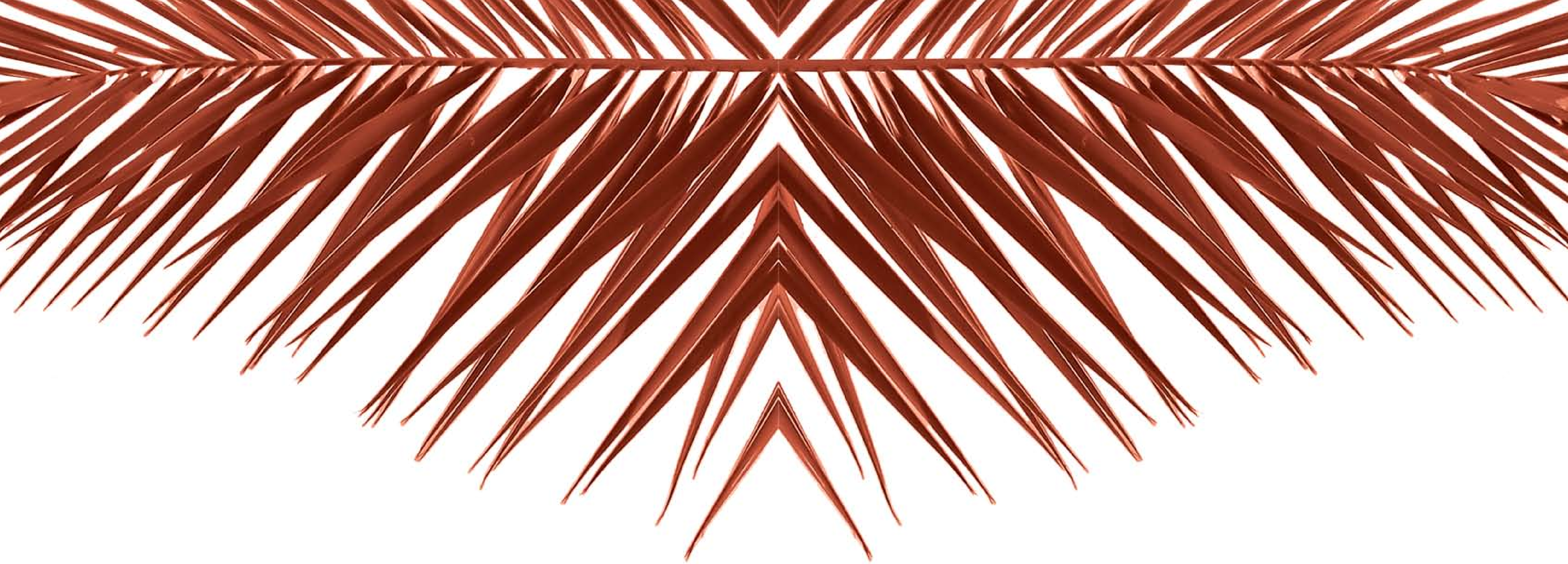


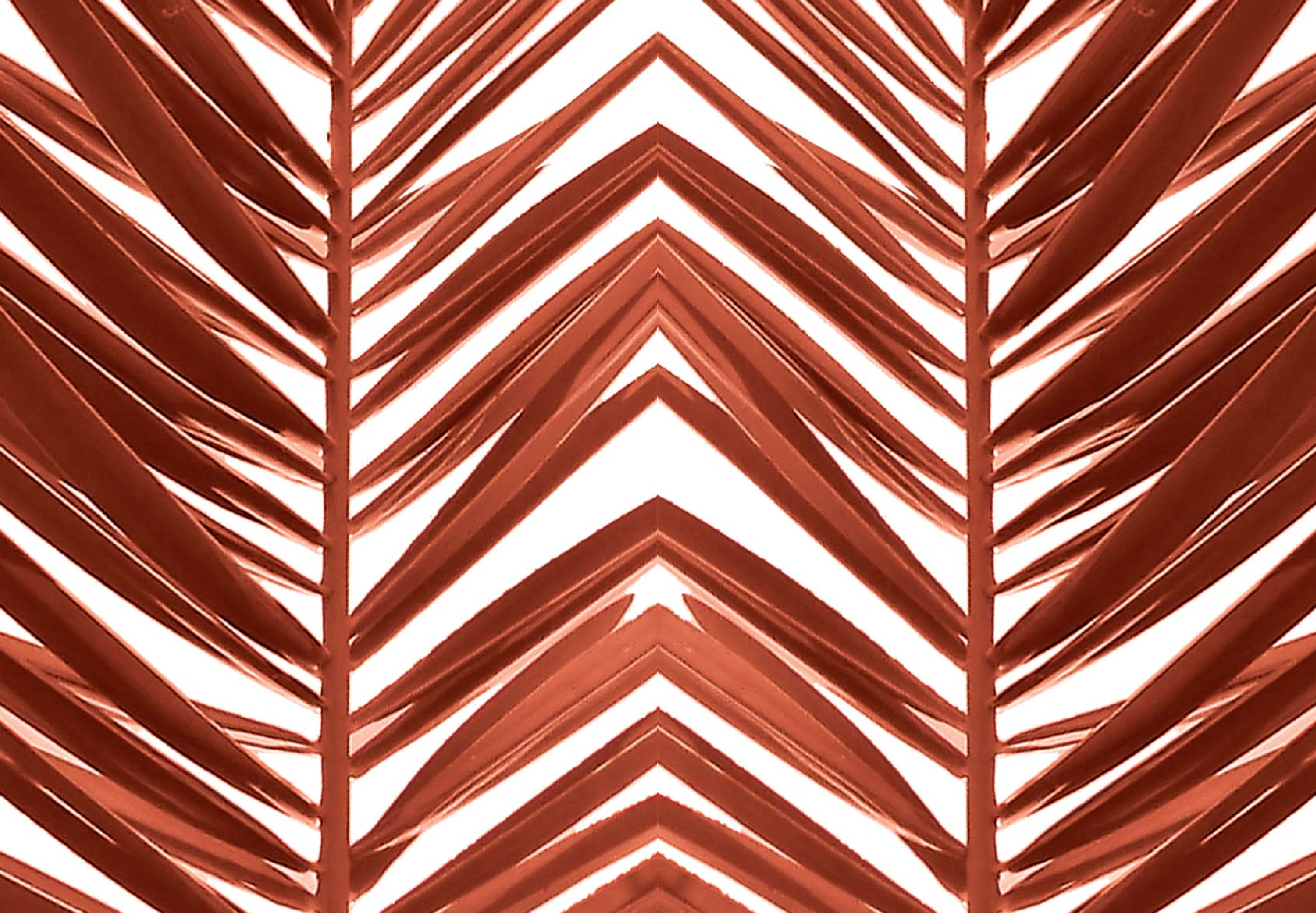
التقرير السنوي 2008

شركة الديرة القابضة
Al-Deera Holding Co.

Annual Report 2008 التقرير السنوي

Annual Report 2008

شركة الديرة القابضة
Al-Deera Holding Co.



بِسمِ اللهِ الرَّحمَنِ الرَّحِيمِ

شركة الديرة القابضة
Al-Deera Holding Co.

2008

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His Highness
Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah
Amir of the State of Kuwait

His Highness

Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah

Crown Prince of the State of Kuwait

His Highness

Sheikh Nasser Al-Mohammad Al-Ahmad Al-Sabah

Prime Minister of the State of Kuwait

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Board of Directors

Abdulwahab Ahmad Al-Nakib
Chairman and Managing Director

Talal Bader Al-Bahar
Vice Chairman

Nouf Jassim Al-Bahar
Board Member

Turki Bin Nasser Al-Mutawa Al-Otaibi
Board Member

Dr. Rasem Zouq
Board Member

Chairman's Statement

Dear Shareholders:
On behalf of my colleagues, the board members, and myself, I would like to welcome you to the ordinary General Assembly meeting of Al-Deera Holding Company, convened on June 4, 2009, to present the company's achievements and financial statements for the fiscal year ended December 31, 2008.

You are all aware that 2008 witnessed a downfall of the global economy, with implications for the major financial and banking institutions, affecting most of the investment sectors all over the world. As an integral part of financial globalization, Kuwait had its direct shares of the implications of these conditions.

Several adverse factors affected the local economy:

1. The delayed promulgation of the economic stability law, causing cumulative negative impacts on Kuwait Stock Exchange (KSE). The government should have followed the steps of the governments in other countries, both regionally and internationally, that proceeded on implementing bailout plans at a record time to meet the implications of the crisis and its impact on the national economy.

2. The rapid, unexpected slip of oil prices, down from $146 a barrel in July 2008 to $32 a barrel in December 2008, which reflects negatively on the state budget, given the fact that oil revenues represent over 90% of the state budget.

3. The congested political conditions, resulting in the freezing of vital developmental projects and laws, which officially contribute to the economic reactivation, in addition to the implications of these tense conditions on the stock exchange.

We, at Al-Deera, have exerted relentless efforts to get over this critical economic stage. We have successfully accomplished certain distinctive projects in 2008. These include:

1. The commencement of merger by acquisition between Al-Deera Holding Company and International Investment Projects Company, which is regarded as the first of its kind in Kuwait. The merger took place with the approval of the General Assembly of the International Investment Projects Company, dissolution of the company, and transfer of its assets and liabilities into Al-Deera Holding Company. Afterwards, Al-Deera Holding's capital was increased - with the rights issue being allocated for the shareholders of the International Investment Projects Co. - through the issuance of 219 million shares of Al-Deera Holding, bringing up the company's capital after merger to KD 74 million. This initiative was based on the directions of the late Jassim Mohammed Al-Bahar, the knight of the Kuwaiti economy, who had a prudent foresight in terms of the economic future outlook.

2. BPL Global ME, a subsidiary of Al-Deera International Communications Co., was awarded the $1.2 million Qatari "Kahromaa" tender, jointly with its partner Gulf United Co. The company also won the tender offered by Dubai Aluminum Ltd (DUBAL).

Having reviewed the company's achievements, allow me please to present the figures realized in 2008:

The company realized losses of KD 58 million in 2008, compared to KD 22 million profit in 2007.

Total assets decreased to KD 150 million in 2008, compared to KD 220 million in the previous year. Shareholders' equities totaled KD 108 million against KD 159 million in 2007, while the total liabilities amounted to KD 45 million against last year's KD 46 million.

As always, we will spare no effort to diligently explore all successful investment opportunities, thus positively reflecting on the company and its shareholders. We are full of hope that the economic stability law will be ratified, hence contributing to the revitalization of the national economy.

In conclusion, I would like to extend my thanks and appreciation to all board members and the executive management of the company for their sincere efforts, which have always contributed to the company's development and growth. I would also like to extend my thanks and appreciation to our shareholders for their continuous support.

Abdulwahab Ahmad Al-Nakib

Chairman and Managing Director

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Anwar Al-Qatami & Co.
Auditors & Consultants
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Independent Auditor's Report

To the shareholders of
Al-Deera Holding Company
(A Kuwaiti Holding Shareholding Company)
Kuwait

Report on the Consolidated Financial Statements
We have audited the accompanying consolidated financial statements of Al-Deera Holding Company (A Kuwaiti Holding Shareholding Company) (the parent company) and its Subsidiaries (the group), which comprise the consolidated balance sheet as at 31 December 2008, and the related consolidated statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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

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

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

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

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

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

Abdullatif M. Al-Aiban (CPA)
(Licence No. 94-A)
of Grant Thornton – Al-Qatami, Al-Aiban & Partners

Fawzia Mubarak Al-Hassawi
(Licence No. 80-A)
of UHY-Fawzia Mubarak Al-Hassawi

Kuwait
31 March 2009

Consolidated Statement of Income

31 December 2008

	Notes	Year ended 31 Dec. 2008 KD	Year ended 31 Dec. 2007 KD
Sales		8,752,218	-
Cost of sales		(5,286,290)	-
Gross profit		3,465,928	-
Unrealised (loss)/gain from investments at fair value through statement of income		(15,152,073)	22,139,182
Realised profit on sale of investments at fair value through statement of income		25,999	339,123
Dividend income	6	1,129,606	1,813,180
Realised profit on sale of available for sale investments		150,130	-
Impairment of available for sale investments	15	(23,227,715)	-
Share of results of associates	14	(18,851,397)	954,853
Interest income	7	317,465	175,819
Provisions no longer required written back	9	1,432,750	-
		(50,709,307)	25,422,157
Expenses and other charges			
Distribution costs		(915,860)	-
Staff costs		(1,541,125)	(366,905)
General, administrative and other expenses		(912,023)	(157,240)
Amortisation of intangible assets		(1,236,439)	-
Finance costs	10	(2,156,404)	(1,994,294)
Loss on foreign exchange		(165,271)	-
(Loss)/profit before KFAS, NLST, zakat and directors' remuneration		(57,636,429)	22,903,718
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		-	(206,133)
National Labour Support Tax (NLST)		-	(560,344)
Zakat		-	(13,697)
Directors' remuneration		-	(50,000)
(Loss)/profit for the year		(57,636,429)	22,073,544
Attributable to:			
Shareholders of the parent company		(58,049,311)	22,073,544
Minority interest		412,882	-
		(57,636,429)	22,073,544
(Loss)/earnings per share attributable to the shareholders of the parent company	11	(111) Fils	42 Fils

The notes set out on pages 18 to 48 form an integral part of these consolidated financial statements.

Consolidated Balance Sheet

31 December 2008

	Notes	31 Dec 2008 KD	31 Dec 2007 KD
Assets			
Non-current assets			
Goodwill		8,506,650	8,506,650
Property, plant and equipment	12	3,612,306	3,351,526
Intangible assets	13	1,236,438	2,472,877
Project in progress		-	1,721
Investment in associates	14	49,247,100	11,680,745
Available for sale investments	15	72,442,713	62,551,909
Total non-current assets		135,045,207	88,565,428
Current assets			
Inventories		580,941	386,621
Due from related parties	16	4,153,512	2,001,350
Accounts receivable and other assets	17	2,645,163	4,340,507
Investments at fair value through statement of income	18	5,426,793	103,607,578
Short-term deposits	27	1,116,514	750,000
Balances with banks and other financial institutions	27	1,116,054	2,546,208
Total current assets		15,038,977	113,632,264
Total assets		150,084,184	202,197,692
Equity and liabilities			
Equity			
Share capital	19	52,500,000	35,000,000
Treasury shares	20	(816,807)	(808,257)
Legal reserve	21	18,204,754	18,204,754
Voluntary reserve	22	18,204,754	18,204,754
Fair value reserve		45,258,981	38,983,424
Foreign currency translation reserve		196,501	(63,186)
(Accumulated losses)/retained earnings		(25,971,751)	49,577,560
Total equity attributable to the shareholders of the parent company		107,576,432	159,099,049
Minority interest		(2,644,390)	(3,057,272)
Total equity		104,932,042	156,041,777
Liabilities			
Non-current liabilities			
Long-term loans	23	17,914,000	19,668,500
Provision for end of service indemnity		420,387	295,023
Total non-current liabilities		18,334,387	19,963,523
Current liabilities	16	5,320,808	5,140,082
Due to related parties	24	11,397,320	11,143,714
Accounts payable and other liabilities	23	1,940,000	1,800,000
Current portion of long term loans	25	5,000,000	5,000,000
Short term loan	26	3,159,627	3,108,596
Bank facilities			
Total current liabilities		26,817,755	26,192,392
Total liabilities		45,152,142	46,155,915
Total equity and liabilities		150,084,184	202,197,692

Abdulwahab Ahmad Al-Nakib
Chairman and Managing Director

The notes set out on pages 18 to 48 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

31 December 2008

	Share capital	Treasury shares	Legal reserve	Voluntary reserve	Fair value reserve	Foreign currency translation reserve	(Accumulated losses)/ Retained earnings	Sub-total	Minority interest	Total
	Equity attributable to shareholders of the parent company									
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
Balance at 31 December 2006	35,000,000	(811,125)	15,914,382	15,914,382	32,070,985	-	32,085,678	130,174,302	-	130,174,302
Net changes in fair value of available for sale investments	-	-	-	-	6,912,439	-	-	6,912,439	-	6,912,439
Currency translation difference	-	-	-	-	-	(63,186)	-	(63,186)	-	(63,186)
Total income/(expense) recognised directly in the equity	-	-	-	-	6,912,439	(63,186)	-	6,849,253	-	6,849,253
Profit for the year	-	-	-	-	-	-	22,073,544	22,073,544	-	22,073,544
Total recognised income/(expense) for the year	-	-	-	-	6,912,439	(63,186)	22,073,544	28,922,797	-	28,922,797
Transferred to reserves	-	-	2,290,372	2,290,372	-	-	(4,580,744)	-	-	-
Sale of treasury shares	-	2,868	-	-	-	-	-	2,868	-	2,868
Loss on sale of treasury shares	-	-	-	-	-	-	(918)	(918)	-	(918)
Acquisition of subsidiary	-	-	-	-	-	-	-	-	(3,057,272)	(3,057,272)
	-	2,868	2,290,372	2,290,372	-	-	(4,581,662)	1,950	(3,057,272)	(3,055,322)
Balance at 31 December 2007	35,000,000	(808,257)	18,204,754	18,204,754	38,983,424	(63,186)	49,577,560	159,099,049	(3,057,272)	156,041,777
Net changes in fair value of available for sale investments	-	-	-	-	(16,806,884)	-	-	(16,806,884)	-	(16,806,884)
Impairment of available for sale investments transferred to consolidated statement of income	-	-	-	-	23,227,715	-	-	23,227,715	-	23,227,715
Realised on sale of available for sale investments	-	-	-	-	(145,274)	-	-	(145,274)	-	(145,274)
Currency translation difference	-	-	-	-	-	259,687	-	259,687	-	259,687
Total income recognised directly in the equity	-	-	-	-	6,275,557	259,687	-	6,535,244	-	6,535,244
Loss for the year	-	-	-	-	-	-	(58,049,311)	(58,049,311)	412,882	(57,636,429)
Total recognised income/(expense) for the year	-	-	-	-	6,275,557	259,687	(58,049,311)	(51,514,067)	412,882	(51,101,185)
Purchase of treasury shares	-	(8,550)	-	-	-	-	-	(8,550)	-	(8,550)
Issue of bonus shares (note 28)	17,500,000	-	-	-	-	-	(17,500,000)	-	-	-
	17,500,000	(8,550)	-	-	-	-	(17,500,000)	(8,550)	-	(8,550)
Balance at 31 December 2008	52,500,000	(816,807)	18,204,754	18,204,754	45,258,981	196,501	(25,971,751)	107,576,432	(2,644,390)	104,932,042

The notes set out on pages 18 to 48 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

31 December 2008

	Note	Year ended 31 Dec 2008 KD	Year ended 31 Dec 2007 KD
OPERATING ACTIVITIES			
(Loss)/profit before KFAS, NLST, Zakat and directors' remuneration		(57,636,429)	22,903,718
Adjustments for:			
Foreign exchange gain/(loss) on non-operating assets and liabilities		141,859	(83,025)
Depreciation		1,188,153	9,247
Amortisation		1,236,439	-
Interest income		(317,465)	-
Impairment of available for sale investments		23,227,715	-
Provision for end of service indemnity		150,479	15,406
Dividend income		(1,129,606)	(1,813,180)
Profit on sale of available for sale investments		(150,130)	-
Share of result of associates		18,851,397	(954,853)
Gain on sale of property, plant and equipment		(4,094)	-
Finance costs		2,156,404	1,994,294
		(12,285,278)	22,071,607
Changes in operating assets and liabilities:			
Investments at fair value through statement of income		17,278,617	(12,794,116)
Accounts receivable and other assets		55,124	(1,752,019)
Due from related parties		(1,602,340)	632,267
Accounts payable and other liabilities		303,596	(3,064,068)
inventories		(194,320)	-
Due to related parties		774,936	(4,994,669)
Indemnity paid		(25,115)	-
Cash from operations		4,305,220	99,002
Board of directors remuneration paid		(50,000)	-
Net cash from operating activities		4,255,220	99,002
INVESTING ACTIVITIES			
Purchase of available for sale investments		(208,969)	(3,266,874)
Net cash outflow on acquisition of subsidiary		-	(5,104,230)
Dividend income received		496,180	1,813,180
Interest income received		53,240	-
Proceeds from sale of available for sale investments		112,933	-
Purchase of property, plant and equipment		(1,495,880)	-
Proceeds from sale of property, plant and equipment		51,041	-
Project in progress		1,721	-
Investment in associates		(582,192)	(3,481,000)
Net cash used in investing activities		(1,571,926)	(10,038,924)
FINANCING ACTIVITIES			
(Repayment)/proceeds from long term loans		(1,800,000)	14,548,500
Finance costs paid		(1,989,415)	(1,461,327)
Short term loan		-	285,000
Dividend paid		-	(565,718)
Purchase of treasury shares		(8,550)	-
Sale of treasury shares		-	1,950
Net cash (used in)/from financing activities		(3,797,965)	12,808,405
Net (decrease)/increase in cash and cash equivalents		(1,114,671)	2,868,483
Cash and cash equivalents at beginning of the year		187,612	(2,680,871)
Cash and cash equivalents at end of the year	27	(927,059)	187,612

The notes set out on pages 18 to 48 form an integral part of these consolidated financial statements.

1 **Incorporation and activities**

Al-Deera Holding Company (the parent company) was established on 18 February 1998 as a Kuwaiti limited liability company. On 8 June 2005, the legal status of the company was changed from a limited liability company to a Kuwaiti holding shareholding company, with the following activities:

- Extending loans to investee companies and providing guarantees for third parties, provided that the share of the holding company in the investee company is not less than 20%.
- Acquisition of industrial rights and related intellectual properties or any other industrial trade marks or drawings and any other property related thereto, and renting such properties to the others whether inside Kuwait or abroad.
- Acquisition of properties and buildings necessary to carry out the business activities as allowable by the law.
- Ownership of shares in Kuwaiti and foreign shareholding companies in addition to ownership of shares in Kuwaiti and foreign limited liability companies and the participation in the share capital of both types of companies including management, lending and guaranteeing against third parties.
- Utilizing excess funds through investing in financial portfolios managed by specialized companies and institutions.

The company has the right to carry out its activities inside Kuwait or abroad whether directly or through power of attorney.

The company is authorized to have interest in or participate with any party or institution carrying out similar activities or those parties who will assist the company in achieving its objectives whether in Kuwait or abroad. The company has the right to establish, participate in or acquire such institutions.

The parent company's shares are listed on Kuwait Stock Exchange. The group comprises the parent company and its subsidiaries. Details of subsidiaries are set out in note 5.

The address of the parent company's registered offices is PO. Box 4839, Safat 13049 – Kuwait.

The parent company's board of directors approved these consolidated financial statements for issue on 31 March 2009. The general assembly of the parent company's shareholders has the power to amend these consolidated financial statements after issuance.

Merger with International Investment Projects Company KSCC

The parent company's shareholders in an extraordinary general meeting held on 27 November 2008 approved to a merger of the parent company with the International Investment Projects Company KSCC (IIPCO). The effective date of the merger is 14 April 2009. In accordance with the valuation report prepared by an independent consultant which was adopted by the shareholders, the parent company shall issue one share for each 2.729 shares of IIPCO equivalent to 219,456,480 new shares of the parent company to the shareholders of IIPCO in exchange for the fair value of the net assets of IIPCO on the effective date.

2 **Adoption of new and revised International Financial Reporting Standards**

In the current year, the group has adopted the following:

- Amendments to IAS 39: Financial Instruments: Recognition and Measurement and IFRS 7: Financial Instruments: Disclosures
- IFRIC 11 IFRS 2: Group and Treasury Share Transactions

Adoption of amendments to IAS 39: Financial Instruments: Recognition and Measurement and IFRS 7: Financial Instruments: Disclosures

On 13 October 2008, the International Accounting Standards Board (IASB) approved and published amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures to allow reclassifications of certain financial instruments held for trading to either the held maturity, loans and receivables or available for sale categories with effect from 1 July 2008.

The group has implemented the amendments to IAS 39. As a result, the group has reclassified certain trading financial assets with a carrying value of KD48,979,183 as at 30 June 2008 and KD625,000 at 30 September 2008 from the 'fair value through income statement' category to the 'available for sale' category with effect from 1 July 2008 as these financial assets are no longer held for the purpose of selling or repurchasing it in the near term due to the impact of the global financial crisis on the local and regional equity markets.

The group recorded net unrealised losses of KD14,128,127 in respect of the reclassified financial assets in fair value reserve within equity. Had the group not implemented the amendments to IAS 39, the net unrealised loss would have been recorded in the consolidated income statement. However, as a result of test of impairment, the group recorded an amount of KD17,159,522 as impairment loss in these consolidated financial statements with respect to reclassified financial assets.

Adoption of the IFRIC 11 IFRS 2: Group and Treasury Shares Transactions did not have any impact on the financial position or performance of the group as no events occurred that this interpretation relates to.

The following standards, amendments and interpretations are mandatory for reporting periods beginning on or after 1 January 2008 but they are not relevant to the group's operations:

- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- IFRIC 12 Service Concession Arrangements

The following new standards, amendments to standards and interpretations which are yet to become effective have not been adopted:

- IFRS 2 Share Based Payments (Revised) (effective for annual periods on or after 1 January 2009)
- IFRS 3 Business Combinations (Revised) (effective for annual periods on or after 1 July 2009)

2 Adoption of new and revised International Financial Reporting Standards(Continued)

- IFRS 5 Non Current Assets Held for Sale and Discontinued Operations (effective for annual periods on or after 1 July 2009)
- IFRS 8 Operating Segments (effective for annual periods on or after 1 January 2009)
- IAS 1 Presentation of Financial Statements (Revised) (effective for annual periods beginning on or after 1 January 2009)
- IAS 16 Property, Plant and Equipment (effective for annual periods on or after 1 January 2009)
- IAS 19 Employee Benefits (effective for annual periods on or after 1 January 2009)
- IAS 23 Borrowing costs (Revised) (effective for accounting periods beginning on or after 1 January 2009)
- IAS 27 Consolidated and Separate Financial Statements (effective for annual periods on or after 1 January 2009 and 1 July 2009)
- IAS 28 Investments in Associates (effective for annual periods on or after 1 January 2009 and 1 July 2009)
- IAS 29 Financial Reporting in Hyperinflationary Economies (effective for annual periods on or after 1 January 2009)
- IAS 31 Interests in Joint Ventures (effective for annual periods on or after 1 January 2009 and 1 July 2009)
- IAS 32 Financial Instruments: Presentation (effective for annual periods on or after 1 January 2009)
- IAS 36 Impairment of Assets (effective for annual periods on or after 1 January 2009)
- IAS 38 Intangible Assets (effective for annual periods on or after 1 January 2009)
- IAS 39 Financial Instruments: Recognition and Measurement (effective for annual periods on or after 1 January 2009 and 1 July 2009)
- IAS 40 Investment Property (effective for annual periods on or after 1 January 2009)
- IFRIC 13 Customer Loyalty Programs (effective for annual periods on or after 1 July 2008)
- IFRIC 15 Agreements for the Construction of Real Estate (effective for annual periods on or after 1 January 2009)
- IFRIC 16 Hedges of Net Investment in Foreign Operation (effective for annual periods on or after 1 October 2008)
- IFRIC 17 Distribution of Non Cash Assets to Owners (effective for annual periods on or after 1 July 2009)

The adoption of IAS 1 and IFRS 8 will result in amendments to the presentation of the consolidated financial statements of the group.
Based on the group's current business model and accounting policies, management does not expect material impact on the group's financial statements in the period of initial applications of the above interpretations.

The group does not intend to apply any of the above pronouncements early.

Al-Deera Holding Company
(A Kuwaiti Holding Shareholding Company and Subsidiaries)
Kuwait

Notes to the Consolidated Financial Statements 31 December 2008

3 Significant accounting policies

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2007. The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below:

Basis of preparation
The consolidated financial statements are prepared in accordance with International Financial Reporting Standards and under the historical cost convention modified to include measurement at fair value of "investments at fair value through statement of income" and "available for sale" investments.

The consolidated financial statements are presented in Kuwaiti Dinars (KD) which is the functional currency of the parent company.

Basis of consolidation
The consolidated financial statements incorporate the financial statements of the parent company and the financial statements of its subsidiaries prepared to that date, or to a date not earlier than three months of the parent company's year end using consistent accounting policies.

Subsidiaries are those enterprises controlled by the group and are fully consolidated from the date on which control is transferred to the group. Control is achieved where the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of income from the date of acquisition or up to the date of disposal, as appropriate. Investment in subsidiary company which has not yet commenced operations is carried at cost.

The financial statements of the subsidiaries are consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Any significant intra-group balances and transactions, and any unrealised gains or losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Minority interests represent the portion of profit or loss and net assets not held by the group and are presented separately in the consolidated statement of income and within equity in the consolidated balance sheet, separately from parent shareholders' equity. Acquisitions of minority interests are accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

Goodwill
Goodwill represents the excess of the cost of an acquisition over the group's share of the fair value of the net identifiable assets of the acquired subsidiary or associate as at the date of the acquisition. Goodwill arising on the acquisition of a subsidiary is recognised as a separate asset in the balance sheet.

3 Significant accounting policies (continued)

Goodwill (continued)

Goodwill arising on the acquisition of an associate is included within the carrying amount of the investment. Any excess, at the date of acquisition, of the group's share in the fair value of the net identifiable assets acquired over the cost of the acquisition is recognised as negative goodwill.

Goodwill is stated at cost less impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment. Negative goodwill arising on an acquisition is recognised directly in the consolidated statement of income.

Business combinations
Acquisition of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, plus any costs directly attributable to the business combination. The acquirer's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combination are recognised at their fair values at the acquisition date. Goodwill represents the excess of acquisition cost over the fair value of the group's share of the identifiable net assets of the acquirer at the date of the acquisition. Any excess, at the date of acquisition, of the group's share in the fair value of the identifiable net assets acquired over the acquisition cost is recognised as negative goodwill in the consolidated statement of income.

Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Sales
Sales represent revenue generated from providing internet Wide Area Network (WAN) and communication services.

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

Interest income
Interest income is recognised on a time proportionate basis, taking into account the principal outstanding and the rate applicable.

Finance costs
Finance costs are calculated and recognised on a time proportionate basis taking into account the principal loan balance outstanding and the interest rate applicable.

Taxation and Zakat
The parent company calculates the National Labour Support Tax (NLST) in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit for the year. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subject to NLST have been deducted from the profit for the year.

The parent company calculates the contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) at 1% of taxable profit in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that income from associates and subsidiaries, Board of Directors' remuneration, transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

3 Significant accounting policies (continued)

Contribution to Zakat is calculated at 1% of the profit of the parent company in accordance with the Ministry of Finance resolution No. 58/2007.

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

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits arising from items of property and equipment.

The group depreciates its equipment using the straight-line method at rates sufficient to write off the assets over their estimated useful economic lives which are as follows:

Furniture & fixtures	20%
Office equipment	20%
Telecom equipment	12.5%

The carrying amounts are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed recoverable amounts, assets are written down to their recoverable amounts.

Intangible asset
Intangible asset represents license cost associated with the right to provide internet and digital data services in the State of Kuwait. Licence cost is amortised for a period of eight years representing useful life estimated by management.

Projects in progress
The group performs some of its own projects. These projects are recorded in the books at their cost of materials, direct wages and percentage of general expenses. On completion of these projects, these costs are added to the company's property, plant and equipment.

Investments in associates
An associate is a company over which the group has significant influence usually evidenced by holding of 20% to 50% of the voting power of the investee company. The consolidated financial statements include the group's share of the associates' results using the equity method of accounting.

Under the equity method, investment in an associate is initially recognised at cost and adjusted thereafter for the post-acquisition change in the group's share of net assets of the investee. The group recognises in the consolidated statement of income its share of the total recognised profit or loss of the associate from the date the influence or ownership effectively commenced until the date that it effectively ceases. Distributions received from an associate reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the group's share in the associate, arising from changes in the associate's equity that have not been recognised in the associate's statement of income. The group's share of those changes are recognised directly in equity.

3 **Significant accounting policies (continued)**

Investments in associates (continued)

Unrealised gains on transactions with associates 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 asset has been impaired, or that impairment losses recognised in prior years no longer exist.

The reporting dates of the associates and the group are identical and in case of different reporting date of an associate, which are not more than three months, from that of the group, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the group's consolidated financial statements. The associate's accounting policies conform to those used by the group for like transactions and events in similar circumstances.

An assessment of investment in an associate is performed when there is an indication that the asset has been impaired, or that impairment losses recognised in prior years no longer exist. Whenever impairment requirements of IAS 36, indicate that investment in an associate may be impaired, the entire carrying amount of investment is tested by comparing its recoverable amount with its carrying value. Goodwill is included in the carrying amount of an investment in associate and, therefore, is not separately tested for impairment.

Investments

The group classifies investments upon initial recognition into the following two categories:

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

Investments at fair value through statement of income

Classification of investments as financial assets at fair value through statement of income depends on how management monitors the performance of these investments. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of statement of income in the management accounts, they are classified as designated at fair value through statement of income.

Investments at fair value through statement of income are initially recognised at fair value, excluding transaction costs.

1- Held for trading

Held for trading investments are acquired principally for the purpose of selling or repurchasing it in the near term or are a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking.

2- Investments designated at fair value through statement of income

Financial assets are designated at fair value through income statement if they are managed and their performance is evaluated on reliable fair value basis in accordance with documented investment strategy.

After initial recognition, investments at fair value through statement of income are re-measured at fair value. Gains or losses resulting either from sale or changes in fair value of investments at fair value through statement of income are recognised in the consolidated statement of income.

3 **Significant accounting policies (continued)**

Available for sale investments

Available for sale investments are initially recognised at cost plus transaction costs that are directly attributable to the acquisition.

After initial recognition, available for sale investments are re-measured at fair value except for investments whose fair value cannot be reliably measured, which are measured at cost less impairment.

Unrealised gain or loss on re-measurement of available for sale investments to fair value is recognised directly in equity in "fair value reserve" account until the investment is derecognised or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the consolidated statement of income. Realised profit or losses from sale of available for sale investments are recognised in the consolidated statement of income. Reversal of previously recognised impairment losses in the consolidated statement of income are recorded as an increase in cumulative changes in fair value.

Fair value

For investments traded in organised financial markets, fair value is determined by reference to stock exchange quoted market bid prices at the close of business on the balance sheet date.

For investments where there is no quoted market price, a reasonable estimate of fair value is determined by using valuation techniques. The group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Valuation techniques used include the use of comparable recent arm's length transactions and other valuation techniques commonly used by market participants.

Impairment of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the consolidated statement of income. Impairment is determined as follows:

a) For assets carried at fair value, impairment is the difference between cost and fair value; and

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

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

Impairment of non-financial assets

The group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and then its recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash-generating

3 **Significant accounting policies (continued)**

Impairment of non-financial assets (continued)

unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount by recognising impairment loss in the consolidated statement of income. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit). In determining fair value less costs to sell an appropriate valuation model is used. These calculations are corroborated by available fair value indicators.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the group makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount of the cash-generating units to which goodwill has been allocated, an impairment loss is recognised immediately in statement of income. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods. The group performs its annual impairment test of goodwill as at 31 December.

Trade and settlement date accounting

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

Recognition and de-recognition of financial assets and liabilities

A financial asset or a financial liability is recognised when the group becomes a party to the contractual provisions of the instrument. A financial asset is de-recognised when the group loses control of the contractual rights that comprise the financial asset. A financial liability is de-recognised

- When the obligation specified in the contract is discharged, cancelled or 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.

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 derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in consolidated statement of income.

3 **Significant accounting policies (continued)**

Inventory

Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition on a weighted average basis. Net realisable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal.

Trade and other receivables

Trade receivables are stated at face value less impairment losses or provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Borrowings

Borrowings are stated at amortised cost using effective interest rate method.

Treasury shares

The parent company's own shares are accounted for as treasury shares and are stated at cost. Treasury shares are stated at cost as a deduction within shareholders' equity and they 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.

Gains or losses resulting from the trading in treasury shares are taken directly to shareholders' equity under "treasury shares reserve". Should the reserve fall short of any losses from the sale of treasury shares, the difference is charged to retained earnings then reserves, subsequent to this, should profits arise from sale of treasury shares an amount is transferred to reserves then retained earnings equal to the loss previously charged to these accounts.

Provisions

Where the group has a present legal or constructive obligation stemming from a past event which is likely to result in an outflow of resources and a reliable estimate can be made of the amount of the obligation concerned, a provision is recognised.

Provision for staff indemnity

Provision for staff end of service indemnity is calculated on the basis of accumulated periods of service of employees as at the balance sheet date in accordance with the Kuwait labour law for the private sector and the group companies' bye-laws.

Foreign currencies

The consolidated financial statements are presented in Kuwaiti Dinars, which is the parent company's functional and presentation currency. Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to gain/ loss on foreign currency translation in the consolidated statement of income.

3 **Significant accounting policies (continued)**

Transactions and balances (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at closing rate.

Group companies
As at the reporting date, the assets and liabilities of foreign associates are translated into the parent company's presentation currency (the Kuwaiti Dinar) at the rate of exchange ruling at the balance sheet date, and their statements of income are translated at the average exchange rates for the year. Exchange differences arising on translation are taken directly to foreign exchange translation reserve within equity. On disposal of a foreign associate, the deferred cumulative amount recognised in equity relating to the particular foreign associate is recognised in the consolidated statement of income.

Cash and cash equivalents
Cash and cash equivalents included in the consolidated statement of cash flows consist of short-term deposits due within three months, cash
and bank balances net of bank facilities.

Segmental 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.

Contingencies
Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

4 **Critical accounting judgements and key sources of estimation uncertainty**

In the application of the group's accounting policies, which are described in note 3, management is required to make judgements, estimates and assumption about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies
In the process of applying the group's accounting policies, management has made the following

4 **Critical accounting judgements and key sources of estimation uncertainty (continued)**

judgements, apart from those involving estimations, which have the most significant effect in the amounts recognised in the consolidated financial statements:
Classification of investments
Management decides on acquisition of an investment whether it should be classified as held for trading or designated at fair value through statement of income, or available for sale.

The group classifies investments as trading if they are acquired primarily for the purpose of making a short term profit by the dealers.

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

All other investments are classified as available for sale.

Impairment of available for sale investments
The group treats available for sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgement. In addition, the group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities. The group recognised an impairment loss of KD23,227,715 (2007: nil) in respect of certain available for sale investments.

Impairment of goodwill
The group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the 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.

Estimation of impairment of non-financial assets and useful lives
The group's management tests annually whether non financial assets have suffered impairment in accordance with other accounting policies which are stated above. The recoverable amount of an asset is determined based on value-in-use method. This method uses estimated cash flow projections over the estimated useful life of the asset discounted using market rates.

The group's management determines the useful lives and related depreciation/amortisation charge. The depreciation/amortisation charge for the year will change significantly if actual life is different from the estimated useful life of the asset.

Key sources of 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:
Valuation of unquoted equity investments

4 **Critical accounting judgements and key sources of estimation uncertainty (continued)**

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

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

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. There are a number of investments where this estimation cannot be reliably determined, and as result investments with a carrying amount of KD2,917,765 (2007: KD14,805,825) are carried at cost.

5 **Subsidiary companies**

Details of subsidiary companies are set out below:

Subsidiary	Country of incorporation	Voting capital held %		Activities
		2008	2007	
Al-Deera International Communication Company – WLL	Kuwait	100%	100%	General trading & contracting
Al-Deera SG Company – WLL	Kuwait	100%	100%	General trading
Al-Deera REG Company – WLL	Kuwait	100%	100%	General trading
Al-Deera IG Company – WLL	Kuwait	100%	100%	General trading
Al-Deera FG Company – WLL	Kuwait	100%	100%	General trading
BPL Global Middle East – WLL	Kuwait	100%	100%	General trading & contracting
Fast Telecommunication Co.– WLL	Kuwait	39%	39%	Telecommunication

Control in Fast Telecommunication Company – WLL is demonstrated by representation of majority of directors on the board of directors of the subsidiary.

6 **Dividend income**

	Year ended 31 Dec 2008 KD	Year ended 31 Dec 2007 KD
Investments at fair value through statement of income		
• Trading	-	400,517
• Designated	3,978	89,452
Available for sale investments	1,125,628	1,323,211
	1,129,606	1,813,180

Al-Deera Holding Company
(A Kuwaiti Holding Shareholding Company and Subsidiaries)
Kuwait

Notes to the Consolidated Financial Statements 31 December 2008

7 **Interest income**

	Year ended 31 Dec 2008 KD	Year ended 31 Dec 2007 KD
Cash and cash equivalents	53,240	6,071
Due from related parties	264,225	169,748
	317,465	175,819

8 **Net gain or (loss) on financial assets**

Net gain or (loss) on financial assets, analysed by category, is as follows:

	Year ended 31 Dec 2008 KD	Year ended 31 Dec. 2007 KD
Cash and cash equivalents	53,240	6,071
Due from related parties	264,225	169,748
Investments at fair value through statement of income		
• Trading	(9,266,421)	17,616,300
• Designated	(5,855,675)	5,351,974
Available for sale investments	(21,951,957)	1,323,211
Net realised and unrealised (loss)/ gain	(36,756,588)	24,467,304
Net unrealised (loss)/ gain recognised in equity	6,275,557	6,912,439
	(30,481,031)	31,379,743

9 **Provisions no longer required written back**

These represent certain provisions written back by one of the subsidiaries.

10 **Finance costs**

Finance costs relate to the group's borrowings activities: long and short-term loans, due to related parties and other bank facilities. All these financial liabilities are stated at amortised cost.

11 **(loss)/ Earnings per share**

(Loss)/earnings per share is calculated by dividing the (loss)/profit for the year attributable to the shareholders of the parent company by weighted average number of shares outstanding during the year (excluding treasury shares).

11 (loss)/ Earnings per share (continued)

	Year ended 31 Dec 2008	Year ended 31 Dec 2007
(loss) /Profit for the year attributable to the shareholders of the parent company (KD)	(58,049,311)	22,073,544
Weighted average number of shares outstanding during the year (excluding treasury shares)	523,928,516	523,940,517
(loss) /Earnings per share	(111) Fils	42 Fils

12 Property, plant and equipment

	Telecom equipment KD	Furniture & fixtures KD	Office equipment KD	Total KD
31 December 2008				
Cost				
At 1 January	8,395,726	173,061	285,179	8,853,966
Additions	1,232,771	199,116	63,993	1,495,880
Disposals	(42,494)	(33,312)	(4,374)	(80,180)
At 31 December	9,586,003	338,865	344,798	10,269,666
Accumulated depreciation				
At 1 January	5,208,871	113,771	179,798	5,502,440
Charge for the year	1,108,184	36,989	42,980	1,188,153
Relating to disposals	(13,749)	(16,949)	(2,535)	(33,233)
At 31 December	6,303,306	133,811	220,243	6,657,360
Net book value				
At 31 December	3,282,697	205,054	124,555	3,612,306
31 December2007				
At 1 January	-	21,234	11,815	33,049
Arising on acquisition of subsidiary	8,395,726	151,826	273,365	8,820,917
At 31 December	8,395,726	173,060	285,180	8,853,966
Accumulated depreciation				
At 1 January	-	7,846	4,692	12,538
Charge for the year	-	1,328	985	2,313
Arising on acquisition of subsidiary	5,208,871	104,597	174,121	5,487,589
At 31 December	5,208,871	113,771	179,798	5,502,440
Net book value				
At 31 December	3,186,855	59,289	105,382	3,351,526

13 Intangible assets

	2008 KD	2007 KD
License cost – arising on acquisition of subsidiary	9,891,508	9,891,508
Amortisation	(8,655,070)	(7,418,631)
	1,236,438	2,472,877

14 Investment in associates

	Country of incorporation	Percentage of ownership December 31 2008 %	2007 %	Purpose	December 31 2008 KD	2007 KD
Univest Consultancy Group - WLL	Kuwait	49%	49%	Financial	3,466,452	3,838,010
Al Khat Printing Press Company– WLL	Kuwait	21%	21%	Printing	2,644,358	2,516,802
Warba Press & Publishing Co - WLL	Kuwait	21%	21%	Press & Publishing	816,510	887,403
Univest Brokerage – LLC	UAE	30.9%	30.9%	Brokerage	474,189	603,616
Sadara Industrial Development Co. – WLL [Formerly: Gulf Safat Limited Co. – WLL]	Saudi Arabia	21%	21%	Food Industry	703,128	732,866
Aiwa Gulf Co - WLL	Kuwait	28%	28%	Communications	3,079,959	2,869,683
Good Food International - USA	USA	35%	35%	Food Industry	782,657	232,365
Diwan Capital Limited - UAE	UAE	24%	-	Investment	979,942	-
International Financial Advisors – KSC (Closed)	Kuwait	19.2%	-	Investment	36,299,905	-
					49,247,100	11,680,745

Acquisition during the year ended 31 December 2008:

- The group participated in the capital increase of Good Food International – USA for the total amount of KD548,991 (equivalent USD1,997,059).
- The group acquired a 24% equity stake in a newly established company, Diwan Capital Limited for KD1,640,220 (equivalent to USD6,000,000) which is engaged in investment activities. A goodwill of KD424,238 (equivalent USD1,543,243) has arisen on this acquisition.

Investment in associates of KD11,630,463 (2007: KD Nil) is pledged against short term loan, bank facilities and long term borrowings (notes 23, 25 and 26).

14 Investment in associates (continued)

During the three month period ended 30 September 2008, and as part of the group's strategic plan to streamline its investments and operations, the group exercised its influence on the management and operations of its investment in International Financial Advisors – KSC (Closed), in which the group holds 19.2% interest as at 1 July 2008. The group will acquire additional seats on the Board of Directors of this entity on their next election. As a result, the group decided to reclassify its investment in this entity from investments at fair value through the statement of income and available for sale investments (Note 15 and 18) to investment in associates at the carrying amount as at 1 July 2008 amounting to KD63,440,085.

The embedded goodwill in this investment amounted to KD11,958,426. As a result of annual impairment test at the balance sheet date, the group recognised an impairment loss of KD11,958,426 against this investment.

	2008 KD	2007 KD
Share in associates' assets and liabilities		
Assets	111,741,487	10,455,028
Liabilities	66,330,097	6,255,552
Share in associates' revenue and profit		
Revenue	(529,429)	1,729,066
(Loss)/profit	(18,851,397)	954,853
Carrying value of unquoted associates	12,947,195	11,680,745)
Carrying value of quoted associates	36,299,905	-
	49,247,100	11,680,645
Fair value of quoted associates	17,395,967	-

15 Available for sale investments

	2008 KD	2007 KD
Investment portfolios	4,299,595	21,259,954
Quoted investments	33,667,852	26,486,130
Equity participation	34,475,266	14,805,825
	72,442,713	62,551,909

- Available for investments with a carrying value of KD32,142,100 on 1 July 2008 were reclassified as investment in associate (note 14).
- Equity participations are investments with the objective of future medium and long-term capital growth. These investments include investments with a carrying value of KD2,917,765 (2007: KD14,805,825) are stated at cost due to unavailability of reliable fair market value.
- As a result of adoption of amendments to IAS 39, the group reclassified held for trading investments with a carrying value of KD48,979,183 at 30 June 2008 and KD625,000 as at 30 September 2008 to available for sale investments (note 18).
- During the year, the group recognised an impairment loss of KD23,227,715 against available for sale investments as the market value of these investments declined significantly below their costs.
- An investment portfolio amounting to KD25,695 (2007: KD150,082) is managed by a related party and pledged against margin loans (note 16).
- Quoted investments amounting to KD964,606 (2007: KD Nil) are pledged against short term loan.
- An investment portfolio amounting to KD690,000 (2007: KD21,109,873) is pledged against short term loan and bank facilities.
- Quoted investments amounting to KD22,296,400 (2007: KD29,501,480) are pledged against long term borrowings.
- An investment portfolio amounting to KD3,583,900(2007: Nil) is pledged against long term borrowings.

16 Due from/to related parties

	Effective interest rate (per annum) %	2008 KD	2007 KD
Due from :			
Associates			
Univest Consultancy Group - WLL	10%	1,655,913	-
Good Food International- USA	10%	1,701,045	1,393,662
Other related parties	-	796,554	607,688
		4,153,512	2,001,350
Due from :			
Associates			
International Financial Advisors – KSC (Closed)	1% above KIBOR	1,256,776	1,247,037
Other related parties	2.5% to 3.25% above KIBOR	4,064,032	3,893,045
		5,320,808	5,140,082

17 Accounts receivables and other assets

	2008 KD	2007 KD
Financial assets		
Trade receivables	3,892,227	3,756,932
Provision for doubtful debts	(2,257,604)	(2,183,925)
Net trade receivable	1,634,623	1,573,007
Staff receivables	31,756	5,588
Advance to suppliers	440,968	868,227
Advance payment to acquire investments	-	1,640,220
Refundable deposit	15,966	16,466
Other debit balances	55,704	42,517
Interest receivable	-	7,844
Guarantee deposits	19,758	31,368
	2,198,775	4,185,237
Non-financial assets		
Prepaid expenses	446,388	155,270
	2,645,163	4,340,507

The carrying values of the financial assets included above approximate their fair values and all of them are due within one year.

Trade receivables are non-interest bearing and generally on 30 – 90 days terms.

As at 31 December 2008 and 2007, the ageing analysis of trade receivables is as follows;

	2008 KD	2007 KD
Less than 3 months	642,180	433,014
Past due but not impaired		
- 3 – 6 months	531,240	702,803
- over 6 months	461,203	437,190
Impaired (fully provided for)		
- over 6 months	2,257,604	2,183,925
Total trade receivables	3,892,227	3,756,932

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18 Investments at fair value through statement of income

	2008 KD	2007 KD
Held for trading:		
Local quoted direct shares	-	66,106,210
Local quoted portfolios	-	8,363,900
Foreign quoted	-	698,384
	-	75,168,494
Designated on initial recognition:		
Unquoted investments	1,670,594	1,269,433
Investment portfolios	3,756,199	27,169,651
	5,426,793	28,439,084
	5,426,793	103,607,578

- Investments at fair value through statement of income with a carrying value of KD31,297,985 on 1 July 2008 were reclassified to investment in associate (note 14).
- During the year, the group reclassified all of its investments held for trading to available for sale investments in accordance with the amendment to IAS 39, which allowed this reclassification in the current capital markets conditions.
- Investments held for trading with the carrying value of KD48,979,183 at 30 June 2008 and KD625,000 at 30 September 2008 have been reclassified to available for sale investments, as these investments are no longer held for the purpose of selling or repurchasing in the near term. Net unrealised losses directly recorded in the consolidated statement of changes in equity for the six month period ended 31 December 2008 under "fair value reserve" amounted to KD14,128,127. Had the group not implemented the amendments to IAS 39, the net unrealised loss would have been recorded in the consolidated statement of income. However, subsequent to reclassification, as a result of impairment test, the group recognised an impairment loss of KD17,159,522 in respect of the reclassified financial assets.
- Designated investment portfolios with a fair value of KD1,543,028 (2007: KD24,496,701) are pledged against short-term loan and bank facilities.
- Designated investment portfolios with a fair value of KD2,213,172 (2007: KD2,672,950) are managed by a related party and pledged against margin loans (note 16).

19 Share capital

	Authorised		Issued and fully paid	
	2008	2007	2008	2007
Share of KD0.100 each	525,000,000	350,000,000	525,000,000	350,000,000

The general assembly of the shareholders held on 22 May 2008 approved to increase the authorised capital from KD35,000,000 to KD52,500,000 by issuance of 175,000,000 bonus shares (Note 28).

20 Treasury shares

	2008	2007
Number of shares	1,076,750	704,500
Percentage of issued shares	0.205%	0.201%
Cost of treasury shares (KD)	816,807	808,257
Market value (KD)	269,188	479,060

Reserves of the parent company equivalent to the cost of the treasury shares have been earmarked as non-distributable.

21 Legal reserve

In accordance with the Commercial Companies Law and the parent company's articles of association, 10% of the profit for the year before KFAS, NLST, Zakat and directors' remuneration is to be transferred to legal reserve. The shareholders of the parent company may resolve to discontinue such annual transfer when the reserve totals 50% of the paid up share capital. No transfer is required in a year in which the parent company has incurred a loss or where cumulative losses exist.

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

22 Voluntary reserve

In accordance with the Commercial Companies Law and the parent company's articles of association, 10% of the profit for the year before KFAS, NLST, Zakat and directors' remuneration is to be transferred to the voluntary reserve. No transfer is required in a year in which the company has incurred a loss or where cumulative losses exist. Upon recommendation of the board of directors and approval of general assembly the parent company may resolve to discontinue transfer to the voluntary reserve. There are no restrictions on distribution of voluntary reserve.

23 Long-term borrowings

Currency	Interest rate	Security	2008 KD	2007 KD
US Dollars	1.75% + LIBOR	Secured	14,734,000	14,548,500
Kuwaiti Dinars	2.5% + KIBOR	Secured	5,120,000	6,920,000
			19,854,000	21,468,500
Less: Instalments due within next twelve months – Kuwait Dinars			(1,940,000)	(1,800,000)
			17,914,000	19,668,500

The parent company has a secured syndicated term loan of US Dollar 53,000,000 equivalent to KD14,734,000 (2007: US Dollar 53,000,000 equivalent to KD14,548,500) obtained from local and foreign banks. The loan matures in October 2010 and is secured against investments amounting to KD23,900,884 (2007: KD29,501,480) (Note 14 and 15).

One of the subsidiaries has a Kuwait Dinars loan obtained from a local bank and is secured against personal guarantees and assets of certain partners as well as all equipment of the subsidiary company. It is repayable in 60 monthly instalments of varied amounts ending in April 2011.

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24 Accounts payable and other liabilities

	2008 KD	2007 KD
Financial liabilities		
Trade payable	2,973,682	3,514,466
Advance receipts	3,356,317	2,616,338
Accrued expenses	2,049,914	291,242
Accrued interest	-	65,625
National Labour Support Tax	2,602,977	2,602,977
Dividend payable	19,036	19,322
KFAS	206,133	206,133
Zakat	13,697	13,697
Directors' remuneration	-	50,000
Other payables	175,564	1,763,914
	11,397,320	11,143,714

25 Short term loans

Currency	Interest rate	Security	2008 KD	2007 KD
Kuwaiti Dinars	2.5% + KIBR	Secured	5,000,000	5,000,000
			5,000,000	5,000,000

26 Bank facilities

The facilities are granted by a local bank at commercial rates. The bank facilities and short term loan (note 25) are secured against investments amounting to KD11,815,412 (notes 14, 15 and 18).

27 Cash and cash equivalents

	Effective interest rate (per annum) %	2008 KD	2007 KD
Balances with banks and other financial institutions	-	1,116,054	2,546,208
Short term deposits	4.5%	1,116,514	750,000
Bank facilities	6-8% -7.5%	(3,159,627)	(3,108,596)
		(927,059)	187,612

28 General Assembly of Shaeholders

The directors do not propose dividend for the year ended 31 December 2008.

The general assembly of the shareholders held on 22 May 2008 approved to increase the authorised capital from KD35,000,000 to KD52,500,000 by issuance of 175,000,000 bonus shares.

The annual general assembly of the shareholders held on 22 May 2008 approved the consolidated financial statements for the year ended 31 December 2007.

The parent company's shareholders in an extraordinary general meeting held on 27 November 2008

28 **General Assembly of Shaeholders (continued)**

approved to a merger of the parent company with the International Investment Projects Company KSCC (IIPCO). The effective date of the merger is 14 April 2009. In accordance with the valuation report prepared by an independent consultant which was adopted by the shareholders, the parent company shall issue one share for each 2.729 shares of IIPCO equivalent to 219,456,480 new shares of the parent company to the shareholders of IIPCO in exchange for the fair value of the net assets of IIPCO on the effective date.

29 **Related party transactions**

Related parties represent, associates, directors and key management personnel of the group, and other related parties such as major shareholders and companies in which directors and key management personnel of the group are principal owners or over which they are able to exercise significant influence or joint control. Pricing policies and terms of these transactions are approved by the group's management.

Details of significant related party transactions and balances are as follows:

	2008 KD	2007
Transactions included in consolidated statement of income:		
Interest income on loans to associates	264,225	169,748
Finance costs (associates)	50,924	890,548
Finance costs (other related parties)	193,376	-
Management fees	15,440	-
Realised profit/(loss) on sale of investments at fair value through statement of income	5,093	(603,977)
Balances included in consolidated balance sheet:		
Due from related parties (Note 16)	4,153,512	2,001,350
Due to related parties (Note 16)	5,320,808	5,140,082
Management fees allocated to investments	-	487,903
Purchase of investments	615,016	8,742,896
Compensation of key management personnel:		
Short-term benefits	507,055	278,000
Employees' end of service benefits	71,035	9,500
	578,090	287,500

30 **Segmental Information**

The group primarily operates in local investment activities and its primary basis for segmental reporting is by geographical segment.

The group operates in two geographical markets: Domestic (inside Kuwait) and International (outside Kuwait). The geographical analysis is as follows:

30 **Segmental Information (continued)**

	Domestic KD	International KD	Total KD
At 31 December 2008			
Operating loss	(50,592,896)	(116,411)	(50,709,307)
loss for the year	(57,520,018)	(116,411)	(57,636,429)
Total assets	133,669,064	16,415,120	150,084,184
Total liabilities	(30,418,142)	(14,734,000)	(45,152,142)
Net assets	103,250,922	1,681,120	104,932,042
At 31 December 2007			
Operating profit /(loss)	29,431,002	(4,008,845)	25,422,157
profit /(Loss)for the year	26,912,563	(4,008,845)	22,903,718
Total assets	190,731,183	11,466,509	202,197,692
Total liabilities	(31,607,415)	(14,548,500)	(46,155,915)
Net assets	159,123,768	(3,081,991)	156,041,777

31 **Risk management objectives and policies**

The group's principal financial liabilities comprise due to banks, borrowings and accounts payable. The main purpose of these financial liabilities is to raise finance for group operations. The group has various financial assets such as accounts receivable and other assets, cash and bank balances and investment securities.

The group's activities expose it to variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The parent company's board of directors are ultimately responsible to set out policies and strategies for management of risks.

The group does not use derivative financial instruments.

The most significant financial risks to which the group is exposed to are described below.

31.1 **Market risk**

a) Foreign currency risk

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

The group mainly operates in Kuwait, the Middle Eastern countries and USA and is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to US Dollar, UAE Dirham and Euro. The group's balance sheet can be significantly affected by the movement in these currencies. To mitigate the group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored.

The group had the following significant exposures denominated in foreign currencies, translated into Kuwaiti Dinar at the closing rate:

31 Risk management objectives and policies (continued)

31.1 Market risk (continued)

a) Foreign currency risk (continued)

	2008			2007		
	US Dollar	UAE Dirham	Euro	US Dollar	UAE Dirham	Euro
Financial assets	15,795,048	47,287	1,026,008	14,071,736	49,950	-
Financial liabilities	14,741,855	-	-	14,548,500	-	-

The foreign currency sensitivity is determined on the following assumptions:

	Exchange rate sensitivity %	
	2008	2007
US Dollar	1.6%	6%
UAE Dirham	1.63%	5%
Euro	2.06%	-

The above percentages have been determined based on the average market volatility in exchange rates in the previous twelve months. There has been no change during the year in the methods and assumptions used in the preparation of the sensitivity analysis.

If the Kuwaiti Dinar had strengthened against the foreign currencies assuming the above sensitivity, then this would have the following impact on the profit for the year and equity:

	Profit for the year		Equity	
	2008 KD	2007 KD	2008 KD	2007 KD
US Dollar	181,791	577,105	(198,642)	(548,499)
UAE Dirham	(771)	(2,498)	-	-
Euro	(21,136)	-	-	-
	159,884	574,607	(198,642)	(548,499)

If the Kuwait Dinar had weakened against the foreign currencies assuming the above sensisitivity, then this Would have the Following impact on the Profit for the Year and equity:

	Profit for the year		Equity	
	2008 KD	2007 KD	2008 KD	2007 KD
US Dollar	(181,791)	(577,105)	198,642	548,499
UAE Dirham	771	2,498	-	-
Euro	21,136	-	-	-
	(159,884)	(574,607)	198,642	548,499

Exposures to foreign exchange rates vary during the year depending on the volume and nature of the transactions. Nonetheless, the analysis above is considered to be representative of the group's exposure to the foreign currency risk.

31 Risk management objectives and policies (continued)

31.1 Market risk (continued)

b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The group is exposed to interest rate risk with respect to short term deposits, due to banks and borrowings. The risk is managed by the group by monitoring regularly to ensure positions are maintained within established limits.

The group does not have any off balance sheet financial instruments which are used to manage the interest rate risk.

The following table illustrates the sensitivity of the profit for the year to a reasonable possible change in interest rates with effect from the beginning of the year. Based on observation of current market conditions it has been assumed that a reasonable possible change in the interest rates would be +25 and -75 basis points for LIBOR and +25 and -50 basis points for Kuwaiti Dinar interest rates for the years 2008 and 2007. The calculation is based on the group's financial instruments held at each balance sheet date. All other variables are held constant. There is no impact on group's equity. There has been no change during the year in the methods and assumptions used in the preparation of the sensitivity analysis.

	Increase in interest rate		Decrease in interest rate	
	2008 KD	2007 KD	2008 KD	2007 KD
Profit for the year	(80,672)	(77,060)	198,179	190,492

c) Price risk

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

To manage its price risk arising from investments in equity securities, the group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the group.

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. There has been no change during the year in the methods and assumptions used in the preparation of the sensitivity analysis.

If equity prices had been 33% (2007: 5%) for foreign investments and 38% (2007: 5%) for local investments higher, the effect on the profit and equity for the years ended 31 December 2008 and 2007would have been as follows:

	Profit for the year		Equity	
	2008 KD	2007 KD	2008 KD	2007 KD
Investments at fair value through statement of income	2,009,505	5,180,379	-	-
Available for sale investments	-	-	26,907,476	3,127,595

31 Risk management objectives and policies (continued)

31.1 Market risk (continued)

c) Price risk (continued)

If equity prices had been 33% (2007: 5%) for foreign investments and 38% (2007: 5%) for local investments lower, the effect on the profit for the year and equity for the years ended 31 December 2008 and 2007 would have been as follows:

	Profit for the year		Equity	
	2008 KD	2007 KD	2008 KD	2007 KD
Investments at fair value through statement of income	(2,009,505)	(5,180,379)	-	-
Available for sale investments	(26,907,476)	-	-	(3,127,595)

31.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The group's credit policy and exposure to credit risk is monitored on an ongoing basis. The group seeks to avoid undue concentrations of risks with individuals or groups of customers in specific locations or business through diversification of its activities. It also obtains security when appropriate.

The group's exposure to credit risk is limited to the carrying amounts of financial assets recognised at the balance sheet date, as summarized below:

	2008 KD	2007 KD
Due from related parties (Note 16)	4,153,512	2,001,350
Accounts, Receivables and other debit balances (Note 17)	2,198,775	4,185,237
Short term deposits	1,116,514	750,000
Bank balances	1,116,054	2,546,208
	8,584,855	9,482,795

The group continuously monitors defaults of customers and other counterparties, identified either individually or as a group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The group's policy is to deal only with creditworthy counterparties. The group's management considers that all the above financial assets that are neither past due nor impaired for each of the reporting dates under review are of good credit quality other than those disclosed in note 17.

The credit risk for bank balances and short term deposits is considered negligible, since the counterparties are financial institutions with high credit quality.

31.3 Liquidity risk

Liquidity risk is the risk that the group will be unable to meet its liabilities when they fall due. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a daily basis.

The table below summarises the maturity profile of the group's financial liabilities. The maturities of financial liabilities have been determined on the basis of the remaining period from the balance sheet date to the contractual maturity date.

31 Risk management objectives and policies (continued)

31.3 Liquidity risk (continued)

	Upto 3 months KD	3-12 months KD	Over 1 year KD	Total KD
31 December 2008				
Liabilities				
Long term Loans	-	1,940,000	17,914,000	19,854,000
Due to related parties	1,585	5,319,223	-	5,320,808
Accounts payable and other liabilities	1,455,557	9,941,763	-	11,397,320
Short term loan	-	5,000,000	-	5,000,000
Bank facilities	-	3,159,627	-	3,159,627
	1,457,142	25,360,613	17,914,000	44,731,755
31 December 2007				
Liabilities				
Long term Loans	-	1,800,000	19,668,500	21,468,500
Due to related parties	-	5,140,082	-	5,140,082
Accounts payable and other liabilities	-	11,143,714	-	11,143,714
Short term loan	-	5,000,000	-	5,000,000
Bank facilities	-	3,108,596	-	3,108,596
	-	26,192,392	19,668,500	45,860,892

The contractual maturity profile of financial liabilities based on undiscounted cash flows are as follows:

	Up to 3 month KD	3-12 months KD	Over 1 year KD	Total KD
31 December 2008				
Financial liabilities				
Long term Loans	660,550	2,020,815	18,536,106	21,217,471
Due to related parties	86,176	5,532,254	-	5,618,430
Accounts payable and other liabilities	1,455,557	9,941,763	-	11,397,320
Short term loan	78,125	5,234,375	-	5,312,500
Bank facilities	49,369	3,307,734	-	3,357,103
	2,329,777	26,036,941	18,536,106	46,902,824
31 December 2007				
Financial liabilities				
Long term Loans	321,308	3,031,798	22,096,488	25,449,594
Due to related parties	2,058,450	3,262,622	-	5,321,072
Accounts payable and other liabilities	1,386,714	9,757,000	-	11,143,714
Short term loans	96,875	5,678,125	-	5,775,000
Bank facilities	60,229	3,530,199	-	3,590,428
	3,923,576	25,259,744	22,096,488	51,279,808

32 **Summary of financial assets and liabilities by category**

The carrying amounts of the group's financial assets and liabilities as stated in the consolidated balance sheet may also be categorized as follows:

	2008 KD	2007 KD
Financial assets:		
Available for sale investments	69,524,948	47,746,084
Available for sale investments – at cost	2,917,765	14,805,825
Due from related parties	4,153,512	2,001,350
Accounts receivables and other assets (note 17)	2,198,775	4,185,237
Investments at fair value through statement of income	5,426,793	103,607,578
Short term deposit	1,116,514	750,000
Balances with banks and other financial institutions	1,116,054	2,546,208
	86,454,361	175,642,282
Financial liabilities:		
Long term Loans	19,854,000	21,468,500
Due to related parties	5,320,808	5,140,082
Accounts payables and other liabilities	11,397,320	11,143,714
Short term loan	5,000,000	5,000,000
Bank facilities	3,159,627	3,108,596
	44,731,755	45,860,892

Fair value represents amounts at which an asset could be exchanged or a liability settled on an arm's length basis. In the opinion of the group's management, except for certain available for sale investments which are carried at cost for reasons specified in Note 15 to the consolidated financial statements, the carrying amounts of financial assets and liabilities as at 31 December 2008 and 2007 approximate their fair values.

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33 **Capital management objectives**

The group's capital management objectives are to ensure the group's ability to continue as a going concern and to provide adequate return to its shareholders through the optimization of the capital structure.

The capital of the group comprise of total equity. The group manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust 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 debt.

Consistent with others in the industry, the group monitors capital on the basis of the net debt to equity ratio.

The net debt consists of the following:

	2008 KD	2007 KD
Long term Loans	19,854,000	21,468,500
Due to related parties	5,618,429	5,121,310
Short term loans	5,000,000	5,000,000
Add (Less): Cash and cash equivalents (note 27)	927,059	(187,612)
Net debt	31,399,488	31,402,198
Equity	104,932,042	156,041,777

This ratio is calculated as net debt divided by equity as follows:

	2008 KD	2007 KD
Net debt	31,399,488	31,402,198
Equity	104,932,042	156,041,777
Net debt to equity ratio	30%	20%

34 Contingent liabilities

At 31 December 2008, the group had contingent liabilities in respect of outstanding bank guarantees amounting to KD3,049,337 (2007: KD2,981,331).

35 Capital commitments

At the balance sheet date the group had capital commitments of KD1,289,920 (2007 : KD2,385,153) towards purchase of investments.