International Investment Group Company (K.S.C.C.)
And its subsidiaries
Kuwait

Consolidated Financial Statements and
Independent Auditors' Report

For the year ended 31 December 2008

PRICEWATERHOUSECOOPERS

Rödl
Middle East
Burgan - International Accountants

Contents

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International Investment Group Company (K.S.C.C.)
Kuwait

Independent Auditors' Report to the Shareholders

Report on the Consolidated Financial Statements

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

Company management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

Opinion

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

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International Investment Group Company (K.S.C.C.)
Kuwait

Independent Auditors' Report to the Shareholders (continued)

Report on other legal and regulatory matters

Furthermore, in our opinion, proper books of accounts have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Commercial Companies Law of 1960, as amended, and by the Parent Company's Articles of Association, that an inventory count was duly carried out and that, to the best of our knowledge and belief, no violations of provision 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 consolidated financial position.

We further report that, during the course of our audit, we have not become aware of any material violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organization of banking business, and its related regulations, during the year ended 31 December 2008, except for exceeding the limits instructed by the Central Bank of Kuwait for financing related parties.

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RÖdl Middle East
Burgan International Accountants

Kuwait 15 April 2009

International Investment Group Company (K.S.C.C.)
And its subsidiaries

Consolidated Balance Sheet as of 31 December 2008
(All amounts in Kuwaiti Dinars)

	Note	2008	2007
Assets			
Cash and cash equivalents	5	431,785	2,248,366
Murabaha and Wakala investments	6	34,460,496	37,812,633
Mudaraba investments		602,450	606,698
Investments at fair value through profit or loss	7	40,488	4,372,252
Receivables and other debit balances	8	19,080,779	17,588,414
Available for sale Investments	9	17,465,345	15,364,378
Investment in associates	10	76,624,308	95,144,319
Property and equipment		136,953	124,634
Intangible assets		220,000	220,000
Total Assets		149,062,604	173,481,694
Liabilities and Equity			
Liabilities			
Accounts payable and other credit balances	11	16,208,049	14,970,848
Islamic debt instruments	12	67,770,072	65,753,763
Employees' end of service indemnity		600,405	272,242
Total Liabilities		84,578,526	80,996,853
Equity			
Share capital	13	45,670,350	36,536,280
Share premium		4,327,600	4,327,600
Treasury shares	14	(2,244,223)	(9,311,773)
Statutory reserve	15	7,571,867	7,571,867
Voluntary reserve	16	4,574,999	4,574,999
Convertible sukuk		1,838,232	1,838,232
Change in fair value reserve		6,943,661	11,727,568
Group's share in associate's reserves		(117,691)	244,207
Gain from sale of treasury shares		-	2,062,904
(Accumulated losses)/retained earnings		(4,080,717)	32,912,957
Total equity		64,484,078	92,484,841
Total Liabilities and Equity		149,062,604	173,481,694

The accompanying notes on pages (8) to (23) form an integral part of these consolidated financial statements.

Faisl Ahmed Albosairy
Chairman

Dr. Abd Al-Aziz Badr Al-Jenaái
Vice Chairman and Managing Director

Consolidated Statement of Income for the year ended 31 December 2008

(All amount in Kuwaiti Dinars)

	Note	2008	2007
Revenue			
Investments revenue	17	2,425,812	7,487,004
Murabaha income		3,393,157	2,497,611
Group's share in associates' results	10	(11,427,102)	9,801,221
(Losses)/gain from sale of shares in associates results		(7,123,666)	5,365,474
Management, consulting and subscription fees	18	6,712,930	1,603,793
Gain from sale of investments in subsidiaries		-	2,532,188
Foreign currency exchange		(641,672)	2,729,471
Other income		23,960	784,036
		(6,636,581)	32,800,798
Expenses and other charges			
Finance cost		5,232,672	4,917,350
General and administrative expenses	19	1,987,888	4,935,328
Impairment losses	20	7,631,482	440,990
Provision for claims		-	940,149
Kuwait Foundation for the Advancement of Science		-	89,884
National Labor Support Tax		-	305,121
Zakat		-	6,905
		14,852,042	11,635,727
Net (loss)/profit for the year		(21,488,623)	21,165,071
(Losses)/earnings per share (fils)	21	(49.40)	52.07

The accompanying notes on pages (8) to (23) form an integral part of these consolidated financial statements.

International Investment Group Company (K.S.C.C.)
and its subsidiaries

Consolidated Statement of Changes in Equity for the year ended 31 December 2008
(All amount in Kuwaiti Dinars)

	Share capital (Note 13)	Share premium	Treasury shares (Note 14)	Statutory reserve (Note 15)	Voluntary reserve (Note 16)	Convertible Sukuk	Change in fair value reserve	Group's share in associates' reserves	Gain from sale of treasury shares	(Accumulated losses)/ retained earnings	Total equity
Balance as of 31 December 2006	31,818,800	-	(7,074,614)	5,415,169	2,418,301	-	21,534,898	244,207	2,330,651	25,732,991	82,420,403
Change in fair value of available for sale investments	-	-	-	-	-	-	(763,130)	-	-	-	(763,130)
Transferred to statement of income as a result of sale of investments	-	-	-	-	-	-	(9,044,200)	-	-	-	(9,044,200)
Net losses recognized directly in equity	-	-	-	-	-	-	(9,807,330)	-	-		(9,807,330)
Net profit for the year	-	-	-	-	-	-	-	-	-	21,165,071	21,165,071
Total recognized (losses)/profit for the year	-	-	-	-	-	-	(9,807,330)	-	-	21,165,071	11,357,741
Cash dividends for year 2006	-	-	-	-	-	-	-	-	-	(6,350,229)	(6,350,229)
Bonus shares for the year 2006	3,321,480	-	-	-	-	-	-	-	-	(3,321,480)	-
Issuance of shares - employee stock option plan	1,396,000	1,633,320	-	-	-	-	-	-	-	-	3,029,320
Cost of employees stock option plan	-	2,694,280	-	-	-	-	-	-	-	-	2,694,280
Convertible Sukuk	-	-	-	-	-	1,838,232	-	-	-	-	1,838,232
Purchase of treasury shares	-	-	(7,787,902)	-	-	-	-	-	-	-	(7,787,902)
Sale of treasury shares	-	-	5,550,743	-	-	-	-	-	(267,747)	-	5,282,996
Transferred to reserves	-	-	-	2,156,698	2,156,698	-	-	-	-	(4,313,396)	-
Balance as of 31 December2007	36,536,280	4,327,600	(9,311,773)	7,571,867	4,574,999	1,838,232	11,727,568	244,207	2,062,904	32,912,957	92,484,841

The accompanying notes on pages (8) to (23) form an integral part of these consolidated financial statements.

International Investment Group Company (K.S.C.C.)
and its subsidiaries

Consolidated Statement of Changes in Equity for the year ended 31 December 2008
(All amount in Kuwaiti Dinars)

	Share capital (Note 13)	Share premium	Treasury shares (Note 14)	Statutory reserve (Note 15)	Voluntary reserve (Note 16)	Convertible Sukuk	Change in fair value reserve	Group's share in associate's reserves	Gain from sale of treasury shares	(Accumulated loss)/ retained earnings	Total equity
Balance as of 31 December 2007	36,536,280	4,327,600	(9,311,773)	7,571,867	4,574,999	1,838,232	11,727,568	244,207	2,062,904	32,912,957	92,484,841
Transferred to the statement of income as a result of impairment in investments	-	-	-	-	-	-	1,957,888	-	-	-	1,957,888
Change in associate's reserves	-	-	-	-	-	-	-	(361,898)	-	-	(361,898)
Change in fair value of available for sale investments the statement of income	-	-	-	-	-	-	(4,560,195)	-	-	-	(4,560,195)
Transfer to income statement as a result of sale of investment available for sale	-	-	-	-	-	-	(2,181,600)	-	-	-	(2,181,600)
Net losses recognized directly in equity	-	-	-	-	-	-	(4,783,907)	(361,898)	-	-	(5,145,805)
Net losses for the year	-	-	-	-	-	-	-	-	-	(21,488,623)	(21,488,623)
Total recognized losses for the year	-	-	-	-	-	-	(4,783,907)	(361,898)	-	(21,488,623)	(26,634,428)
Cash dividends for the year 2007 (Note 23)	-	-	-	-	-	-	-	-	-	(3,484,126)	(3,484,126)
Bonus share for the year 2007 (Note 23)	9,134,070	-	-	-	-	-	-	-	-	(9,134,070)	-
Purchase of treasury shares	-	-	(454,347)	-	-	-	-	-	-	-	(454,347)
Sale of treasury shares	-	-	7,521,897	-	-	-	-	-	(2,062,904)	(2,886,855)	2,572,138
Balance as of 31 December2008	45,670,350	4,327,600	(2,244,223)	7,571,867	4,574,999	1,838,232	6,943,661	(117,691)	-	(4,080,717)	64,484,078

The accompanying notes on pages (8) to (23) form an integral part of these consolidated financial statements.

International Investment Group Company (K.S.C.C.)
And subsidiaries

Statement of Cash Flows for the year ended 31 December 2008
(All amount in Kuwaiti Dinars)

	Note	2008	2007
Cash flows from operating activities			
Net (loss)/profit for the year		(21,488,623)	21,165,071
Adjustments:			
Depreciation		26,421	31,311
Provision for claims		-	(766,742)
Impairment losses	20	7,631,482	440,990
Investments revenue	17	(2,425,812)	(7,487,004)
Murabaha income		(3,393,157)	(2,497,611)
Group's share in associates' result	10	11,427,102	(9,801,221)
Losses/(gain) from sale of shares in associates'		7,123,666	(5,365,474)
Gain from sale of investment in subsidiaries		-	(2,532,188)
Finance cost		5,232,672	4,917,350
Employees' end of service indemnity		328,759	65,605
Operating profit/(loss) before changes in operating asset and liabilities		4,462,510	(1,829,913)
Investments at fair value though profit or loss		1,063,309	(3,214,145)
Receivable and other debit balances		(4,484,306)	572,769
Payables and other credit balances		(287,258)	(14,887,798)
Payment of employees' end of service indemnity		(596)	(860)
Net cash generated from/(used in) operating activities		753,659	(19,359,947)
Cash flows from investing activities			
Mudaraba investments		-	3,186,884
Paid for purchase of shares in associates		(24,434,602)	(77,186,315)
Proceeds from sale of shares in associates		16,104,428	76,444,963
Murabaha investments		919,009	(18,893,902)
Proceeds from sale of available for sale investments		4,593,777	7,310,971
Paid for purchase of available for sale investments		(4,460,479)	(357,002)
Paid for purchase of property and equipment		(38,740)	(129,005)
Dividends received		2,917,389	114,344
Net cash used in investing activities		(4,399,218)	(9,509,062)
Cash flows from financing activities			
Net Islamic debt instruments		6,903,526	24,965,692
Payment of finance cost		(4,873,166)	(4,917,350)
Proceeds from capital increase		-	5,723,600
Cash dividends paid		(2,319,173)	(4,681,688)
Paid for purchase of treasury shares		(454,347)	(7,787,902)
Proceeds from sale of treasury shares		2,572,138	5,282,996
Net cash generated from financing activities		1,828,978	18,585,348
Net decrease in cash and cash equivalents		(1,816,581)	(10,283,661)
Cash and cash equivalents at beginning of year		2,248,366	12,532,027
Cash and cash equivalents at end of year	5	431,785	2,248,366

The accompanying notes on pages (8) to (23) form an integral part of these consolidated financial statements.

1. Incorporation and principal activities

The International Investment Group Company (the Parent Company) is a closed Kuwaiti Shareholding Company established in 1987, and registered as an investment company with the Central Bank of Kuwait. The shares of the Company were listed on the Kuwait Stock Exchange on 23 November 1997.

The Parent Company's registered office is at Kuwait Stock Exchange Building – Fifth Floor, P.O. Box 29448 Safat, and 13155 - State of Kuwait.

The principal activities of the Group are investment, managing financial portfolios and investment funds for others and real estate activities and general trading. The activities of the Group are carried out in accordance with Noble Islamic Sharia principles.

These consolidated financial statements include the financial statements of the Parent Company and its subsidiaries (together referred to as "the Group") as follows:

	Ownership (%)	
	2008	**2007**
Marafeè Holding International Company- K.S.C.C	100	100
Al-Anam International for General Trade & Contracting-WLL	100	100

The financial statements of the subsidiaries have been consolidated based on audited financial statements. The total assets of theses subsidiaries is KD 9,633,837 as of 31 December 2008 (KD 9,866,682 – 2007) and its net losses are KD 620,895 for the year ended 31 December 2008 (profit of KD 29,231 – 2007)

The consolidated financial statements were authorised for issue by the Board of Directors on 15 April 2009 and are subject to shareholders' approval at the annual general assembly meeting.

2. Basis of preparation and significant accounting policies

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

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) as adopted for use by the Government of Kuwait for financial institutions regulated by the Central Bank of Kuwait. These regulations require adoption of all IFRS except for the IAS (39) requirements for general provision, which have been replaced by the Central Bank of Kuwait's requirements for a minimum general provision as described in note (2.3).

These consolidated financial statements have been prepared under the historical cost basis, as modified by the revaluation at fair value of financial assets at fair value through profit or loss and available for sale investments.

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

(a) Amendments and Interpretations effective in 2008

Amendments to IAS 39 – Financial Instruments: Recognition and Measurements & IFRS 7- Financial Instruments: Disclosures, permit reclassification of certain financial assets in rare circumstances. The amendment is effective prospectively from 1 July 2008. Note (9) explains the effect of this amendment.

(b) *Interpretations effective in 2008 but not relevant*

IFRIC 11, 'IFRS 2 – Group and treasury share transactions'.
IFRIC 12, 'Service concession arrangements'; and
IFRIC 13, 'Customer loyalty programmes'.
IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'.

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

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

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

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

2.2 Consolidation

Subsidiaries

Subsidiaries are entities over which the Group's has the power to govern the financial and operating policies generally accompanying a shareholding of more than 50% of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group's controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

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

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

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights assumes existence of significant influence.

Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

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

Unrealised gains on transactions between the group and its associates are eliminated to the group equity in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group and its associates.

2.3 Financial assets

Classification

The Group classifies its financial assets in the following categories:

Financial asset at fair value through profit or loss, Receivable, Murabaha, Wakala, and available for sale financial assets.

Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset held for trading is classified in this category if acquired principally for the purpose of selling in the short term.

Financial assets designated at fair value through profit or loss at inception are classified in this category when they are managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy approved by the management.

Receivables, Murabaha and Wakala

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

Murabaha is the amounts due to the Group on a deferred payments basis for assets sold according to Murabaha arrangements. Wakala is the amounts invested by other parties on behalf of the Group to generate profit.

Available for sale investments

These are non-derivative financial assets that are either designated in this category or not classified in any other categories.

Recognition and De-recognition

Regular purchases and sales of financial assets are recognised on the trade date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or where the Group has transferred substantially all risks and rewards of ownership.

Measurement

Financial assets are initially recognised at fair value plus transaction costs for all financial assets except those classified as "at fair value through profit or loss" for which transaction costs are taken to the income statement. "Available for-sale" financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Murabaha, Wakala and Mudaraba and loans and receivables are carried at amortised cost using the effective yield method less impairment losses.

Realised and unrealised gains and losses arising from changes in the fair value of financial assets "at fair value through profit or loss" category are included in the income statement of the period in which they arise. Changes in the fair value of financial assets classified as available-for-sale are recognised directly in equity. When available-for-sale financial assets are sold or impaired, the accumulated changes in fair value recognised in equity are included in the income statement.

Fair value

The fair values of financial instruments in regular financial market are based on last bid prices.

The fair value of unquoted securities is determined by reference to other instruments that are substantially the same or by using expected discounted cash flow analysis after adjustments to reflect the circumstances of the issuing company. Available for sale investments, whose fair value cannot be determined reliably, are carried at cost less impairment losses.

Impairment

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

A specific provision for impairment of Murabaha, Wakala and Mudaraba receivables is established when there is objective evidence that the Company will not be able to collect all such receivables. The amount of the specific provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, including amounts recoverable from guarantees and collateral, discounted at the effective rate of return. The amount of the provision is recognised in the income statement.

In addition, in accordance with Central Bank of Kuwait instructions, a minimum general provision of 1% of all Murabaha, Wakala and Mudaraba receivables net of certain categories of collateral, to which Central Bank of Kuwait instructions are applicable and not subject to specific provision, is made.

2.4 Cash and cash equivalents

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

2.5 Intangible assets

Goodwill

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

2.6 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation thereof is charged on a straight-line basis over the estimated useful lives

2.7 Impairment of non financial assets

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

2.8 Islamic debt instruments

Murabaha and Wakala payable

Murabaha and wakala payable are recognized at fair value less transaction cost. Murabaha and Wakala are stated subsequently at amortized cost. Murabaha and Wakala cost are recognized in income statements using effective yield method.

Convertible sukuk

Liabilities arising from Sukuk are initially recognised at fair values less transactions costs.

The fair value of the liabilities arising from convertible Sukuk is determined using a market rate of return of similar non-convertible Sukuk. This liability is recognized by its amortized cost until the date on which the sukuk are converted into shares or matured.

The remaining amount collected from Sukuk which represent the fair value of the convertible option of Sukuk to share is recognized in shareholders' equity under Convertible Sukuk.

2.9 Provisions

Provisions are recognized when the Group has a present legal obligation arising from the group to a past event and the costs to settle the obligation are both probable and able to be reliably measured.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

2.10 Employees' end of service's indemnity

The Group is liable under Kuwait Labour Law to make payments under defined benefit plans to employees at cessation of employment.

The defined benefit plan is un-funded and is based on the liability that would arise on involuntary termination of all employees on the balance sheet date. This basis is considered to be a reliable approximation of the present value of the Group's liability.

2.11 Share capital

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

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

2.12 Employees Stock option plan

The share option program allows employees to acquire the Group's shares. According to the requirements of IFRS (2) - "Share based payment". The fair value of options granted is recognised as an employee expense with corresponding increase in equity. The fair value is measured at grant date and allocated over the period during which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest during each financial year.

The proceeds from share option plan received net of any directly attributable transaction costs are credited to share capital by nominal value and any excess is recorded as share premium.

2.13 Revenue recognition

Murabaha, Mudarba and Wakala income are recognised on a time proportion basis using the effective rate of return.
Dividend income is recognized when the right to receive payment is established.
Portfolio and investment funds management fees are recognised when earned.

2.14 Foreign currencies

Functional and presentation currency

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

Transactions and balances

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

2.15 Zakat

Responsibility of paying Zakat lies on the shareholders.

2.16 Fiduciary Assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly are not included in this consolidated balance sheet.

3. Financial risk management

3.1 Financial Risk

The activities of the Group expose it to a variety of financial risks: market risks, (including currency risk, fair value profit rate risk, cash flows profit rates risk, and prices risk) in addition to credit risk and liquidity risks.

The group in managing these financial risks focuses an ongoing evaluation of market conditions and its trends and assessment of long and short-term market factors.

3.2 Market Risk

Foreign exchange risk

The Group is exposed to the risk of foreign currency arises from transactions on financial instruments with US$. The risk of foreign exchange arises from future transactions on financial instruments in foreign currency in the financial statements of the Group.

The Group has set up policies to manage the foreign currency risk, represent in close monitoring of changes in exchange rates in addition to monitoring the effect on the financial position of the group, during the year. Also the group deals with financial institutions with experience in this area in order to provide the group with advisory opinion in case of any significant change arises in the exchange rates.

At 31 December 2008, if the US$ had changed against the Kuwaiti Dinar by 5%, the net profit of the group would have been changed by KD 2,950,986 (KD 3,872,077 as of 31 December 2007).

Price Risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified either as available for sale or at fair value through profit or loss. To manage this risk, the group monitors the market prices in case these securities are traded, in addition to a periodic evaluation of the financial statements of these investments in order to reach to its fair value through financial and other data available for these investments.

The fair value of financial instruments which are traded in stock market are determined in accordance with last bid price.

The fair value of unquoted investments is determined based on similar investment market value or by using discounted cash flow or by using other evaluation techniques. Investments available for sale which its fair value cannot be determined are recorded at cost less impairment in value.

The following sensitivity analysis shows the impact of the change in the Kuwait market indexes on the net profit of group's business, as well as equity. This analysis assumes that Kuwait market index has changed by 5%.

	Impact on Equity		**Impact on net profit**	
	2008	**2007**	**2008**	**2007**
Index of the Kuwait Stock Exchange	40,132	-	-	245,707

Interest Rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Group is not exposed to interest rate risk as the group works under Islamic Sharea.

Credit risk

The credit risk is the risk that the group will incur a loss because of its customers, counterparties failure to discharge their contractual obligation.

The credit risk is managed on the Group level. The credit risk is highly concentrated in cash and cash equivalents, Wakala and Murabaha investment.

The group manages the credit risk arises from cash and Wakala and Murabaha investment by dealing with local and foreign financial institutions with high credit rating. Also the group manages credit risk by setting credit limits in order to avoid the concentration of credit in addition to the identification of the necessary guarantees to be obtained from the customers. The Group regularly monitors credit policies and the board of directors approves any amendments to the credit policies.

	2008	2007
Cash and cash equivalents	431,785	2,248,366
Murabaha investments	34,460,496	37,812,633
Mudaraba investments	602,450	606,698
Receivables and other debit balances	19,080,779	17,588,414
	54,575,510	58,256,111

Liquidity risk

The Group monitor the liquidity risk by keeping appropriate reserve of cash and high liquidity financial instruments, which facilitates the availability of liquidity when required. In addition to that, the Group's management studies the degree of liquidity of these investments periodically and corrects the composition of these assets if required.

The table below analyses the maturity of the Group financial liabilities as at 31 December:

	2008			
	Within 1 month	**From 1 month to 3 months**	**From 3 months to 1 year**	**From 1 year to 5 years**
Assets				
Cash and cash equivalents	431,785	-	-	-
Murabaha and Wakala investments	-	2,610,979	35,633,079	-
Mudaraba investments	-	-	608,468	-
Investments at fair value through profit or loss	-	40,488	-	-
Receivables and other debit balances		-	19,042,161	-
Available for sale investments	-	-	-	17,465,345
Total assets	431,785	2,651,467	55,283,708	17,465,345
Liabilities				
Payables and other credit balances	-	943,117	15,264,932	-
Islamic debt instruments	-	-	4,989,090	78,631,622
Total liabilities	-	943,117	20,254,022	78,631,622
Surplus/(deficit)	**431,785**	**1,708,350**	**35,029,686**	**(61,166,277)**

	2007			
	Within 1 month	**From 1 month to 3 months**	**From 3 months to 1 year**	**From 1 year to 5 years**
Assets				
Cash and cash equivalents	2,248,366	-	-	-
Murabaha and Wakala investments	5,672,700	-	34,928,940	-
Mudaraba investments	-	-	-	649,166
Investments at fair value through profit or loss	-	-	4,372,252	-
Receivables and other debit balances	-	3,000,000	14,489,738	-
Available for sale investments	-	-	-	15,364,378
Total assets	**7,921,066**	**3,000,000**	**53,790,930**	**16,013,544**
Liabilities				
Payables and other credit balances	71,520	53,803	14,845,525	-
Islamic debt instruments	-	-	14,102,030	74,610,800
Total liabilities	71,520	53,803	28,947,555	74,610,800
Surplus/(deficit)	**7,849,546**	**2,946,197**	**24,843,375**	**(58,597,256)**

3.3 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as going concern in order to provide returns for the shareholders and other benefits to other stakeholders for maintaining or adjusted the capital structure; the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce its debt.

The Parent Company manage this risk by monitoring on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated on the basis of total borrowings minus cash and cash equivalents. The total capital is calculated as equity as shown in the balance sheet plus net debt.

In 2008, the group's policy, which did not change from 2007, is maintaining a gearing ratio to total capital of around 40%. The gearing ratio as of 31 December is as follows:

	2008	2007
Total finance	67,770,072	65,753,763
(Less) cash and cash equivalents	(431,785)	(2,248,366)
Net debts	67,338,287	63,505,397
Total equity	64,484,078	92,484,841
Total Capital	131,822,365	155,990,238
Gearing ratio	51.08 %	40.71 %

The increase in the gearing ratio during 2008 is due to the significant decrease in the equity which resulted from the decline in assets value as a result of the financial crisis in financial markets.

4. Critical accounting estimates and assumptions

The Group managements makes the following estimates and assumption which may affect on carrying value of assets and liabilities

Critical accounting estimates and assumptions

Fair value of unquoted equity investments

Valuation techniques for unquoted equity investments in which estimates are used representing the expected cash flows discount rates, return rates, and other valuation techniques used by market participants. The Group calibrates the valuation techniques periodically and tests these for validity using either prices from observable current market transactions in the same instrument or other available observable market data.

Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note (2.7). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

Impairment of fixed assets

The Group reviews the fixed assets and inventories on a continuous basis to determine whether a provision for impairment should be recorded in the statement of income. Impairment is estimated based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may differ resulting in future changes to such provisions.

Critical Judgments in applying the entity's accounting policies:

Impairment of available for sale investment

The Group follows the guidance of IAS (39) to determine when an available-for-sale investment is impaired. This determination requires significant judgment from management. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

5. Cash and cash equivalents

	2008	2007
Cash at banks and at financial institutions	426,210	2,246,180
Cash at investment portfolios	3,009	120
Cash on hand	2,566	2,066
	431,785	2,248,366

6. Murabaha and Wakala investments

6.1 This balance represents amounts due in accordance with Murabaha and Wakala agreements with related parties. The average effective rate of return as of 31 December 2008 is 8% (2007: 7.3%).

6.2 The fair value of Murabaha and Wakala investments is approximately equal to its carrying value as of 31 December 2008/2007 as the profit rates on these investments equal the market profit rate and they are short term investments matured within one year from the balance sheet date.

6.3 The group obtained collaterals with fair value of KD 71,202,510 as of 31 December 2008 against the Murabaha and Wakala receivables, and the due from related parties (Note 8).

7. Investments at fair value through profit or loss

7.1 This balance includes investments in local quoted shares of Nil as of 31 December 2008 (KD 894,075 as of 31 December 2007) pledged against Islamic debt instruments.

7.2 The fair value of the quoted shares is determined based on the last bid price.

8. Receivables and other debit balances

	2008	2007
Margin deposit for letter of guarantee*	5,752,026	6,082,026
Due from related parties Note (6,22)	10,235,613	9,828,529
Advance to acquire subsidiary	700,000	700,000
Trade receivables (Net)	-	453,515
Accrued income	2,276,837	393,650
Prepaid expenses	38,618	98,676
Others	77,685	32,018
	19,080,779	17,588,414

* This represents restricted amounts at one of the local banks against letter of guarantee issued to third party.

Receivable and other debit balance as of 31 December 2008, 2007 are approximately equal to the fair value at these dates.

9. Available for sale investments

	2008	2007
Quoted shares	494,123	-
Unquoted shares	15,386,234	14,577,647
Funds	1,584,988	786,731
	17,465,345	15,364,378

9.1 The fair value of the quoted securities is determined based on the last bid price on the market where these securities are traded.

9.2 Investments in unquoted shares include investments of KD 6,655,841 as of 31 December 2008 (KD 560,777 as of 31 December 2007) carried at cost less impairment losses in value.

9.3 Investment in unquoted shares include KD 8,730,393 as of 31 December 2008 (KD 13,971,806 as of 31 December 2007) for which the fair value has been determined based on independent valuer resulting in decrease in the fair value of the investment and the changes in fair value reserve with an amount of KD 2,655,412 as of 31 December 2008 (KD 489,833 – 2007).

9.4 Due to the deterioration of the local and international capital markets that occurred during the second half of 2008 and as allowed by the amendment to IAS 39 issued on 13 October 2008, the group reclassified some of its equity investments from fair value through profit or loss category to available for sale category with effect from 1 July 2008. The carrying value of investments reclassified is KD 2,965,087 at the date of reclassification. The fair value of these investments is KD 494,123 as of 31 December 2008. The unrealized gain for the classified investments recognized in the income statement during the six months ended 30 June 2008 was KD 16,445. The Group recorded impairment losses of KD 1,674,601 for the available for sale investments in the income statement for the year ended 31 December 2008 (KD 360,124 - 2007).

9.5 Available for sale investments include investment of KD 434,688 as of 31 December 2008 pledged in portfolio managed by local company against the Islamic Sukuk.

9.6 Available for sale investments are denominated into the following currencies:

	2008	2007
Kuwaiti Dinar	1,996,010	570,158
Bahraini Dinar	13,939,393	13,971,806
US Dollar	1,529,942	822,414
	17,465,345	15,364,378

10. Investments in associates

The following is a summary of the Parent Company's shares in associates:-

	Ownership %	2008	Ownership %	2007
Ajal Holding Company - KSCC	34.9	19,842,129	34.90	26,078,329
Grand Real Estate Project Company - KSCC	17.54	12,873,908	15.80	20,487,234
Gulf Petroleum Investment Company - KSCC	27.988	20,417,668	26.74	19,212,176
Osoul Investment Company - KSCC	24.10	12,462,495	27.39	18,903,341
Ajal Finance & Investment Company - KSCC	46.67	5,867,290	46.67	5,952,093
Marrafee' Al Emdad international Projects - KSCC	45	3,296,947	45.00	3,348,928
Management Services Group company - WLL	60	-	60.00	650,000
Oscar for General Trading and Constructions - WLL	55.05	1,863,871	28.34	512,218
		76,624,308		95,144,319

10.1 The Group recorded its share of results of the associates based on management accounts prepared by the management of these companies as of 31 December 2008.

10.2 Investment in associate includes goodwill of KD 13,527,844 as of 31 December 2008 (KD 23,602,726 as of 31 December 2007).

10.3 Although the group's share in Grand Real Estate Project Company – KSCC is less than 20%, the group has significant influence in the financial and operational policies of this company and accordingly classifies it as investment in associate.

10.4 Although the group has 55.05% of the capital of Oscar for General Trading and Constructions – WLL, the group dose not control the financial and operation policies this company.

10.5 The following is a summary of the Parent Company's shares from net assets and result of operation of the associates based on recent available financial statement:

	2007			
	Fair value	Net assets	Shares of results	Date of the last available financial statement
Ajal Holding Company – KSCC	Unquoted	26,078,329	(459,332)	31 Dec 2007
Grand Real Estate Project Company – KSCC	17,813,079	15,176,217	3,783,543	30 Sep 2007
Gulf Petroleum Investment Company - KSCC	20,110,345	9,169,402	3,092,994	30 Sep 2007
Osoul Investment Company – KSCC	15,599,013	11,079,889	2,060,657	30 Sep 2007
Ajal Finance & Investment Company – WLL	Unquoted	5,952,093	191,142	31 Dec 2007
Marafee' Al Emdad international Project – KSCC	Unquoted	3,348,928	868,616	31 Dec 2007
Management Services Group – WLL	Unquoted	650,000	-	31 Dec 2007
Oscar for General Trading and Construction – WLL	Unquoted	512,218	(161,492)	31 Dec 2007

	2008			
	Fair value	Net assets	Shares of results	Date of the last available financial statement
Ajal Holding Company – KSCC	Unquoted	19,842,129	(5,474,186)	31 December 2008
Grand Real Estate Project Company – KSCC	3,584,590	13,204,011	(4,165,669)	31 December 2008
Gulf Petroleum Investment Company - KSCC	5,570,403	12,812,236	792,551	31 December 2008
Osoul Investment Company – KSCC	4,403,415	7,566,832	(2,139,305)	31 December 2008
Ajal Finance & Investment Company – WLL	Unquoted	5,867,290	(517,542)	31 December 2008
Marafee' Al Emdad international Project – KSCC	Unquoted	3,296,947	(51,978)	31 December 2008
Oscar for General Trading and Construction – WLL	Unquoted	1,863,871	129,027	31 December 2008

10.6 Investments in associates include investments of KD 54,326,379 as of 31 December 2008 pledged in portfolio managed by local company against Islamic Sukuk (KD 49,722,282 – 2007).

10.7 Unrealised gain of KD 1,356,852 resulted from sale of securities (KD 425,483-2007) (note 17) and consultation fees (note 18) rendered to some associates is eliminated to the extent of the Group's share in those companies.

10.8 During the year, the group traded on a percentage of 1 to 4% of its interest in some associate companies resulting in losses of KD 7,123,616 recorded in the income statement.

10.9 The group has performed a detailed impairment exercise in respect of the associate companies to determine whether any impairment provision is required. As a result, an impairment of KD 5,152,337 is recorded in the income statement for the current year (Nil – 2007).

11. Accounts payables and other credit balances

	2008	2007
Due to related parties	1,594,799	808,632
Provision for claims	5,555,577	5,555,577
Investment funds payable	2,005,286	2,005,286
Dividends payable	5,322,289	4,157,336
Accrued expenses	943,117	1,099,065
Others	786,981	1,344,952
	16,208,049	14,970,848

12. Islamic debt instruments

	2008	2007
Convertible Islamic Sukuk into ordinary shares	53,720,075	52,574,296
Murabaha contracts	6,220,725	-
Wakala contracts	5,032,353	7,091,805
Mudaraba contracts	2,796,919	6,087,662
	67,770,072	65,753,763

12.1 The average effective yield rate is 8% as of 31 December 2008 (8% as of 31 December 2007).

12.2 On 7 June 2007, the Group obtained finance of US $ 200 million from the global market through issuance of Islamic Sukuk convertible to ordinary shares matured on 10 July 2012.

Early voluntary conversion of the Sukuk to shares could be exercised on specific dates as specified in the Sukuk agreement or when share price exceeds 140% of the weighted average price of Parent Company shares Sukuk conversion price to ordinary shares is 500 fils (US $1.736).

Sukuk are due to early redemption in case the Group did not commit to any of the conditions mentioned in the agreement with the Sukuk holders in which one of them is the significant change in the equity structure of the Parent Company.

The movement over the convertible Islamic Sukuk is as follows:

	2008	During the year	2007
Proceed from issuance of convertible Sukuk	57,607,500	-	57,607,500
Less: issuance cost	(1,450,548)	-	(1,450,548)
Net proceed	56,156,952	-	56,156,952
Recognized in equity	(1,838,232)	-	(1,838,232)
Carrying amount of liabilities in initial recognition	54,318,720	-	54,318,720
Finance cost charges during the period	2,378,338	4,194,474	6,572,812
Finance cost paid	(1,310,222)	(3,618,931)	(4,929,153)
Foreign currencies	(2,812,540)	570,236	(2,242,304)
Net book value for Sukuk as of 31 December	52,574,296	1,145,779	53,720,075

12.3 The Islamic debt instruments are secured against available for sale investments and investments in associates (notes 9 and 10).

12.4 The fair value of Islamic instruments is approximately equals to its carrying value at the date of the financial statements.

12.5 The following summary is the foreign currencies positions for Islamic instrument as of 31 December:

	2008	2007
US Dollar	63,152,021	59,526,506
Kuwaiti Dinar	4,618,051	6,227,257
	67,770,072	65,753,763

13. Share capital

The Shareholders in the general assembly meeting dated 21 May 2008, approved the capital increase by issuance of bonus shares of 91,340,700 shares. Accordingly, the issued and paid up capital become KD 45,670,350 comprises of 456,703,500 shares as of 31 December 2008 (KD 36,536,280 as of 31 December 2007).

14. Treasury shares

	2008	2007
Number of treasury shares (share)	10,337,732	21,820,186
Ownership percentage (%)	2.26	5.97
Market value	423,847	6,655,157

15. Statutory reserve

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

16. Voluntary reserve

In accordance with the Parent Company's Articles of Association, 10 % 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 General Assembly based on the proposal put forward by the Board of Directors.

17. Investments revenue

	2008	2007
Gain/(losses) from sale of investments at fair value through profit or loss	96,431	(664,170)
Change in fair value of investments at fair value through profit or loss	113,290	(712,504)
Gain from sale of available for sale investments	1,777,759	8,749,334
Dividends income	438,332	114,344
	2,425,812	7,487,004

The group sold unquoted shares of KD 2,586,000 to a related party resulting in a realized profit of KD 1,912,791. The sale value is due within one year (Note 22). These shares are pledged in favour of the group to guarantee the payment. This transaction has been eliminated from the cash flow statement as it is non-cash transaction.

18. Management, consulting and subscription fees

During the year, the group has marketed securities owned to related party against marketing commission. As per the contract terms and to the extent of the securities quantities which have been marketed, the company is entitled to earn commission of KD 1,860,000.

During the year, the group signed an agreement with a related party to render consulting services with fees of KD 1,233,906 due within one year.

During the year, the group has completed the first stage of an agreement of consulting services to be rendered to a related party. According to the agreement terms, KD 2,813,626 (50%) of the fees is accrued.

This amount has been recorded as accrued income due from related party (Note 22). The above transactions are eliminated from the cash flow statement as it is non-cash transactions.

19. General and administrative expenses

General and administrative expenses include staff cost of KD 1,251,854 for the year ended 31 December 2008 (KD 3,892,987 – 2007).

During 2007, in accordance with the employee stock option plan, the Parent Company issued 13,960,000 shares to its employee with purchase price of 217 fils per share. The cost of the plan is KD 2,694,280 charged to statement of income for the year ended 31 December 2007 as part of the staff cost in the general and administrative expenses. No outstanding options as of 31 December 2008.

20. Impairment losses

	2008	2007
Impairment in investment in associates	5,152,337	-
Impairment in available for sale investments	1,957,888	360,124
Provision for doubtful debts	521,257	80,866
	7,631,482	440,990

The recoverable amount of the associates is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five year period. The key assumptions used for value-in-use calculations are as follows:

- Growth rate from 2 to 2.5%
- Discount rate from 13 to 14%

21. (Losses)/ earning per share

(Losses)/earnings per share are calculated by dividing net (loss)/ profit for the year by the weighted average number of outstanding shares during the period as follows:

	2008	2007
Net (loss)/ profit for the year	(21,488,623)	21,165,071
Weighted average number of issued and outstanding shares (share)	435,021,423	406,481,760
(Losses)/ earnings per share (fils)	(49.40)	52.07

The earnings per share for the comparative figures has been restated taking into consideration the bonus shares which have been approved by the shareholders in their general assembly meeting dated 21 May 2008.

22. Related parties transactions

Related parties represent Company's shareholders who have representation in the Board of Directors, members of the Board of Directors, Senior Management and associates. In the normal course of business, subject to the Company's management approval, there were transactions with related parties during the year ended 31 December 2008.

The significant transactions and outstanding balances with related parties were as follow except what is disclosed in other notes:

	2008	2007
Transactions		
Management fees	6,686,796	1,592,189
Murabaha income	3,393,157	2,497,611
Finance cost	643,506	1,084,991
(Losses)/gain on sale of investment in associate	-	4,642,651
Gain from sale of available for sale investments	1,777,759	7,954,369
Gain from sale of subsidiaries	-	2,729,471
Key management benefits	452,351	683,145

	2008	2007
Balances		
Murabaha and Wakala investments	34,460,496	37,008,137
Mudaraba investments	602,450	606,698
Due from related parties	10,235,613	9,828,529
Accrued revenues	692,581	1,198,146
Due to related parties	1,594,799	808,632
Mudaraba and wakala payable	6,758,658	10,345,409
Investment funds payables	2,005,286	2,005,286

The Parent Company manage portfolios on behalf of related parties. The value of those portfolios amounted to KD 109,829,687 as of 31 December 2008 (KD 185,797,940 as of 31 December 2007) note (26).

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

23. Dividends

On 15 April 2009, the Board of Directors' proposed not to distribute dividends for the year 2008. This proposal is subject to shareholders approval in the general assembly meeting.

The General Assembly Meeting held on 21 May 2008 approved cash dividends of 10 fils per share and bonus shares of 25% of the paid up capital for the year ended 31 December 2007.

24. Geographical distribution of assets and liabilities

	Assets		Liabilities	
	2008	2007	2008	2007
State of Kuwait	132,654,083	158,245,847	23,369,184	20,376,020
Other GCC countries	16,408,521	15,235,847	7,489,267	8,046,537
Other	-	-	53,720,075	52,574,296
	149,062,604	173,481,694	84,578,526	80,996,853

25. Contingent liabilities

At the date of balance sheet, there are letters of guarantees of KD 5,753,024 as of 31 December 2008 issued to others (KD 5,753,024 as of 31 December 2007).

There are legal cases in courts under different judicial stages against the group. During the year, an initial verdict was issued against the group relating to disbursements of capital and accrued profits of investments funds in United States when the group was acting as an agent on behalf of its clients. A full provision has been formed against those issued verdicts.

26. Off balance sheet items

The Group manages portfolios on behalf of others. The balances of these portfolios are not included in the consolidated balance sheet. The total net value of these managed assets is KD 122,014,124 as of 31December 2008 (KD 210,905,142 as of 31 December 2007).

27. Significant events

Due to the deterioration of the local and international capital markets that occurred during the second half of 2008, there are lack of liquidity, difficulty in obtaining finance and decline in the assets value. Subsequently, the group is taking the necessary actions to face this financial crisis through the disposal of some of its assets and obtaining the required financing to undertake its activities and settle its liabilities.

28. Comparative figures

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