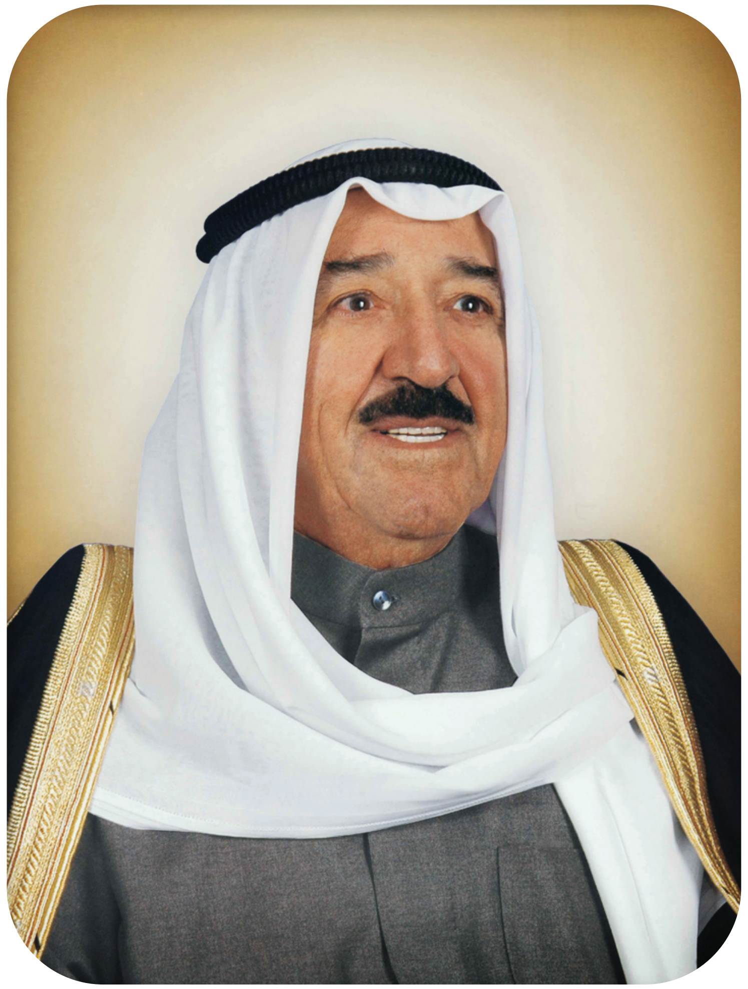
ANNUAL REPORT **2008**



H.H. Sheikh
Sabah Al-Ahmad Al-Jaber Al-Sabah
Amir of the state of Kuwait

H.H. Sheikh
Nawaf Al-Ahmad Al-Jaber Al-Sabah
Crown Prince of the state of Kuwait

H.H.Sheikh
Naser Mohammad Al-Ahmad Al-Sabah
The Prime Minister of the State of Kuwait

CONTENTS

Board Members

Hussam F. Al-Kharafi
Chairman

Naser A. Al-Marri
Deputy Chairman & Managing Director

Sheikh Khalifa A. Al-Sabah
Board Member

Abdullatif A. Al-Asfour
Board Member

Abdulghani M. Behbehani
Board Member

Chairman's Message

"Dear **Shareholders,**"

2008 recorded one of the worst results in the history of financial institutions & markets globally; the problems in the financial markets stemmed from the subprime mortgage crisis in the US. This problem spread like wildfire along relatively safer debt categories and subsequently to all sectors of the global economy. Leading the demise were the real estate and financial sectors; almost all major investment & commercial banks have been either consolidated, nationalized, or wiped out. Some of the most prestigious names such as Bear Stearns and Lehman Brothers are only memories today. The remaining world renowned financial institutions are struggling to exist and ensure that they too do not become memories.

The current difficulties faced by the local market are more limited in scope and severity than the worldwide crisis. The local and regional market declines stem from two primary causes: inflation and speculation. Historically high oil prices allowed the state and private investors to funnel billions of dollars into the real estate, financial and tourism markets as well as infrastructure projects stoking inflation. Additionally, cheap and easy credit from both local and international lenders and markets allowed speculation in the stock and real estate markets. Kuwait and the GCC are now, like the rest of the world, facing the unwinding of these excesses.

REVIEW OF MARKET PERFORMANCE

On average, developed markets lost between 35 – 40%, and emerging markets lost between 40 – 60% over 2008. The MSCI World Index was down 40.3% for the year 2008 in dollar terms. Wealth erosion took place to the tune of USD 9.75 trillion from the equity markets alone, and the GCC markets were not saved either. On average, the GCC markets were down almost 60%. The Kuwaiti market relatively outperformed the broader GCC, but suffered losses of around 40% as well. Commodity prices took a nose dive during 2008 with oil prices peaking at around USD 147 per barrel around mid-year and falling to less than USD 40 per barrel by year end. Other soft commodities and metals suffered as well, excluding gold. No geographic region, sector or asset class was spared in the world with the exception of US treasuries and gold benefited from positive returns of 35% and 5%, respectively. There was a global concerted effort by governments to lower interest rates and inject capital into the financial system. These efforts until year end proved only to keep the financial system on life support rather than address the root causes of the global financial crisis. It is quite unclear as to whether and when a cure can be found and implemented at this point.

REVIEW OF NOOR PERFORMANCE

Noor adopted a conservative policy and provided full impairment to any asset whose value declined by more than 30%, and thus the company posted a loss of KD 129 million, however, these are mainly unrealized losses (KD 42.5 million) and provisions for impairment (KD 105 million), It is imperative to state that in 2008 most of the assets declined more than 60%, including blue chip international and regional stocks, but we believe that the markets will recover and the effects of these impairment losses will be reversed as our analysis shows that the fundamental value of the assets are far more than their current market value.

As part of our long-term strategy Noor focused on diversifying its revenue streams into advisory business, third party asset management and capital raising, thus fee income stood over three times that of 2007. Similarly, the Company cut costs on general and administrative expenses by 46% from 2007.

The focus for Noor in 2008 and going forward is managing the challenging economic conditions prevailing in the market and the significant asset deteriorations worldwide in a conservative and transparent fashion. Noor's performance reflects the intrinsic strength of its core operating business lines as its book value per share stands at 138 fils. The operational and control infrastructure built in 2008 is central to support the continued growth of Noor even in uncertain times.

NOOR LIQUIDITY PROFILE

Noor had envisaged in August 2008 that cash would be the need of the day in the months to come and accordingly managed to go long on its daily cash reserves. Noor was in a position to re-deploy its surplus liquidity in a well-managed way where not only the returns were guaranteed and timely, but the element of risk to the market was also well covered. The surplus liquidity our Treasury managed contributed well to Noor's bottom line. Noor was also in a position to roll-over all of its borrowings from various banks into mutually agreeable tenors which will eventually translate into longer term borrowings over time. Noor also repaid its foreign loans timely in the month of December 2008. Noor had earned the acclaim of being a responsible and reputable Institution which had the will to repay its obligations on time and carry out its business in the most conscientious manner.

OUTLOOK FOR 2009

The outlook remains elusive for 2009; government actions to support the financial system have not yet shown any results. Apart from this, global recession is firmly in place. With the deleveraging that has taken place, one of the pillars of the modern economy, consumer spending, has been crushed. The present outlook for the developed economies is certainly deflationary. However, the major developing economies such as China, India and Brazil are expected to grow albeit at a slower pace than before. The same can be assumed for the GCC and other parts of MENA and Asia. Overall, the world GDP is expected to remain flat at best or perhaps even contract slightly. Given the lackluster consumer spending and institutional deleveraging, the outlook for corporate earnings is dire. One has to offset cheap equity market multiples with the downside revisions to corporate earnings growth to the tune of at least 50% from their peak in 2007. Markets have already been discounted by about this much to date so perhaps the bottom might have been reached. What remains is for investor confidence to come back to the equity markets.

OUTLOOK FOR NOOR

After experiencing tremendous growth in the first three years of Noor's history, where equity grew at an annual growth rate of 70% and assets grew at a CAGR of 71% , the challenge now is to sustain and manage growth in this difficult period and return value to our shareholders. Noor has developed many strengths, including long-term strategic partnerships across MENA and Asia, unique deal sourcing capabilities, superior regional asset management and capital raising solutions. In order to capitalize on these strengths to bring Noor to the next level, the Board elected to engage Oliver Wyman, leading consultants in the financial services and human resources fields, to provide a competitive strategy, thorough business analysis, and global best practice process flow in all areas from back office to front.

It was timely that this study took place during the second half of 2008 when the realization came that the financial crisis was deep and truly global in nature and thus this interactive exercise has not only produced a solid business plan for sustained and managed growth, but a relevant and practical approach to be nimble in changing times. We now have a comprehensive five-year business plan that combines Noor's competitive advantages with global best practices, especially in the areas of risk management, treasury, and corporate governance. This business model will enable Noor to achieve its goals, while implementing a measured approach to risk and reward, to maintaining and enhancing our position as a leading financial institution in the region.

The key to a successful plan is having the right people in place to execute it. An important factor that distinguishes Noor from its peers is its team, who possess a breadth and depth of relevant experience in the financial services sector. Throughout this extraordinary period in financial history, Noor faces the same challenges as our counterparts, both regionally and internationally, and we have maintained our position. An investment company is a people business and having the right people makes the difference in being able to weather the storm, identify the opportunities it brings, and as it passes, continue to build a profitable business for all of our stakeholders.

Hussam F. Al-Kharafi
Chairman

Consolidated financial statements and independent auditors' report

Noor Financial Investment Company – KSC (Closed) and Subsidiaries
Kuwait - 31 December 2008

CONTENTS

Independent Auditors' Report

To the shareholders of

Noor Financial Investment Company

KSC (Closed) Kuwait

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Noor Financial Investment Company (A Kuwaiti Closed Shareholding Company) ("the parent company") and Subsidiaries (collectively "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.

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. 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 miss tatement 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 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 financial position of the group as at 31 December 2008, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

In our opinion proper books of account have been kept by the parent company and the consolidated financial statements, together with the contents of the report of the parent company's board of directors relating to these consolidated financial statements, are in accordance therewith. 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, or 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. We draw attention to note 19 b. to the consolidated financial statements on the matter related to the parent company's capital and its accumulated losses at end of the year.

We further report that, during the course of our audit we have not become aware of any material violations of the provisions of Law 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations during the year ended 31 December 2008.

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

Bader A. Al Wazzan
Licence No. 62-A
Pricewaterhouse Coopers

Kuwait, 20 April 2009

Consolidated statement of income

	Notes	Year ended 31 Dec. 2008	Year ended 31 Dec. 2007
		KD	KD
Income			
Realised (loss)/gain on investments at fair value through statement of income		**(538,726)**	31,273,185
Unrealised (loss)/gain on investments at fair value through statement of income	7	**(42,568,546)**	19,193,866
Realised gain on sale of available for sale investments		**8,607,945**	141,310
Dividend income		**6,401,886**	5,163,243
Change in fair value of investment properties	16	**5,696,976**	-
Management and placement fees		**9,178,783**	2,670,552
Income from financing future trade by customers		**8,209,797**	3,656,552
Interest and other income	8	**1,614,090**	743,360
Share of (loss)/profit of associates		**(816,571)**	2,228,851
Foreign exchange (loss)/gain		**(924,522)**	725,131
		(5,138,888)	65,796,050
Expenses and other charges			
General, administrative and other expenses	6	**5,186,292**	9,579,068
Finance costs	10	**13,677,474**	9,241,411
Impairment in value of investments	14d & 23b	**105,063,445**	-
		123,927,211	18,820,479
(Loss)/profit before KFAS, Zakat , NLST and directors' remuneration		**(129,066,099)**	46,975,571
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		**-**	(437,725)
Zakat Provision		**-**	(28,051)
National Labour Support Tax (NLST)		**-**	(1,084,307)
Directors' remuneration		**-**	(75,000)
(Loss)/profit for the year		**(129,066,099)**	45,350,488
Attributable to:			
Shareholders of the parent company		**(129,043,872)**	45,314,974
Minority interest		**(22,227)**	35,514
		(129,066,099)	45,350,488
BASIC AND DILUTED (LOSS)/EARNINGS PER SHARE	11	**(185) Fils**	99 Fils

The Notes set out on pages 17 to 51 form an integral part of these consolidated financial statements.

Consolidated balance sheet

	Notes	31 Dec. 2008	31 Dec. 2007
		KD	KD
Assets			
Cash and bank balances	23a	**10,025,498**	5,083,793
Short term deposits	23a	**20,363,456**	5,526,470
Wakala investment	23b	**5,799,500**	-
Investments at fair value through statement of income	12	**39,057,420**	144,469,773
Accounts receivable and other assets	13	**53,180,893**	62,841,502
Available for sale investments	14	**109,797,529**	94,751,151
Investment in unconsolidated subsidiaries	5	**1,012,904**	826,845
Investment in associates	15	**51,126,723**	22,256,784
Investment properties	16	**22,644,788**	-
Equipment		**487,080**	373,394
Total assets		**313,495,791**	336,129,712
Liabilities and equity			
Liabilities			
Due to banks	23a	**5,978,559**	8,407,487
Accounts payable and other liabilities	17	**4,401,178**	11,512,544
Short term borrowings	18	**181,124,012**	130,497,295
Provision for end of service indemnity		**136,621**	129,919
Total liabilities		**191,640,370**	150,547,245
Equity			
Equity attributable to the shareholders of the parent company			
Share capital	19	**75,000,000**	50,000,000
Share premium	19	**125,000,000**	50,000,000
Treasury shares	20	**(5,834,206)**	-
Gain on sale of treasury shares		**109,397**	-
Legal reserve	21	**6,699,281**	6,699,281
Voluntary reserve	21	**5,943,481**	5,943,481
Cumulative changes in fair value		**(2,651,632)**	2,416,640
Foreign currency translation reserve		**(4,880,275)**	(1,112,409)
(Accumulated losses)/retained earnings		**(95,913,974)**	58,129,898
Total equity attributable to the shareholders of the parent company		**103,472,072**	172,076,891
Minority interest		**18,383,349**	13,505,576
Total equity		**121,855,421**	185,582,467
Total liabilities and equity		**313,495,791**	336,129,712

The Notes set out on pages 17 to 51 form an integral part of these consolidated financial statements.

Hussam F. Al-Kharafi
Chairman

Naser A. Al-Marri
Deputy Chairman & Managing Director

Consolidated statement of changes in equity

	Equity attributable to shareholders of the parent company										Minority interest	Total
	Share capital	Share premium	Treasury Shares	Gain on sale of treasury Shares	Legal reserve	Voluntary reserve	Cumulative changes in fair value	Foreign currency translation reserve	(Accumulated losses)/ retained earnings	Total		
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
Balance as at 1 January 2008	50,000,000	50,000,000	-	-	6,699,281	5,943,481	2,416,640	(1,112,409)	58,129,898	172,076,891	13,505,576	185,582,467
Change in fair value of available for sale investments	-	-	-	-	-	-	(96,372,793)	-	-	(96,372,793)	-	(96,372,793)
Share of fair value adjustment in associates	-	-	-	-	-	-	(1,551,440)	-	-	(1,551,440)	-	(1,551,440)
Realised on sale of available for sale investments	-	-	-	-	-	-	(2,661,984)	-	-	(2,661,984)	-	(2,661,984)
Foreign currency translation adjustments	-	-	-	-	-	-	-	(3,767,866)	-	(3,767,866)	-	(3,767,866)
Transferred to statement of income on impairment of available sale investments	-	-	-	-	-	-	95,517,945	-	-	95,517,945	-	95,517,945
Net expense recognised directly in equity	-	-	-	-	-	-	(5,068,272)	(3,767,866)	-	(8,836,138)	-	(8,836,138)
Loss for the year	-	-	-	-	-	-	-	-	(129,043,872)	(129,043,872)	(22,227)	(129,066,099)
Total recognised expense for the year	-	-	-	-	-	-	(5,068,272)	(3,767,866)	(129,043,872)	(137,880,010)	(22,227)	(137,902,237)
Cash dividend (refer note 22)	-	-	-	-	-	-	-	-	(25,000,000)	(25,000,000)	-	(25,000,000)
Issue of right shares (refer note 19)	25,000,000	75,000,000	-	-	-	-	-	-	-	100,000,000	-	100,000,000
Purchase of treasury shares	-	-	(7,027,609)	-	-	-	-	-	-	(7,027,609)	-	(7,027,609)
Sale of treasury shares	-	-	1,193,403	-	-	-	-	-	-	1,193,403	-	1,193,403
Gain on sale of treasury shares	-	-	-	109,397	-	-	-	-	-	109,397	-	109,397
Investment by minority shareholders	-	-	-	-	-	-	-	-	-	-	4,900,000	4,900,000
Balance as at 31 December 2008	**75,000,000**	**125,000,000**	**(5,834,206)**	**109,397**	**6,699,281**	**5,943,481**	**(2,651,632)**	**(4,880,275)**	**(95,913,974)**	**103,472,072**	**18,383,349**	**121,855,421**

Consolidated statement of changes in equity (continued)

	Equity attributable to shareholders of the parent company								Minority interest	Total
	Share capital	Share premium	Legal reserve	Voluntary reserve	Cumulative changes in fair value	Foreign currency translation reserve	Retained earnings	Total		
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
Balance as at 1 January 2007	25,000,000	-	3,594,433	2,838,633	(2,831,732)	-	31,524,620	60,125,954	-	60,125,954
Change in fair value of available for sale investments	-	-	-	-	5,389,682	-	-	5,389,682	-	5,389,682
Realised on sale of available for sale investments	-	-	-	-	(141,310)	-	-	(141,310)	-	(141,310)
Foreign currency translation adjustments	-	-	-	-	-	(1,112,409)	-	(1,112,409)	-	(1,112,409)
Net income/(expense) recognised directly in equity	-	-	-	-	5,248,372	(1,112,409)	-	4,135,963	-	4,135,963
Profit for the year	-	-	-	-	-	-	45,314,974	45,314,974	35,514	45,350,488
Total recognised income/(expense) for the year	-	-	-	-	5,248,372	(1,112,409)	45,314,974	49,450,937	35,514	49,486,451
Cash dividend (refer note 22)	-	-	-	-	-	-	(12,500,000)	(12,500,000)	-	(12,500,000)
Issue of right shares	25,000,000	50,000,000	-	-	-	-	-	75,000,000	-	75,000,000
Investment by minority shareholders	-	-	-	-	-	-	-	-	13,470,062	13,470,062
Transfer to reserves	-	-	3,104,848	3,104,848	-	-	(6,209,696)	-	-	-
Balance as at 31 December 2007	50,000,000	50,000,000	6,699,281	5,943,481	2,416,640	(1,112,409)	58,129,898	172,076,891	13,505,576	185,582,467

The Notes set out on pages 17 to 51 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Note	Year ended 31 Dec. 2008	Year ended 31 Dec. 2007
OPERATING ACTIVITIES		**KD**	KD
(Loss)/profit before contribution to KFAS, Zakat, NLST and directors' remuneration		**(129,066,099)**	46,975,571
Adjustments:			
Realised gain on sale of available for sale investments		**(8,607,945)**	(141,310)
Impairment in value of investments		**105,063,445**	-
Dividend income		**(6,401,886)**	(5,163,243)
Share of loss/(profit) of associate		**816,571**	(2,228,851)
Interest income		**(1,047,797)**	(845,075)
Finance costs		**13,677,474**	9,241,411
Depreciation		**167,739**	101,414
Provision for end of service indemnity		**6,703**	60,170
Changes in fair value of investment in properties		**(5,696,976)**	-
		(31,088,771)	48,000,087
Changes in operating assets and liabilities:			
Investments at fair value through statement of income		**(33,281,800)**	(34,177,917)
Accounts receivable and other assets		**13,933,041**	(52,566,734)
Accounts payable and other liabilities		**(6,267,636)**	(12,845,885)
Cash used in operations		**(56,705,166)**	(51,590,449)
KFAS and NLST paid		**(1,309,549)**	(424,375)
Directors remuneration paid		**(75,000)**	(50,000)
Net cash used in operating activities		**(58,089,715)**	(52,064,824)
INVESTING ACTIVITIES			
Change in blocked deposits		**1,007,500**	657,500
Wakala investments		**(8,285,000)**	-
Purchase of available for sale investments		**(19,811,437)**	(58,902,943)
Proceeds from sale of available for sale investments		**45,819,584**	8,290,563
Investment in unconsolidated subsidiaries		**(186,059)**	(520,845)
Investment in associates		**(34,816,805)**	(21,140,342)
Investment properties		**(16,947,812)**	-
Purchase of equipment		**(281,425)**	(315,669)
Dividend income received		**2,124,626**	5,146,983
Interest income received		**1,016,411**	845,075
Net cash used in investing activities		**(30,360,417)**	(65,939,678)
FINANCING ACTIVITIES			
Proceeds from short term borrowings (net)		**50,626,717**	53,011,877
Proceeds from increase of capital - rights shares		**100,000,000**	75,000,000
Purchase of treasury shares		**(7,027,609)**	-
Proceeds from disposal of treasury shares		**1,302,800**	-
Investment by Minority shareholders of subsidiaries		**4,900,000**	13,470,062
Dividend paid		**(24,912,879)**	(12,388,026)
Finance costs paid		**(13,223,778)**	(8,751,684)
Net cash from financing activities		**111,665,251**	120,342,229
Net increase in cash and cash equivalents		**23,215,119**	2,337,727
Cash and cash equivalents at beginning of the year		**695,276**	(1,642,451)
Cash and cash equivalents at end of the year	23a	**23,910,395**	695,276

The Notes set out on pages 17 to 51 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements
31 December 2008

1 Incorporation and activities

Noor Financial Investment Company – KSC (Closed) ("the parent company") was incorporated in Kuwait on 1 February 1997 and during May 2006 its shares were listed on the Kuwait Stock Exchange. The parent company and its subsidiaries (listed in Note 5a) are together referred to as "the group". The parent company is regulated by the Central Bank of Kuwait as an investment company. The parent company is a subsidiary of National Industries Group Holding – SAK, "the ultimate parent company", and its principal objectives are as follows:

- Investment in various economic sectors through participating in establishing specialised companies or purchasing securities or shares in those companies;
- Act as investment trustees and manage different investment portfolios for others; and
- Act as intermediary in borrowing operations in return for commission.

Further, the parent company has the right to participate and subscribe, in any way with other firms which operate in the same field or those which would assist in achieving its objectives in Kuwait and abroad and to purchase those firms or participate in their equity.

The address of the parent company's registered office is 10th and 11th Floor, Mohammed Abdul Mohsin Al-Kharafi Complex, Building 6, Block – 14, Qibla, Kuwait (PO Box 3311, Safat 13034, State of Kuwait).

The board of directors of the parent company approved these consolidated financial statements for issuance on 20 April 2009. The general assembly of the parent company's shareholders has the power to amend these consolidated financial statements after issuance.

2 New and revised International Financial Reporting Standards ("IFRS") and interpretations ("IFRIC")

a). In the current year the group has adopted the following amendments to the standard:

- Adoption of amendments to IAS 39 - Financial Instruments: Recognition and Measurement and IFRS 7 – Financial Instruments: Disclosures, relating to reclassification of financial assets

On 13 October 2008, the International Accounting Standards Board issued amendments to IAS 39 – Financial Instruments: Recognition and Measurement and IFRS 7 - Financial Instruments: Disclosures. These amendments permit reclassification of financial instruments other than derivatives from "at fair value through statement of income" category to "available for sale" in rare circumstances and reclassification of a financial asset that meets the definition of loans and receivables out of the available-for-sale category to the loans and receivables category if the entity has the intention and ability to hold the financial asset for the foreseeable future or until maturity.

These financial instruments are reclassified at its fair value on the date of reclassification. Any gain or loss already recognized in the statement of income is not reversed. The group has implemented the amendments to IAS 39 with effect from 1 July 2008 (refer note 12 for details).

2 New and revised International Financial Reporting Standards ("IFRS") and interpretations ("IFRIC") (continued)

b). The International Accounting Standards Board (IASB) has issued new and revised IFRS and interpretations which are not yet effective, and therefore have not yet been adopted by the group. The new and revised IFRS and interpretations relevant to the group are:

- IFRS 3 Business Combination (Revised 2008) (effective for annual periods beginning on or after 1 July 2009)

The standard is applicable for business combinations occurring in reporting periods beginning on or after 1 July 2009 and will be applied prospectively. The new standard introduces changes to the accounting requirements for business combinations, but still requires use of purchase method, and will have a significant effect on business combinations occurring in reporting periods beginning on or after 1 July 2009.

- IFRS 8 Operating Segments (effective for annual periods on or after 1 January 2009)

IFRS 8 Operating Segments is a disclosure standard which may result in a redesignation of the group's reportable segments but is not expected to have any impact on the results or financial position of the group.

- IAS 1 (Revised) Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009)

IAS 1 Presentation of Financial Statements has been revised to require that an entity must present all non-owner changes in equity either in one statement of comprehensive income or in two separate statements (i.e. a statement of income and a statement of comprehensive income). Components of comprehensive income such as changes in revaluation surplus, gains and losses on remeasuring available for sale investments and gains and losses arising from translating the financial statements of foreign operation may not be presented in the statement of changes in equity. The application of the revised standard is not expected to result in any prior period adjustments of cash flow, net income or balance sheet line items in the initial period of application.

- IAS 23 (Revised) Borrowing costs (effective for annual periods beginning on or after 1 January 2009)

IAS 23 Borrowing Costs has been amended resulting in elimination of the previously available option to expense all borrowing costs when incurred. Under the revised standard, all borrowing costs that are directly attributable to qualifying assets are to be capitalised. The application of the revised standard is not expected to have a material impact on the financial statements in the period of initial application because it has always been group's accounting policy to capitalise borrowing costs incurred on qualifying assets.

- IAS 27 Consolidated and Separate Financial Statements (Revised 2008) (effective for annual periods beginning on or after 1 July 2009)

The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The changes in IAS 27 will affect future acquisitions or loss of control and transactions with minority interests.

2 New and revised International Financial Reporting Standards ("IFRS") and interpretations ("IFRIC") (continued)

- Annual improvements 2008

The IASB has issued Improvements for International Financial Reporting Standards in May 2008. Most of these amendments become effective in annual period beginning on or after 1 January 2009. The group expects the following amendments to be relevant to the group's accounting polices, however these amendments are not expected to have a material impact on the group's financial statements.

- IAS 1 Presentation of Financial Statements
- IFRS 7 Financial Instruments: Disclosures
- IAS 8 Accounting Policies, Change in Accounting Estimates and Errors
- IAS 10 Events after the Reporting Period
- IAS 16 Property, Plant and Equipment
- IAS 18 Revenue
- IAS 23 Borrowing Costs
- IAS 27 Consolidated and Separate Financial Statements
- IAS 28 Investment in Associates
- IAS 31 Interest in Joint ventures
- IAS 34 Interim Financial Reporting
- IAS 36 Impairment of Assets
- IAS 39 Financial Instruments: Recognition and Measurement
- IAS 40 Investment Property

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

c). The new and revised IFRS and interpretations that are not yet effective and not relevant for the group's operations are:

- Amendments to IFRS 2 Share-based Payments (effective for annual periods beginning on or after 1 January 2009)
- IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation (effective for annual periods beginning on or after 1 January 2009)
- IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items (effective for annual periods beginning on or after 1 January 2009)
- Amendments that are part of the annual improvements project published in May 2008 (not addressed above):
  - IAS 19 Employee Benefits
  - IAS 20 Accounting for Government Grants and Disclosures of Government Assistance
  - IAS 29 Financial Reporting in Hyperinflationary Economies
  - IAS 38 Intangible Assets
  - IAS 41 Agriculture

2 New and revised International Financial Reporting Standards ("IFRS") and interpretations ("IFRIC") (continued)

- IFRIC 13 Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008)
- IFRIC 15 Agreements for construction of real estate (effective for annual periods beginning on or after 1 January 2009)
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation(effective for annual periods beginning on or after 1 October 2008)
- IFRIC 17 Distribution of Non Cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009)

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

- IFRIC 11 IFRS 2 Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007)
- IFRIC 12 Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008)
- IFRIC 14 IAS 19 – The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 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 except for adoption of new accounting policies for "treasury shares" and "investment properties" and amendments to IAS 39 - Financial Instruments: Recognition and Measurement and IFRS 7 – Financial Instruments: Disclosures, relating to reclassification of financial assets. The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below:

Basis of preparation
The consolidated financial statements of the group have been prepared in accordance with International Financial Reporting Standards.

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

Basis of consolidation
The consolidated financial statements incorporate the financial statements of the parent company for the year ended 31 December 2008, and the financial statements of its subsidiaries prepared to that date, 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

3 Significant accounting policies (continued)

Basis of consolidation (continued)
financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

The financial statements of the subsidiary 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 interest represents the portion of profit or loss and net assets not held by the Group and is presented separately in the consolidated statement of income and within equity in the consolidated balance sheet, separately from the equity attributable to the shareholders of the parent company.

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 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.

Goodwill
Goodwill arising on the acquisition of a subsidiary is recognised as a separate asset in the balance sheet. Goodwill arising on the acquisition of an associate is included within the carrying amount of the investment. Goodwill, which represents the excess of the cost of an acquisition over the fair value of the net identifiable assets acquired at the date of acquisition, is measured at cost less impairment losses. Goodwill is tested for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill is allocated to cash generating units.

Recognition of income
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:

<u>Dividend income</u>
Dividend income is recognised when the right to receive payment is established.

<u>Interest income</u>
Interest income is recognised using the effective interest method.

<u>Fee income</u>
Management fees relating to portfolio management services and other fee income are recognised as revenue as the services are provided.

3 Significant accounting policies (continued)

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

Financial assets

Classification

The group classifies financial assets upon initial recognition into the following categories:

i. Investments at fair value through statement of income
ii. Loans and receivables
iii. Available for sale investments

Investments at fair value through statement of income are either "held for trading" or "designated" as such on initial recognition.

The group classifies investments as trading if they are acquired principally for the purpose of selling 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.

Investments are classified as designated at fair value through statement of income at inception if they have readily available reliable fair values and the changes in fair values are reported as part of the statement of income in the management accounts, according to a documented investment strategy.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The group's loans and receivables are classified under "accounts receivable and other assets", "short term deposits", "wakala investments" and "cash and bank balances" in the consolidated balance sheet.

Financial assets which are not classified as above are classified as available for sale investments.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of these financial instruments at initial recognition.

Measurement
Investments at fair value through statement of income
Investments at fair value through statement of income are initially recognised at cost, being the fair value of the consideration given, excluding transaction costs.

Subsequent to initial recognition, investments at fair value through statement of income are re-measured at fair value and changes in fair value are recognised in the consolidated statement of income.

Loans and receivables
Loans and receivables are stated at amortised cost using the effective interest method.

Available for sale investments
Available for sale investments are initially recognised at cost, being the fair value of the consideration given, plus transaction costs that are directly attributable to the acquisition.

Subsequent to initial recognition, available for sale investments are re-measured at fair value unless fair value cannot be reliably measured, in which case they are measured at cost less impairment, if any.

Changes in fair value of available for sale investments are recognised as a separate component in equity under "cumulative changes in fair value" account until the investment is either derecognised or determined to be impaired. On derecognition or impairment, the cumulative gain or loss previously recognised in equity is recognised in the consolidated statement of income.

Fair values
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, discounted cash flow analysis and other valuation techniques commonly used by market participants.

Financial liabilities
Financial liabilities are classified as "non trading financial liabilities". The group's non trading financial liabilities are classified under "due to banks", "accounts payable and other liabilities" and "borrowings" in the consolidated balance sheet.

Borrowings
Borrowings are stated at their principal amount. Interest is charged as an expense as it accrues, with unpaid amounts included in other liabilities.

All other non-trading financial liabilities are stated at amortised cost using the effective interest method.

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

- the rights to receive cash flows from the asset have expired; or
- the group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the group has transferred substantially all the risks and rewards of the asset, or (b) the group

3 Significant accounting policies (continued)

Recognition and derecognition of financial assets and liabilities (continued)

– has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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 regulations or conventions in the market place concerned.

Investment 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 associates equity that have not been recognised in the associate's statement of income. The group's share of those changes is recognised directly in equity. The financial statements of the associates are prepared either to the reporting date of the parent company or to a date not earlier than three months of the parent company's reporting date, using consistent accounting policies.

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.

Investment properties

Investment properties are initially recorded at cost, being the purchase price and any directly attributable expenditure for a purchased investment property and cost at the date when construction or development is complete for a self-constructed investment property. Subsequent to initial recognition, investment properties are re-measured at fair value on an individual basis based on a valuation by an independent and registered real estate valuer. Changes in fair value are taken to the consolidated statement of income.

3 Significant accounting policies (continued)

Investment properties (continued)

Investment properties are de-recognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of income in the year of retirement or disposal.

Transfers are made to investment property when, only when, there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party or completion of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

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 statement of income. Impairment is determined as follows:

(a) For financial assets carried at fair value, impairment is the difference between cost and fair value; and
(b) For financial assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.
(c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

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 cumulative changes in fair value.

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

3 Significant accounting policies (continued)

Impairment of non-financial assets (continued)
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.

Equipment and depreciation
Equipment are stated at cost less accumulated depreciation and any impairment in value. The group depreciates its equipment using the straight-line method at rates sufficient to write off the assets over their estimated useful economic lives.

Treasury shares
The parent company's holding in its own shares is accounted for as treasury shares. Such shares are stated at cost as a deduction within equity and no cash dividends are distributed on these shares. The issue of bonus shares increase the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

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

Provisions
Provisions are recognised when the group has a present obligation (legal or constructive) resulting from a past event and the costs to settle the obligation are both probable and able to be reliably measured.

Employees' end of service benefits
End of service benefits are 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.

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

Foreign currencies
<u>Functional and presentation currency</u>
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.

<u>Transactions and balances</u>
Transactions in foreign currencies are initially recorded in the functional currency rate of exchange ruling at the date of the transaction.

3 Significant accounting policies (continued)

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 "foreign exchange gain/loss" in the consolidated statement of income.

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.

Translation difference on non-monetary asset classified as, "fair value through statement of income" are reported as part of the fair value gain or loss in the statement of income and "available for sale" are reported as part of the cumulative change in fair value reserve , in equity.

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.

<u>Group companies</u>
As at the reporting date, the assets and liabilities of foreign subsidiaries 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 entity, the deferred cumulative amount recognised in equity relating to the particular foreign operation is recognised in the consolidated statement of income.

Cash and cash equivalents
For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and bank balances, and short-term deposits maturing within three months from the date of inception net of balances due to banks and blocked deposits.

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 balance sheet, but 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 are 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 polices, 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.

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

Classification of financial assets
Management decides on acquisition of an investment whether it should be classified as held for trading, designated at fair value through statement of income, loans and receivables or available for sale. In making that judgement the Group considers the primary purpose for which it is acquired and how it intends to manage and report its performance. Such judgement determines whether it is subsequently measured at cost or at fair value and if the changes in fair value of instruments are reported in the statement of income or directly in equity.

Classification of real estate property
Management decides on acquisition of a real estate whether it should be classified as trading, property held for development or investment property.

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

The group classifies property as property under development if it is acquired with the intention of development:

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

Impairment of available for sale investments
The group treats certain financial assets as available for sale and recognise movement in their fair value in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether it is an impairment that should be recognised in the consolidated statement of income. During the year ended 31 December 2008 impairment losses recognised for available for sale investments amounted to KD102,577,945 (2007: Nil).

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

Impairment of loans and receivables
The group's management reviews periodically items classified as loans and receivables (including wakala investments) to assess whether a provision for impairment should be recorded in the statement of income. In particular, considerable judgement by management is required in the estimation of amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgement and uncertainty. During the year ended 31 December 2008 an impairment loss of KD2,485,500 has been recognised against the wakala investments.

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
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
- an earnings multiple ;
- the expected cash flow 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.

5 Subsidiary companies

5a). The details of the significant consolidated subsidiaries are as follows:

	Subsidiary	Percentage ownership		Principal activity
		2008	2007	
•	D&B Kuwait for Economic & Management Consulting – KSC (Closed)	**100%**	100%	Administrative & Economic Consulting & Related Activities
•	Kuwait India Holding Company – KSC (Closed)	**57%**	57%	Investment & Related Activities
•	Plexus Information Systems & Computers – KSC (Closed)	**51%**	100%	Information Technology
•	Noor Jordanian Kuwaiti Financial Investment Co. Ltd (incorporated in Jordan)	**100%**	100%	Investment & Related Activities
•	Aslama Investment Fund (this percentage consists of 49% direct and 50% indirect holding)	**99%**	99%	Equity investments
•	Noor Salihiya Real Estate Company –KSC (Closed)	**100%**	-	Real estate development
•	Noor Telecommunication Holding Company – KSC (Closed)	**-**	100%	Telecommunication

5b). All the above subsidiaries are incorporated in the State of Kuwait unless otherwise stated.

5c). During the year the subsidiary, Noor Telecommunication Company – KSCC increased its share capital by way of issuing new shares through a private placement which resulted in the dilution of the parent company's shareholding in the subsidiary from 100% to 25.86%, resulting in a profit of KD14,089 which is recognised in the statement of income under the heading "interest and other income" (refer Note 8). The carrying value of the remaining investment amounting to KD23,952,254 after the capital increase (the holding of 25.86%) has been transferred to investment in associates (refer note 15).

5d). During the year the subsidiary, Plexus Information Systems & Computers – KSC (Closed) increased its share capital by way of issuing new shares through a private placement which resulted in the dilution of the parent company's shareholding in the subsidiary from 100% to 51%, resulting in a loss of KD51,170 which is recognised in the statement of income under the heading "interest and other income" (refer Note 8).

5e). During the previous year the subsidiary, Kuwait India Holding Company – KSCC increased its share capital by way of issuing new shares through a private placement which resulted in the dilution of the parent company's shareholding in the subsidiary from 100% to 56.6%, resulting in a loss of KD378,512 which was recognised in the statement of income under the heading "interest and other income" (refer Note 8).

5 Subsidiary companies (continued)

5f). The details of the unconsolidated subsidiaries are as follows:

	Subsidiary	Percentage ownership		Principal activity
		2008	2007	
•	Orion Brokers Kuwait – KSCC (Formerly: Financial Commitment Group Company – KSC (Closed)	**51%**	51%	Brokerage
•	Al-Bawab for Telecom (Jordan)	**100%**	-	Telecom and related services
•	Al-Kout for Telecom (Jordan)	**100%**	-	Telecom and related services
•	Arabian Group for Agriculture Development Company (Egypt)	**51%**	-	Real estate and agriculture related investments

The management is of the opinion that the total assets and results of the above subsidiaries are not significant to the group's consolidated financial statements, accordingly the subsidiaries have not been consolidated. Except for Orion Brokers Kuwait – KSCC, all the other unconsolidated subsidiaries were established by the parent company during the year and they have recently commenced operations.

6 General, administrative and other expenses

General, administrative and other expenses include the following:

	2008	2007
	KD	KD
Staff costs	**1,932,755**	4,642,453
Depreciation	**167,739**	101,414
Unrealised fee payable on managed portfolios for clients	**274,977**	24,841

Unrealised fee payable on managed portfolios for clients

In 2006, the parent company entered into local portfolio management contracts with a related party and another company. This unrealised fee is payable in accordance with the terms of the contracts dependent on the market value of the shares in the portfolio and the clause in the contract that guarantees the capital and a minimum return.

7 Unrealised (loss)/gain on investments at fair value through statement of income

This represents difference between closing market value and carrying value at the beginning of the year or cost of investments acquired during the year. Local funds are valued on the basis of their net asset value.

8 Interest and other income

	2008	2007
	KD	KD
Interest income (from call accounts included under bank balances and short term deposits)	977,431	845,075
Income from wakala investment	70,366	-
Net loss on dilution of shareholding in subsidiaries (refer note 5)	(37,081)	(378,512)
Other income	603,374	276,797
	1,614,090	743,360

9 Net gain or (loss) on financial assets

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

	2008	2007
	KD	KD
Loans and receivables		
- cash and bank balances and short term deposits	977,431	845,075
- wakala investment (net of impairment loss of KD2,485,500)	(2,415,134)	-
- accounts receivables and other assets (income from financing future trade by customers)	8,209,797	3,656,552
Investments at fair value through statement of income		
- held for trading	(32,826,617)	54,435,635
- designated as such on initial recognition	(4,834,708)	890,694
Available for sale investments		
- recognised directly in consolidated equity (net)	(5,068,272)	5,248,372
- recognised directly in consolidated statement of income		
• on impairment	(7,060,000)	-
• on sale and the dividend income	6,901,900	303,965
- recycled from equity to consolidated statement of income		
• on impairment	(95,517,945)	-
• on sale	2,661,984	141,310
	(128,971,564)	65,521,603

Distributed as follows:

	2008	2007
	KD	KD
Net (loss)/gain recognised in the consolidated statement of income	(123,903,292)	60,273,231
Net (loss)/gain recognised in the consolidated statement of changes in equity	(5,068,272)	5,248,372
	(128,971,564)	65,521,603

10 Finance costs

Finance costs relate to due to banks and borrowings which are financial liabilities stated at amortised cost.

11 Basic and diluted (loss)/earnings per share

Earnings per share is calculated by dividing the (loss)/profit for the year attributable to the shareholders of the parent company by the weighted average number of shares outstanding during the year as follows:

	2008	2007
(Loss)/profit for the year attributable to the shareholders of the parent company (KD)	(129,043,872)	45,314,974
Weighted average number of shares outstanding during the year	705,187,744	458,599,370
Less: Weighted average number of treasury shares	(8,418,679)	-
	696,769,065	458,599,370
Basic and diluted (loss)/earnings per share	(185) Fils	99 Fils

Earnings per share reported for the year ended 31 December 2007 was 104 Fils, before retroactive adjustment relating to rights issue.

12 Investments at fair value through statement of income

	2008	2007
	KD	KD
Held for trading:		
Quoted shares	33,686,333	132,784,562
Designated on initial recognition:		
Local funds	5,371,087	11,685,211
	39,057,420	144,469,773

a) Effect of reclassification due to adoption of amendment to IAS 39.

As a result of significant developments in the global financial markets, the group decided to adopt amendments to IAS 39 and IFRS 7 with effect from 1 July 2008 and reclassified investments with a fair value of KD138,694,153 as at 1 July 2008 from "fair value through statement of income" category to "available for sale" category.

The fair value of these re-classified investments as of 31 December 2008 is KD59,247,000 and the resultant unrealized loss of KD76,219,206 is taken to equity. However at 31 December 2008 out of the total cumulative changes in fair value recognised in equity for the reclassified investments, an amount of KD76,108,832 was transferred to the consolidated statement of income on impairment of certain reclassified investments. Had the investments not been reclassified, the unrealized loss related to the un-impaired investments amounting to KD110,374 would have been recorded in the consolidated statement of income. The group recorded an unrealized gain of KD5,605,084 in the consolidated statement of income with respect to these reclassified investment during the six month period ended 30 June 2008.

b) Quoted shares with a fair value of KD6,251,230 (2007: KD32,491,273) are secured against bank loans (refer note 18).

13 Accounts receivable and other assets

	2008	2007
	KD	KD
Financial assets:		
Due from ultimate parent company	5,655,439	2,357,496
Due from an associate	3,899,748	11,597
Due from other related parties	2,744,788	834,010
Due from investment brokerage companies	1,528,495	9,017,817
Due from Kuwait Clearing Company	-	1,221,524
Due from Kuwait Clearing Company (Future trade)	3,243,806	36,341,541
Due from sale of investments – related party	27,120,398	-
Advance payments to acquire investments	1,419,764	4,323,296
Accrued income	2,708,217	327,295
Other financial assets	1,979,830	222,760
	50,300,485	54,657,336
Non-financial assets		
Advance payments to acquire properties	-	7,260,000
Other assets	2,880,408	924,166
	2,880,408	8,184,166
	53,180,893	62,841,502

14 Available for sale investments

	2008	2007
	KD	KD
Quoted shares	65,625,938	30,245,940
Unquoted shares	17,158,891	21,546,444
Funds:		
Local	12,797,509	14,147,313
Foreign	14,215,191	28,811,454
	109,797,529	94,751,151

a. Available for sale investments include a number of investments in unquoted shares, local and foreign funds where their fair values cannot be reliably determined and as a result investments with a carrying value of KD21,064,305 (2007: KD21,546,444) are carried at cost. The group's management is not aware of any circumstance that would indicate impairment in value of these investments.

b. Quoted shares with a fair value of KD17,305,050 (31 December 2007: Nil) are secured against a bank loan (refer note 18).

13 Accounts receivable and other assets (continued)

c. Foreign funds include investments in private equity funds with a carrying value of KD10,309,777 (31 December 2007: KD28,811,454). Information for these investments is limited to periodic financial reports provided by the investment managers. These investments are carried at net asset values reported by the investment managers. Due to the nature of these investments, the net asset values reported by the investment managers represent the best estimate of fair values available for these investments.

d. At the end of the year, the group recognised an impairment loss of KD83,896,784 for certain local and foreign quoted shares, as the market value of these shares at 31 December 2008 declined significantly below their costs and further the group also recognised an impairment loss of KD18,681,161 against certain unquoted shares, local and foreign funds based on estimates, made by management as per information available to them and the net asset values reported by the investment managers at the consolidated balance sheet date. The carrying value of the investments after recognising the impairment losses at 31 December 2008 amounted to KD82,942,527.

e. Quoted shares with a carrying value of KD59,247,000 at 31 December 2008 represents investments which were transferred from investments at fair value through statement of income as of 1 July 2008 (refer note 12).

f. Certain quoted and unquoted shares are held in the name of the ultimate parent company with letters of assignment in the parent company's favour.

15 Investment in associates

Details of the group's significant associates are set out below:

	Country of incorporation	Percentage ownership 2008	Percentage ownership 2007	Principal activity
Al Raya Global Real Estate Co. – WLL	Jordan	50%	50%	Real estate development
Meezan Bank Ltd.	Pakistan	45.5%	34.7%	Banking
Arabian company for Securities Business - JSCC	Saudi Arabia	35%	-	Brokerage
Noor Telecommunication Company – KSCC (refer note 5 c)	Kuwait	25.35%	-	Telecommunication

During the third quarter of 2008 the parent company acquired additional shares in Meezan Bank Limited Pakistan, increasing its equity holding in the investee from 34.7% as at 31 December 2007 to 45.5%. Goodwill of KD 4,060,940 arising from this transaction has been included in the carrying value of the investment.

During the year the Parent Company invested KD2,217,186 (SAR 31,282,410) as capital contribution in Arabian company for Securities Business – JSCC.

15 Investment in associates (continued)

Aggregate share of associates' assets and liabilities:

	2008	2007
	KD	KD
Assets	152,949,413	103,632,678
Liabilities	112,987,143	91,244,423

Aggregate share of associates' revenue and (loss)/ profit:

	Year ended 31 Dec. 2008	Year ended 31 Dec. 2007
	KD	KD
Revenue	4,165,098	3,313,908
(Loss)/profit	(816,571)	2,228,851

Investment in a quoted associate with a carrying value of KD 21,544,916 has a fair value of KD 16,931,428.

16 Investment properties

The movement in investment properties is as follows:

	2008	2007
	KD	KD
Acquisition cost	16,947,812	-
Change in fair value	5,696,976	-
	22,644,788	-

Investment properties comprise of land and buildings as follows:

	2008	2007
	KD	KD
Kuwait	10,000,000	-
Saudi Arabia	12,644,788	-
Total	22,644,788	-

At 31 December 2008, the group revalued its properties based on valuation provided by independent valuers and recorded a valuation gain of KD5,696,976 in the consolidated statement of income.

The property in Saudi Arabia is held through an special purpose entity (SPE) created specifically for this purpose and co-owned by the parent company with joint owners. The registered owner of the property has issued a letter confirming the co-ownership.

17 Accounts payable and other liabilities

	2008	2007
	KD	KD
Financial liabilities:		
Unrealised fee payable on managed portfolios :		
- Other related parties	-	880,198
Due to key management personnel	-	3,251,284
Dividend payable	199,095	111,974
Accrued interest	943,425	489,729
Deferred income	20,044	-
Accrued expenses	974,004	3,457,736
Other payables	2,181,760	3,321,623
	4,318,328	11,512,544
Non-financial liabilities:		
Other payables	82,850	-
	4,401,178	11,512,544

All above financial liabilities are non-interest bearing.

18 Short term borrowings

	Effective interest/cost rate p.a.	Security	2008	2007
	%		KD	KD
Loans from local banks and financial institutions				
Loans payable – Kuwaiti Dinar	5.75-8.75	Unsecured	60,200,000	50,000,000
Loans payable – Kuwaiti Dinar	5.75-8.25	Secured	20,000,000	20,000,000
Loans payable – US Dollars	4.71-7.285	Unsecured	27,635,000	54,497,295
Wakala payable – Kuwaiti Dinar	7.00-8.375	Unsecured	73,289,012	6,000,000
			181,124,012	130,497,295

Loans amounting to KD20,000,000 (2007: KD20,000,000) are secured by investments at fair value through statement of income(see note 12) and available for sale investments (see note 14). All loans are repayable within one year.

19 Share capital and share premium

a. The authorized, issued and paid up share capital of the parent company comprise of 750,000,000 shares of 100 fils each (31 December 2007: 500,000,000 shares of 100 fils each).

During the first quarter, the Parent Company by way of rights issue increased the share capital to 750,000,000 shares by issuing 250,000,000 shares at a par value of 100 fils per share and premium of 300 Fils per share. This was approved by the Extraordinary General Assembly held on 2 January 2008. The increase in capital was subscribed for in full during the year.

b. Although the accumulated losses attributable to the parent company as at 31 December 2008 exceeded its paid up capital, its balances in reserves and share premium exceeds these accumulated losses and net equity attributable to the parent company also exceeds the paid up capital as of that date. The board of directors will raise this matter at the shareholders general assembly.

c. Share premium is not available for distribution.

20 Treasury shares

The parent company acquired treasury shares through a subsidiary during the year based on an authorization granted by the shareholders to the board of directors and in accordance with the CBK approval dated 31 January 2008. Reserves equivalent to the cost of treasury shares held are not distributable.

	2008	2007
	KD	KD
Number of shares	14,824,211	-
Percentage of issued shares	1.98%	-
Market value (KD)	1,423,124	-
Cost (KD)	5,834,206	-

21 Legal and voluntary reserves

In accordance with the Commercial Companies Law and the parent company's articles of association, 10% of the parent company's profit before KFAS, Zakat, NLST and directors' remuneration for the year is to be transferred to legal reserve. 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 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.

21 Legal and voluntary reserves (continued)

In accordance with parent company's articles of association, a certain percentage of the parent company's profit before KFAS, Zakat, NLST and directors' remuneration, is to be transferred to the voluntary reserve at the discretion of the board of directors which is to be approved at the general assembly. No transfer is required in a year in which the company has incurred a loss or where cumulative losses exist. There are no restrictions on distribution of general reserve.

22 Dividend distribution

Following approval by the annual general assembly on 27 February 2008 the parent company made a cash distribution of 50 Fils per share amounting to KD25,000,000 for the year ended 31 December 2007 (2006: 50 Fils per share amounting to KD12,500,000).

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

23 Cash and cash equivalents and wakala investment

a) Cash and cash equivalent

Cash and cash equivalent for the purpose of cash flow statement are made up as follows:

	Effective interest/ profit rate % (per annum)	2008	2007
		KD	KD
Cash and bank balances	1-2.5	10,025,498	5,083,793
Short term deposits	1-4	20,363,456	5,526,470
Due to banks	6.2-6.7	(5,978,559)	(8,407,487)
		24,410,395	2,202,776
Blocked balances		(500,000)	(1,507,500)
Cash and cash equivalent as per cash flow statement		23,910,395	695,276

Cash and bank balances include call accounts which earn interest. The short term deposits are maturing within one month and are all placed with local and foreign banks.

Due to banks represent bank overdraft facilities obtained and utilized by the group.

b) Wakala investment

Wakala investment represents a placement of KD8,285,000 made with a local islamic investment company which matured on 17 October 2008. The investee company has defaulted on settlement of this balance on the maturity date. As at the 31 December 2008 the management of the parent company took an impairment provision of KD2,485,500 against the investment balance based on information available to management as of that date.

24 Segment analysis

The group primarily operates in one area of business activity, investment and real estate business activity and therefore its primary basis for the segmental reporting is by geographical segment.

Geographical segments

The group operates in two geographical markets: Domestic (Kuwait) and International (Middle East, Asia, Europe and USA). The geographical analysis is as follows:

	Domestic	International	Total
	KD	KD	KD
31 December 2008			
Income/(loss)	**1,333,159**	**(6,472,047)**	**(5,138,888)**
Loss for the year	**(99,782,944)**	**(29,283,155)**	**(129,066,099)**
Impairment in value of investments	**(83,211,248)**	**(21,852,197)**	**(105,063,445)**
Share of profit/(loss) of associates	**(505,434)**	**(311,137)**	**(816,571)**
Total assets	**223,757,026**	**89,738,765**	**313,495,791**
Total liabilities	**(190,199,308)**	**(1,441,062)**	**(191,640,370)**
Net assets	**33,557,718**	**88,297,703**	**121,855,421**
31 December 2007			
Income	49,974,842	15,821,208	65,796,050
Profit for the year	30,218,439	15,132,049	45,350,488
Share of profit of associates	-	2,228,851	2,228,851
Total assets	187,867,944	148,261,768	336,129,712
Total liabilities	(147,970,110)	(2,577,135)	(150,547,245)
Net assets	39,897,834	145,684,633	185,582,467

25 Related party transactions

Related parties represent the ultimate parent company, associates, directors and key management personnel of the group, and other related parties such as subsidiaries of the ultimate parent company (fellow subsidiaries), 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	2007
	KD	KD
Consolidated balance sheet		
Due from related parties (refer note 13)	**35,532,326**	3,203,103
Due to related parties (refer note 17)	**-**	4,131,482
Purchase of available for sale investments from other related parties	**-**	7,260,449

25 Related party transactions (continued)

	Year ended 31 Dec. 2008	Year ended 31 Dec.2007
	KD	KD
Consolidated statement of income		
Management and placement fees		
- earned from ultimate parent company	**415,040**	374,867
- earned from other related parties	**1,612,010**	60,677
Unrealised fee payable on managed portfolios for clients included in general, administrative and other expenses – earned from other related parties	**(274,977)**	24,841
Gain on sale of investments	**12,657,387**	2,007,515
Finance costs		
- charged by ultimate parent company	**-**	716,344
- charged by other related parties	**-**	226,019
Compensation of key management personnel of the group:		
Short term employee benefits	**105,300**	3,268,855
End of service benefits	**4,900**	21,285
	110,200	3,290,140

26 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	2007
	KD	KD
Loans and receivables:		
• Cash and bank balances	**10,025,498**	5,083,793
• Short term deposits	**20,363,456**	5,526,470
• Wakala investment	**5,799,500**	-
• Accounts receivable and other assets (refer note 13)	**50,300,485**	54,657,336
Assets at fair value through statement of income: (refer note 12)		
• Trading securities	**33,686,333**	132,784,562
• Investments designated as carried at fair value through statement of income	**5,371,087**	11,685,211
Available for sale investments	**109,797,529**	94,751,151
	235,343,888	304,488,523
Other financial liabilities:		
• Due to banks	**5,978,559**	8,407,487
• Accounts payable and other liabilities (refer note 17)	**4,318,328**	11,512,544
• Short term borrowings	**181,124,012**	130,497,295
• Provision for end of service indemnity	**136,621**	129,919
	191,557,520	150,547,245

26 Summary of financial assets and liabilities by category (continued)

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 14 to the financial statements the carrying amounts of financial assets and liabilities as at 31 December 2008 and 2007 approximate their fair values.

27 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, short term deposits and investment securities which arise directly from operations.

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 sets out policies for reducing each of the risks discussed below.

The group does not use derivative financial instruments.

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

27.1 Market risk

a) Foreign currency risk

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

The group mainly operates in 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, Saudi Riyals and UAE Dirhams. 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.

Generally, the group's risk management procedures distinguish short-term foreign currency cash flows (due within twelve months) from longer-term cash flows. Foreign currency risk is managed on the basis of limits determined by the parent company's board of directors and a continuous assessment of the groups' open positions.

27 Risk management objectives and policies (continued)

27.1 Market risk (continued)

a) Foreign currency risk (continued)

The group's significant net exposure to foreign currency denominated monetary assets less monetary liabilities at the balance sheet date, translated into Kuwaiti Dinars at the closing rates are as follows:

	2008 *Equivalent*	2007 *Equivalent*
	KD	KD
US Dollars	(10,992,415)	(52,796,198)
Saudi Riyal	119,768	6,517,019
UAE Dirhams	26,044	1,570,483

Based on the average market volatility in exchange rates in the previous twelve months, the parent company's management estimates that a reasonable possible changes in the above exchange rate would be 5%.

If the Kuwaiti Dinar had strengthened against the foreign currencies assuming the above sensitivity (5%), then this would have the following impact on the (loss)/profit for the year. There is no impact on the group's equity.

	(Loss)/profit for the year	
	2008	2007
	KD	KD
US Dollars	549,621	2,639,810
Saudi Riyal	(5,988)	(325,851)
UAE Dirhams	(1,302)	(78,524)
Total (loss)/profit	542,331	2,235,435

If the Kuwaiti Dinar had weakened against the foreign currencies assuming the above sensitivity (5%), then there would be an equal and opposite impact on the (loss)/profit for the year, and the balances shown above would be for negative US Dollars and positive for other currencies.

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.

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 its short term deposits, due to banks and borrowings which are both at fixed rate and floating interest rates. The risk is managed by the group by maintaining an appropriate mix between fixed and floating rate short term deposits and borrowings.

Positions are monitored regularly to ensure positions are maintained within established limits.

27 Risk management objectives and policies (continued)

27.1 Market risk (continued)

b) Interest rate risk (continued)

The group's interest rate risk sensitivity position, based on the contractual re-pricing or maturity dates of assets and liabilities, whichever dates are earlier, is as follows:

	Up to 1 month	1-3 months	3-12 months	Non interest bearing items	Total
	KD	KD	KD	KD	KD
At 31 December 2008					
ASSETS					
Cash and bank balances	**-**	**-**	**-**	**10,025,498**	**10,025,498**
Short term deposits	**15,013,456**	**5,350,000**	**-**	**-**	**20,363,456**
Wakala investment	**-**	**-**	**-**	**5,799,500**	**5,799,500**
Investments at fair value through statement of income	**-**	**-**	**-**	**39,057,420**	**39,057,420**
Accounts receivable and other assets	**-**	**-**	**-**	**53,180,893**	**53,180,893**
Available for sale investments	**-**	**-**	**-**	**109,797,529**	**109,797,529**
Investment in unconsolidated subsidiary	**-**	**-**	**-**	**1,012,904**	**1,012,904**
Investment in associates	**-**	**-**	**-**	**51,126,723**	**51,126,723**
Investment property	**-**	**-**	**-**	**22,644,788**	**22,644,788**
Equipment	**-**	**-**	**-**	**487,080**	**487,080**
	15,013,456	**5,350,000**	**-**	**293,132,335**	**313,495,791**
LIABILITIES					
Due to banks	**2,023,838**	**3,951,067**	**3,654**	**-**	**5,978,559**
Accounts payable and other liabilities	**-**	**-**	**-**	**4,401,178**	**4,401,178**
Short term borrowings	**115,489,012**	**32,635,000**	**33,000,000**	**-**	**181,124,012**
Provision for end of service indemnity	**-**	**-**	**-**	**136,621**	**136,621**
	117,512,850	**36,586,067**	**33,003,654**	**4,537,799**	**191,640,370**
Total interest rate sensitivity gap	**(102,499,394)**	**(31,236,067)**	**(33,003,654)**		
Cumulative interest rate sensitivity gap	**(102,499,394)**	**(133,765,461)**	**(166,739,115)**		
At 31 December 2007					
ASSETS					
Cash and bank balances	-	-	-	5,083,793	5,083,793
Short term deposits	3,490,607	2,035,863	-	-	5,526,470
Investments at fair value through statement of income	-	-	-	144,469,773	144,469,773
Accounts receivable and other assets	-	-	-	62,841,502	62,841,502
Available for sale investments	-	-	-	94,751,151	94,751,151
Investment in unconsolidated subsidiary	-	-	-	826,845	826,845
Investment in associates	-	-	-	22,256,784	22,256,784
Equipment		-	-	373,394	373,394
	3,490,607	2,035,863	-	330,603,242	336,129,712
At 31 December 2007					
LIABILITIES					
Due to banks	5,185,571	951,362	2,270,554	-	8,407,487
Accounts payable and other liabilities	-	-	-	11,512,544	11,512,544
Short term borrowings	58,173,700	42,621,595	29,702,000	-	130,497,295
Provision for end of service indemnity	-	-	-	129,919	129,919
	63,359,271	43,572,957	31,972,554	11,642,463	150,547,245
Total interest rate sensitivity gap	(59,868,664)	(41,537,094)	(31,972,554)		
Cumulative interest rate sensitivity gap	(59,868,664)	(101,405,758)	(133,378,312)		

27 Risk management objectives and policies (continued)

27.1 Market risk (continued)

b) Interest rate risk (continued)

The group does not have any off balance sheet financial instrument 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 year 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.

	Increase in interest rates		Decrease in interest rates	
	2008	2007	**2008**	2007
	KD	KD	**KD**	KD
Profit for the year	**(402,349)**	(289,696)	**836,252**	707,776

c) Price risk

This is a risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to individual instrument or its issuer or factors affecting all instruments, traded in the market. The group is exposed to equity price risk with respect to its listed equity investments which are primarily located in Kuwait, Jordan, Bahrain and USA. Equity investments are classified either as investments carried at fair value through statement of income (including trading securities) and available for sale securities.

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 equity price risk sensitivity is determined on the following assumptions for the years 2008 and 2007:

	2008	2007
	%	%
Kuwait market	**18%**	15%
Jordan market	**5%**	21%
Bahrain market	**15%**	17%
USA market	**18%**	5%

The above percentages have been determined based on average market movements during the current year. The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. The analysis reflects the impact of positive changes to equity prices in accordance with the above-mentioned equity price risk sensitivity assumptions. All other variables are held constant.

A positive number below indicates a (decrease)/increase in (loss)/profit and the equity where the equity prices increase by the above mentioned percentages. All other variables are held constant.

27 Risk management objectives and policies (continued)

27.1 Market risk (continued)

c) Price risk (continued)

	(Loss)/profit for the year		Equity	
	2008	2007	**2008**	2007
	KD	KD	**KD**	KD
Investments at fair value through statement of income	**4,748,369**	17,917,199	**-**	-
Available for sale investments				
- Impaired investments (refer*)	**12,224,447**	-	**-**	-
- Un-impaired investments	**-**	-	**401,388**	5,056,230
	16,972,816	17,917,199	**401,388**	5,056,230

* Had equity prices been higher by the above mentioned percentages, the impairment loss which was recognised in the statement of income would be reduced and consequently the loss for the year 2008 would be lower.

A negative number below indicates a (increase)/decrease in (loss)/profit and the equity where the equity prices decreased by the above mentioned percentages. All other variables are held constant.

	(Loss)/profit for the year		Equity	
	2008	2007	**2008**	2007
	KD	KD	**KD**	KD
Investments at fair value through statement of income	**(4,748,369)**	17,917,199	**-**	-
Available for sale investments				
- Impaired investments	**(12,224,447)**	-	**-**	-
- Not impaired investments				
- Change in fair value	**-**	-	**(401,388)**	5,056,250
	(16,972,816)	17,917,199	**(401,388)**	5,056,250

27.2 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 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.

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	2007
	KD	KD
Cash and bank balances	**10,025,498**	5,083,793
Short term deposits	**20,363,456**	5,526,470
Wakala investments	**5,799,500**	-
Investments carried at fair value through statement of income	**39,057,420**	144,469,773
Accounts receivable and other assets (refer note 13)	**53,180,893**	62,841,502
Available for sale investments	**109,797,529**	94,751,151
	238,224,296	312,672,689

27 Risk management objectives and policies (continued)

27.2 Credit risk (continued)

Except for the wakala investment referred to in note 23b, and available for sale investments referred to in note 14, none of the above financial assets are past due or impaired. The group continuously monitors defaults of customers and other counterparties, identified either individually or by 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.

None of the group's financial assets are secured by collateral or other credit enhancements.

In respect of receivables, the group is not exposed to any significant credit risk exposure to any single counterparty. The credit risk for cash and bank balance and short term deposits is considered negligible, since the counterparties are reputable financial institutions with high credit quality. Information on other significant concentrations of credit risk is set out in note 27.3.

27.3 Concentration of assets

The distribution of financial assets and financial liabilities by geographic region for 2008 and 2007 is as follows:

	Kuwait	**Middle East**	**Asia & Africa**	**Europe**	**USA**	**Total**
	KD	KD	KD	KD	KD	KD
At 31 December 2008						
Cash and bank balances	**9,829,205**	**5,976**	**31,803**	**158,514**	**-**	**10,025,498**
Short term deposits	**20,363,456**	**-**	**-**	**-**	**-**	**20,363,456**
Wakala investments	**5,799,500**	**-**	**-**	**-**	**-**	**5,799,500**
Investments at fair value through statement of income	**30,988,692**	**2,698,091**	**3,707,202**	**929,186**	**734,249**	**39,057,420**
Accounts receivable and other assets (refer note 13)	**47,021,240**	**2,852,145**	**8,520**	**-**	**418,580**	**50,300,485**
Available for sale investments	**64,003,209**	**15,708,081**	**8,623,642**	**1,453,297**	**20,009,300**	**109,797,529**
	178,005,302	**21,264,293**	**12,371,167**	**2,540,997**	**21,162,129**	**235,343,888**
Due to banks	**5,978,559**	**-**	**-**	**-**	**-**	**5,978,559**
Accounts payable and other liabilities	**2,702,548**	**1,173,296**	**525,334**	**-**	**-**	**4,401,178**
Short term borrowings	**181,124,012**	**-**	**-**	**-**	**-**	**181,124,012**
Provision for end of service indemnity	**136,621**	**-**	**-**	**-**	**-**	**136,621**
	189,941,740	**1,173,296**	**525,334**	**-**	**-**	**191,640,370**
At 31 December 2007						
Cash and bank balances	4,425,952	-	656,532	1,309	-	5,083,793
Short term deposits	5,526,470	-	-	-	-	5,526,470
Investments at fair value through statement of income	106,380,195	16,781,344	10,973,047	4,675,403	5,659,784	144,469,773
Accounts receivable and other assets (refer note 13)	43,810,089	10,808,579	29,563	-	9,105	54,657,336
Available for sale investments	27,725,239	22,472,676	5,141,471	3,540,311	35,871,454	94,751,151
	187,867,945	50,062,599	16,800,613	8,217,023	41,540,343	304,488,523
Due to banks	8,407,487	-	-	-	-	8,407,487
Accounts payable and other liabilities	8,935,409	2,575,455	1,680	-	-	11,512,544
Short term borrowings	130,497,295	-	-	-	-	130,497,295
Provision for end of service indemnity	129,919	-	-	-	-	129,919
	147,970,110	2,575,455	1,680	-	-	150,547,245

27 Risk management objectives and policies (continued)

27.4 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 assets and liabilities. Except for investments carried at fair value through statement of income and available for sale investments, the maturities of assets and liabilities have been determined on the basis of the remaining period from the balance sheet date to the contractual maturity date. The maturity profile for investments carried at fair value through statement of income and available for sale investments is determined based on management's estimate of liquidation of those investments.

Maturity profile of assets and liabilities at 31 December 2008 and 2007:

	1 year	1 -5 years	Over 5 years	Total
	KD	KD	KD	**KD**
At 31 December 2008				
ASSETS				
Cash and bank balances	**10,025,498**	**-**	**-**	**10,025,498**
Short term deposits	**20,363,456**	**-**	**-**	**20,363,456**
Wakala investments	**5,799,500**	**-**	**-**	**5,799,500**
Investment at fair value through statement of income	**39,057,420**	**-**	**-**	**39,057,420**
Accounts receivable and other assets	**53,036,546**	**-**	**144,347**	**53,180,893**
Available for sale investments	**66,390,037**	**43,407,492**	**-**	**109,797,529**
Investments in unconsolidated subsidiary	**-**	**-**	**1,012,904**	**1,012,904**
Investment in associated companies	**-**	**51,126,723**	**-**	**51,126,723**
Investment property	**-**	**22,644,788**	**-**	**22,644,788**
Equipment	**-**	**-**	**487,080**	**487,080**
	194,672,457	**117,179,003**	**1,644,331**	**313,495,791**
LIABILITIES				
Due to banks	**5,978,559**	**-**	**-**	**5,978,559**
Accounts payable and other liabilities	**4,401,178**	**-**	**-**	**4,401,178**
Short term borrowings	**181,124,012**	**-**	**-**	**181,124,012**
Provision for end of service indemnity	**-**	**136,621**	**-**	**136,621**
	191,503,749	**136,621**	**-**	**191,640,370**

NOOR
Noor Financial Investment Co. شركة نور للاستثمار المالي

27 Risk management objectives and policies (continued)

27.4 Liquidity risk (continued)

	1 year	1 -5 years	Over 5 years	Total
	KD	KD	KD	**KD**
At 31 December 2007				
ASSETS				
Cash and bank balances	5,083,793	-	-	5,083,793
Short term deposits	5,526,470	-	-	5,526,470
Investment at fair value through statement of income	144,469,773	-	-	144,469,773
Accounts receivable and other assets	62,841,502	-	-	62,841,502
Available for sale investments	12,978,114	81,773,037	-	94,751,151
Investments in unconsolidated subsidiary	-	-	826,845	826,845
Investment in associated companies	-	22,256,784	-	22,256,784
Equipment	-	-	373,394	373,394
	230,899,652	104,029,821	1,200,239	336,129,712
LIABILITIES				
Due to banks	8,407,487	-	-	8,407,487
Accounts payable and other liabilities	11,512,544	-	-	11,512,544
Short term borrowings	130,497,295	-	-	130,497,295
Provision for end of service indemnity	-	129,919	-	129,919
	150,417,326	129,919	-	150,547,245

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

	Up to 1 month	1-3 Months	3-12 months	1-5 years	Total
	KD	aKD	KD	KD	KD
31 December 2008					
Financial liabilities					
Due to banks	**5,978,559**	**-**	**-**	**-**	**5,978,559**
Accounts payable and other liabilities	**943,425**	**1,766,042**	**1,691,711**	**-**	**4,401,178**
Short term borrowings	**115,826,349**	**32,867,990**	**34,112,639**	**-**	**182,806,978**
Provision for end of services indemnity	**-**	**-**	**-**	**136,621**	**136,621**
	122,748,333	**34,634,032**	**35,804,350**	**136,621**	**193,323,336**
31 December 2007					
Financial liabilities					
Due to banks	8,407,487	-	-	-	8,407,487
Accounts payable and other liabilities	-	-	11,512,544	-	11,512,544
Short term borrowings	58,640,206	43,331,748	31,632,008	-	133,603,962
Provision for end of services indemnity	-	-	-	129,919	129,919
	67,047,693	43,331,748	43,144,552	129,919	153,653,912

NOOR
Noor Financial Investment Co. شركة نور للاستثمار المالي

28 Capital risk management

The group's capital management objectives are to ensure that the group maintains a strong credit rating and healthy ratios in order to support its business and maximise shareholder value.

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, buy back shares, issue new shares or sell assets to reduce debt.

The capital structure of the group consists of the following:

	2008	2007
	KD	KD
Short term borrowings (refer note 18)	181,124,012	130,497,295
Less: Cash and cash equivalents (refer note 23)	(23,910,395)	(695,276)
Net debt	157,213,617	129,802,019
Equity attributable to the shareholders of the parent company	103,472,072	172,101,891

Consistent with others in the industry, the group monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by equity attributable to the shareholders of the parent company as follows:

	2008	2007
	KD	KD
Net debt	157,213,617	129,802,019
Equity attributable to the shareholders of the parent company	103,472,072	172,101,891
Net debt to equity ratio	152%	75%

29 Fiduciary assets

The group manages mutual funds, portfolios on behalf of its ultimate parent company, other related parties and outsiders, and maintains securities in fiduciary accounts which are not reflected in the group's balance sheet. Assets under management at 31 December 2008 amounted to KD373,002,889 (31 December 2007: KD300,861,639) of which assets managed on behalf of its ultimate parent company and other related parties amounted to KD196,760,015 (31 December 2007 : KD226,380,527).

30 Capital commitments

At the balance sheet date the group had capital commitments of KD229,870 towards available for sale investments (2007: KD1,685,612).

31 Comparative amounts

Certain comparative amounts have been reclassified to conform to the presentation in the current year. Such reclassification does not affect previously reported net assets, net equity, net results for the year or net increase in cash and cash equivalents.