profit or equity arising from reclassification of treasury shares held by associates and amounts receivable from associates.

	Kuwaiti Dinar				Statement of Income 2007
	Investments in associates	Treasury shares	Equity Fair value reserve	Retained earnings	
As previously stated	519,925,395	(11,389,645)	(1,666,938)	115,115,427	128,124,084
Cost of treasury shares	(21,630,284)	(21,630,284)	-	-	-
(Losses)/ gains recognised by associates	(668,051)	-	-	(668,051)	3,913,896
Change in fair value (restated)	(325,243)	-	(325,243)	-	-
Transferred to other receivables	(36,066,341)	-	-	-	-
	<u>461,235,476</u>	<u>(33,019,929)</u>	<u>(1,992,181)</u>	<u>114,447,376</u>	<u>132,037,980</u>