Consolidated financial statements and independent auditors' report

International Financial Advisors – KSC (Closed) and Subsidiaries

Kuwait

31 December 2008

Contents

Grant Thornton
Al-Qatami, Al-Aiban & Partners

Auditors & Consultants
Souq Al Kabeer Building - Block A - 9th Floor
Tel : (965) 244 3900-9
Fax: (965) 243 8451
P.O.Box 2986, Safat 13030
Kuwait
E-mail: gt@gtkuwait.com

Rödl
Middle East
Burgan – International Accountants

Ali Al Hassawi & Partners
P.O. Box: 22351 Safat 13084 Kuwait
Sharq – Dasman Complex – Block 2 – 9 Floor
Tel: 22464574-6 /22426862-3 Fax: 22414956
Email: info-kuwait@rodlme.com
www.rodlme.com

Independent auditors' report

To the shareholders of
International Financial Advisors – KSC (Closed)
Kuwait

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of International Financial Advisors (A Kuwaiti Closed Shareholding Company) ("the parent company") and its subsidiaries (the group), which comprise the consolidated balance sheet as at 31 December 2008, and the related consolidated statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in 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 the results of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards applied in the State of Kuwait.

Report on Other Legal and Regulatory Requirements

In our opinion proper books of account have been kept by the group 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 law nor of the articles of association have occurred during the year ended 31 December 2008 that might have had a material effect on the business of the group or on its financial position.

We further report that, during the course of our audit we have not become aware of any material violations made during the year 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.

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

Ali A. Al-Hasawi
(Licence No. 30-A)
of Rödl Middle East
Burgan – International Accountants

Kuwait
5 April 2009

Consolidated statement of income

	Notes	**Year ended 31 Dec. 2008 KD**	Year ended 31 Dec. 2007 KD
Income			
Interest and similar income	5	**5,015,100**	5,496,098
Management fees and commission income	6	**4,884,489**	3,199,455
Dividend income	7	**3,300,644**	3,541,028
Net income from hoteliers and related services	8	**2,382,588**	1,011,081
Net (loss)/gain on investments	9	**(35,145,703)**	35,777,603
Net gain on investment properties	10	**758,292**	6,653,812
Gain on sale of properties under development	11	**67,903,982**	30,963,940
Gain on sale of shares in a consolidated subsidiary company	25	**9,110,746**	27,500,013
Gain on sale of shares in unconsolidated subsidiaries		**-**	200,328
Share of (loss)/profit from associated companies	24	**(6,172,441)**	3,234,000
Loss on sale of shares in associated companies	24	**(2,141,632)**	-
Impairment in value of investment in associated companies	24	**(17,486,891)**	-
Impairment in value of available for sale investments	21	**(43,054,243)**	-
Other income	12	**2,212,025**	4,386,607
Total (losses)/income		**(8,433,044)**	121,963,965
Expenses and other charges			
Interest and similar expenses	13	**10,634,649**	8,728,676
Staff and related costs		**7,177,500**	3,450,279
Other operating expenses		**16,274,169**	10,949,503
Depreciation	28	**1,181,835**	646,460
Total expenses and other charges		**35,268,153**	23,774,918
(Loss)/profit before KFAS, National Labour Support Tax, Zakat, Directors' remuneration and taxation on overseas subsidiaries		**(43,701,197)**	98,189,047
Directors' remuneration		**-**	(100,000)
Taxation on overseas subsidiaries		**1,144,960**	189,104
Contribution to Kuwait Foundation for Advancement of Sciences (KFAS)	14	**(541,772)**	(780,708)
Contribution to Zakat	14	**(601,969)**	(50,413)
National Labour Support Tax (NLST)	14	**(1,504,923)**	(2,136,409)
(Loss)/ profit for the year		**(45,204,901)**	95,310,621
Attributable to :			
Shareholders of the parent company		**(65,123,019)**	80,803,330
Minority interest		**19,918,118**	14,507,291
(Loss)/ profit for the year		**(45,204,901)**	95,310,621
BASIC & DILUTED (LOSS)/ EARNINGS PER SHARE	15	**(97.61) Fils**	117.65 Fils

Consolidated balance sheet

	Notes	31 Dec. 2008 KD	31 Dec. 2007 KD
Assets			
Cash and cash equivalents	16	**55,269,104**	73,716,606
Investments at fair value through statement of income	17	**14,363,999**	143,963,612
Receivables and other debit balances	18	**71,251,670**	46,062,196
Loans receivable	19	**9,200,184**	10,372,102
Due from related parties	20	**25,879,300**	23,790,873
Available for sale investments	21	**79,421,753**	100,290,808
Trading properties	22	**-**	900,756
Investment properties	23	**20,050,166**	18,401,124
Investment in associated companies	24	**53,736,520**	15,575,294
Investment in unconsolidated subsidiaries		**82,272**	82,272
Goodwill	25	**48,245,125**	38,916,729
Properties under development	26	**92,297,184**	68,632,643
Capital work in progress	27	**45,407,685**	31,156,473
Property, plant and equipment	28	**21,756,173**	15,755,496
Total assets		**536,961,135**	587,616,984
Liabilities and equity			
Liabilities			
Payables and other credit balances	29	**77,743,238**	66,492,325
Due to related parties	20	**11,768,922**	2,532,892
Term loan from a related party	30	**1,720,000**	-
Borrowings	31	**156,570,573**	135,585,499
Advances received from customers	32	**73,447,810**	94,050,591
Total liabilities		**321,250,543**	298,661,307
Equity			
Equity attributable to the shareholders of the parent company			
Share capital	33	**72,000,000**	45,000,000
Share premium	33	**11,973,061**	11,973,061
Treasury shares	33	**(36,391,986)**	(37,192,698)
Statutory and voluntary reserves	34	**61,649,505**	61,649,505
Cumulative changes in fair value	21	**454,745**	3,676,268
Treasury shares profit reserve		**1,362,418**	6,000,329
Foreign exchange translation reserve		**(5,230,423)**	(2,867,116)
Retained earnings		**67,537,903**	159,660,922
Total equity of the parent company shareholders		**173,355,223**	247,900,271
Minority interest		**42,355,369**	41,055,406
Total equity		**215,710,592**	288,955,677
Total liabilities and equity		**536,961,135**	587,616,984
Fiduciary accounts	35	**144,711,593**	103,043,536

Talal Jassim Al-Bahar
Chairman

Saleh Saleh Al-Selmi
Deputy Chairman and Deputy CEO

The notes set out on pages 8 to 48 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Attributable to the shareholders of the parent company										
	Share capital KD	Share premium KD	Treasury shares KD	Statutory and voluntary reserves KD	Cumulative changes in fair value KD	Treasury shares profit reserve KD	Foreign exchange translation reserve KD	Retained earnings KD	Sub - total KD	Minority interest KD	Total KD
Balance as at 31 December 2007	45,000,000	11,973,061	(37,192,698)	61,649,505	3,676,268	6,000,329	(2,867,116)	159,660,922	247,900,271	41,055,406	288,955,677
Changes in fair values of available for sale investments	-	-	-	-	(46,275,766)	-	-	-	(46,275,766)	-	(46,275,766)
Impairment in value of available for sale investments transferred to consolidated statement of income	-	-	-	-	43,054,243	-	-	-	43,054,243	-	43,054,243
Translation reserve movements	-	-	-	-	-	-	(2,363,307)	-	(2,363,307)	-	(2,363,307)
Net expense recognised directly in equity	-	-	-	-	(3,221,523)	-	(2,363,307)	-	(5,584,830)	-	(5,584,830)
Loss for the year	-	-	-	-	-	-	-	(65,123,019)	(65,123,019)	19,918,118	(45,204,901)
Total recognised (expense)/income for the year	-	-	-	-	(3,221,523)	-	(2,363,307)	(65,123,019)	(70,707,849)	19,918,118	(50,789,731)
Bonus shares issued	27,000,000	-	-	-	-	-	-	(27,000,000)	-	-	-
Changes in minority interest	-	-	-	-	-	-	-	-	-	(18,618,155)	(18,618,155)
Purchase of treasury shares	-	-	(58,947,744)	-	-	-	-	-	(58,947,744)	-	(58,947,744)
Sale of treasury shares	-	-	59,748,456	-	-	-	-	-	59,748,456	-	59,748,456
Loss on sale of treasury shares	-	-	-	-	-	(4,637,911)	-	-	(4,637,911)	-	(4,637,911)
Balance as at 31 December 2008	**72,000,000**	**11,973,061**	**(36,391,986)**	**61,649,505**	**454,745**	**1,362,418**	**(5,230,423)**	**67,537,903**	**173,355,223**	**42,355,369**	**215,710,592**

Consolidated statement of changes in equity (continued)

	Attributable to the shareholders of the parent company										
	Share capital KD	**Share premium KD**	**Treasury shares KD**	**Statutory and voluntary reserves KD**	**Cumulative changes in fair value KD**	**Treasury shares profit reserve KD**	**Foreign exchange translation reserve KD**	**Retained earnings KD**	**Sub - total KD**	**Minority interest KD**	**Total KD**
Balance as at 31 December 2006	45,000,000	11,973,061	(35,608,502)	45,124,412	11,295,454	6,244,910	(867,193)	95,382,685	178,544,827	33,579,090	212,123,917
Changes in fair values of available for sale investments	-	-	-	-	(7,619,186)	-	-	-	(7,619,186)	-	(7,619,186)
Translation reserve movements	-	-	-	-	-	-	(1,999,923)	-	(1,999,923)	-	(1,999,923)
Net expense recognised directly in equity	-	-	-	-	(7,619,186)	-	(1,999,923)	-	(9,619,109)	-	(9,619,109)
Profit for the year	-	-	-	-	-	-	-	80,803,330	80,803,330	14,507,291	95,310,621
Total recognised (expense)/income for the year	-	-	-	-	(7,619,186)	-	(1,999,923)	80,803,330	71,184,221	14,507,291	85,691,512
Transferred to reserves	-	-	-	16,525,093	-	-	-	(16,525,093)	-	-	-
Changes in minority interest	-	-	-	-	-	-	-	-	-	(7,030,975)	(7,030,975)
Purchase of treasury shares	-	-	(50,020,815)	-	-	-	-	-	(50,020,815)	-	(50,020,815)
Sale of treasury shares	-	-	48,436,619	-	-	-	-	-	48,436,619	-	48,436,619
Loss on sale of treasury shares	-	-	-	-	-	(244,581)	-	-	(244,581)	-	(244,581)
Balance as at 31 December 2007	45,000,000	11,973,061	(37,192,698)	61,649,505	3,676,268	6,000,329	(2,867,116)	159,660,922	247,900,271	41,055,406	288,955,677

The notes set out on pages 8 to 48 form an integer part of the consolidated financial statements.

Consolidated statement of cash flows

	Note	**Year ended 31 Dec. 2008**	Year ended 31 Dec. 2007
		KD	KD
OPERATING ACTIVITIES			
(Loss)/ profit for the year attributable to the shareholders of the parent company		**(65,123,019)**	80,803,330
Adjustments:			
Unrealised gain on investment properties		**(758,292)**	(2,683,512)
(Loss) /gain on sale of available for sale investments		**495,599**	(310,194)
Impairment in value of available for sale investments		**43,054,243**	-
Gain on sale of shares in a consolidated subsidiary company		**(9,110,746)**	(27,500,013)
Gain on sale of unconsolidated subsidiaries		**-**	(200,328)
Loss on sale of shares in associated companies		**2,141,632**	-
Impairment in value of investment in associated companies		**17,486,891**	-
Gain on sale of investment property		**-**	(3,970,300)
Gain on sale of properties under development		**(67,903,982)**	(30,963,940)
Dividend income		**(3,300,644)**	(3,541,028)
Interest and similar income		**(5,015,100)**	(5,496,098)
Interest and similar expenses		**10,634,649**	8,728,676
Depreciation		**1,181,835**	646,460
Share of loss/(profit) from associated companies		**6,172,441**	(3,234,000)
		(70,044,493)	12,279,053
Changes in operating assets and liabilities:			
Investments at fair value through statement of income		**51,295,265**	(27,772,511)
Receivables and other debit balances		**(25,189,474)**	(16,412,693)
Loans receivable		**1,171,918**	14,393,196
Due from related parties		**(2,088,427)**	(9,865,929)
Advances received from customers		**77,422,699**	76,056,525
Goodwill		**(9,328,396)**	(626,860)
Trading properties		**325,376**	3,448,745
Payables and other credit balances		**11,250,913**	23,167,093
Due to related parties		**9,236,030**	(3,995)
Cash from operating activities		**44,051,411**	74,662,624
Dividend income received		**3,300,644**	3,541,028
Interest income received		**5,015,100**	5,496,098
Interest paid		**(10,634,649)**	(8,728,676)
Net cash from operating activities		**41,732,506**	74,971,074
INVESTING ACTIVITIES			
Proceeds from sale of shares in a consolidated subsidiary company		**18,161,519**	39,383,530
Proceeds from sale of shares in unconsolidated subsidiaries		**-**	763,366
Proceeds from sale of shares in associated companies		**7,392,617**	-
Proceeds from sale of investment property		**-**	21,000,000
Net additions to investment in associated companies		**(10,317,379)**	(1,663,058)
Net addition to properties under development		**(53,786,039)**	(18,848,883)
Net additions to capital work in progress		**(14,251,212)**	(13,843,094)
Net additions to property, plant and equipment		**(7,182,513)**	(990,144)
Proceeds from sale of available for sale investments		**12,672,848**	4,994,736
Additions to investment properties		**(315,370)**	(5,187,974)
Purchase of available for sale investments		**(32,026,270)**	(51,537,271)
Acquisition of shares in a consolidated subsidiary company		**(16,649,826)**	(46,149,835)
Net cash used in investing activities		**(96,301,625)**	(72,078,627)
FINANCING ACTIVITIES			
Loan obtained from banks		**45,875,533**	53,702,442
Repayment of loans		**(22,783,302)**	(13,832,739)
Repayment of related party loans		**-**	(2,834,141)
Loan obtained from a related party		**1,720,000**	-
Changes in minority interest		**19,418,713**	7,247,427
Purchase of treasury shares		**(58,947,744)**	(50,020,815)
Proceeds from sale of treasury shares		**55,110,545**	48,192,038
Net movement on foreign currency translation reserve		**(4,272,128)**	(2,108,066)
Net cash from financing activities		**36,121,617**	40,346,146
Net (decrease)/increase in cash and cash equivalents		**(18,447,502)**	43,238,593
Cash and cash equivalents at beginning of the year	16	**73,716,606**	30,478,013
Cash and cash equivalents at end of the year	16	**55,269,104**	73,716,606

Notes to the consolidated financial statements

31 December 2008

1 Incorporation and activities

International Financial Advisors – KSC (Closed) ("the parent company") is a Kuwaiti closed shareholding company incorporated on 31 January 1974 under the Commercial Companies Law No. 15 of 1960 and amendments thereto. The parent company is regulated by the Central Bank of Kuwait as an investment company. The address of the parent company's registered office is PO Box 4694, Safat 13047, State of Kuwait. The parent company is principally engaged in providing financial advisory services, trading in local and international securities, borrowing, lending, issuing guarantees, managing investment funds and portfolio management and trading in future contracts.

The consolidated financial statements were authorised for issue by the board of directors on 5 April 2009 and they are subject to the approval of the general assembly of shareholders and required authorities.

The group comprises the parent company and its subsidiaries.

1.1 Following is a list of subsidiary companies of the parent company.

Parent company's subsidiaries and percentage of ownership	Subsidiary companies	Subsidiaries' ownership % in legal operating entity	Place of incorporation	Operations	Opening/ Acquisition date
Consolidated subsidiaries					
1) IFA Hotels & Resorts Company– KSC (Closed) (60.16%)	a) IFA Hotels & Resorts - FZ – LLC	100%	UAE	Hotels & resorts	2003
	b) IFA Hotels & Resorts – FZE-Jabel Ali Free Zone	100%	UAE	Hotels & resorts	2005
	c) IFA Hotels & Resorts (SAL) Holdings	51%	Lebanon	Hotels & resorts	2003
	d) IFA Zimbali Hotels & Resorts (Pty) Limited	100%	South Africa	Hotels & resorts	2003
	e) IFA Hotels & Resorts Limited	85%	South Africa	Hotels & resorts	2003
	f) IFA Hotels & Resorts 2 Limited	100%	Tanzania	Hotels & resorts	2003
	g) IFA Hotels & Resorts 3 Limited	100%	Mauritius	Hotels & resorts	2006
	h) IFA Hotels & Resorts (Zanzibar) Limited	100%	Tanzania	Hotels & resorts	2003
	i) Fairmont Zimbali Hotel and Resort	100%	S.A Zimbali	Hotels & resorts	2006
	j) International Property Trading Holding Limited	100%	British Virgin Islands	Property development	2007
	k) Yotel Investment Limited	100%	Jersey	Hotelier	2006
	l) Lot 66 Zimbali (Pty) Limited	100%	South Africa	Hotels & resorts	2008
	m) IFA Properties Limited	100%	United Kingdom	Property development	2008
	n) IFA Hotels & Resorts 4 Limited	50%	Seychelles	Hotels & resorts	2008
	o) Bangkok Property Investment (Pty) Limited	50%	Thailand	Property development	2008
	p) IFA Travel and Tourism – WLL	100%	Kuwait	Travel and tourism	2008
2) Seven Seas Resorts Company – KSC (Closed) (54.286%)	-	-	Kuwait	Resorts	2003

1 Incorporation and activities (continued)

Parent company's subsidiaries and percentage of ownership	Subsidiary companies	Subsidiaries' ownership % in legal operating entity	Place of incorporation	Operations	Opening/ Acquisition date
3) Gulf Real Estate Company –WLL (46.32%)	-	-	Kuwait	Real estate	2004
4) IFA Aviation Company – KSC (Closed) (74.8%)	-	-	Kuwait	Aviation	2006
	Deema Aviation Company Limited	100%	Cayman Island	Aviation	2007
	IFA Aviation Company - Dubai	70%	UAE	Aviation	2008
5) Radeem Real Estate Company – SAL (99.7%)	-	-	Lebanon	Real estate	2006
6) Dana Company – SAL (90%)	-	-	Lebanon	Real estate	2006
7) Fastnet Capital Limited (100%)	-	-	UK	Telecommu-nication	2007
Unconsolidated subsidiaries					
1) IFA Assets Management & Portfolio Company	-	-	Egypt	Under establishment	2006
2) IFA Lebanon – SAL (100%)	-	-	Lebanon	Not operating	2003

Following is a list of Joint ventures:

Joint Venturer	Joint Venture	Ownership %	Place of incorporation	JV date
The Palm Golden Mile	1) Souq Residence FZCO	50%	J. Ali FZ, Dubai (UAE)	2005
	2) Souq palm FZCO	50%	J. Ali FZ, Dubai (UAE)	2005
Tongatt Hulett / IFA Resort Developments	IFA Hotels and Resorts (South Africa) (Pty) Limited	50%	South Africa	2004
Zimbali Estates (Pty) Limited	1) Zimbali Estates (Pty) Limitied	50%	South Africa	2004
	2) Olifa hotels & resorts Namibia (pty) Limited	50%	Namibia	2007

2 Adoption of new and revised International Financial Reporting Standards

The Group has adopted during the year the following new and amended IFRS and IFRIC Interpretations:

- Amendment to IAS 39 and IFRS 7 : Financial Instruments: Recognition and Measurement and IFRS 7: Financial Instruments
- IFRIC 11 IFRS 2: Group and Treasury Shares Transactions

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

The principal effect of these changes is as follows:
Adoption of amendments to IAS 39: Financial Instruments: Recognition and Measurement and IFRS 7: Financial Instruments

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

The Group has implemented the amendments to IAS 39. As a result, the Group reclassified certain trading financial assets with a carrying value of KD16.3 million from the "fair value through income statement" category to the 'available for sale' category with effect from 1 July 2008 as these financial assets are no longer held for the purpose of selling or repurchasing it in the near term due to the impact of the global financial crisis on the local and regional equity markets.

The Group made an assessment of impairment for these securities and recognized on the entire amount of KD7.7 million at 31 December 2008 as impairment loss. Therefore, the reclassification did not impact the overall net loss for the year.

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

Standards and Interpretations in issue not yet adopted
The following new Standards and Interpretations which are yet to become effective have not been adopted:

- IAS 1: (Revised) Presentation of Financial Statements (effective 1 January 2009) ;
- IFRS 8: Operating Segments (effective 1 January 2009) ;
- IAS 23 : (Revised) Borrowing costs (effective 1 January 2009) :
- IFRIC 11 IFRS 2: Group and Treasury Share Transactions (effective 1 March 2007) :
- IFRIC 12 : Service Concession Arrangements (effective 1 January 2008) :
- IFRIC 13 : Customer Loyalty Programmes (effective 1 July 2008) : and
- IFRIC 14 IAS 19 : The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective 1 January 2008)

The directors anticipate that all of the above Interpretations will be adopted in the Group's financial statements for the period commencing 1 January 2009 and that the adoption of those Interpretations will have no material impact on the financial statements of the Group in the period of initial application.

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 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.

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

IAS 23 Borrowing Costs has been amended resulting into 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.

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

The following standards, amendments and interpretations are mandatory for reporting periods beginning on or after 1 January 2007 but they are not relevant to the group's operations:

- IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyper-Inflationary Economies; and
- IFRIC 9 Reassessment of Embedded Derivatives
- IFRIC 15 "Agreement for the Construction of Real Estate" issued on 3 July 2008 and applicable effective the annual periods beginning on or after 1 January 2009.

The new interpretation discusses the following:

- Determining whether an agreement for the construction of real estate is within the scope of IAS 11 Construction Contracts or IAS 18 Revenue; and
- When revenue from the construction of real estate should be recognised.

According to the new interpretation, the group's activities fall under the caption "Agreement for the rendering of services (IAS 18), that revenue can only be recognised when the entity has been transferred the sold unit to the buyer.

3 Significant accounting policies

The accounting policies used in the preparation of the consolidated financial statements for the year then ended at 31 December 2008 are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2007. The principal accounting policies are set out below.

Statement of compliances
The consolidated financial statements of the group have been prepared in accordance with International Financial Reporting Standards and with the regulations of the Government of Kuwait for financial services institutions regulated by the Central Bank of Kuwait. These regulations require adoption of all International Financial Reporting Standards (IFRS) except for the IAS 39 requirements for a collective provision, which has been replaced by the Central Bank of Kuwait's requirement for a minimum general provision as described under the accounting policy for impairment of financial assets as stated in basis of preparation below.

Basis of preparation
These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") promulgated by the International Accounting Standards Board ("IASB"), and Interpretations issued by the International Financial Reporting Interpretations Committee of the IASB, as modified for use by the Government of Kuwait for financial services institutions regulated by the Central Bank of Kuwait. These regulations require adoption of all IFRS except for the IAS 39 requirement for collective impairment provision, which has been replaced by the Central Bank of Kuwait requirement for a minimum general provision as described below.

3 Significant accounting policies (continued)

Basis of preparation (continued)
In March 2007, the Central Bank of Kuwait ("CBK") issued a circular amending the basis of making general provisions on facilities from 2% to 1% for cash facilities and 0.5% for non cash facilities. The required rates were to be applied effective from 1 January 2007 on the net increase in facilities, net of certain restricted categories of collateral, during the reporting period.

During the year, CBK allowed the Group to reverse the excess general provision of 1% to the consolidated statement of income provided that amount is transferred to general reserve.

These consolidated financial statements are presented in Kuwaiti Dinars ("KD") which is the functional currency of the Parent Company and are prepared under the historical cost convention, except for certain investments held at fair value through statement of income, available for sale investments and investment properties that are stated at fair value.

Basis of consolidation
These consolidated financial statements incorporate the financial statements of the Parent Company and entities controlled by the Parent Company (its subsidiaries). Control is achieved where the Parent Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.
Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Minority interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

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

Investment in associates
An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

3 Significant accounting policies (continued)

Investment in associates (continued)
The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Interest in Joint Ventures
A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control that is when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control. Where a group entity undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other ventures are recognised in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

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

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

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

The Group's policy for goodwill arising on the acquisition of an associate is described in investment in associate policy.

3 Significant accounting policies (continued)

Revenue recognition

Sales of property developments
Revenue from the sale of property is recognized when legal title passes or when the equitable interest in the property vests in the buyer. Where there are further substantial acts to complete in the development of the property, revenue is deferred and recognized as the act performed. Revenue is recognized by reference to the stage of completion of the development of the property, at the consolidate balance sheet date, as measured by the proportion that land and development costs incurred to date bear to the estimated total land and development cost.

In assessing whether equitable interests vests in the buyer prior to legal title passing, management judgment is based on whether the following conditions have been met:

1) The relevant agreements are unconditional and binding on the purchaser;
2) The purchaser has paid meaningful deposit or has made arrangements to secure payment of the purchase price;
3) Zoning and final conditions of the establishment have been obtained; and
4) Servicing arrangements and costs are substantially finalized.

Sale of residential units
Revenue on sale of condominiums is recognised on the basis of percentage completion using the cost-to-cost method as and when all of the following conditions are met:

- The buyer's investment, to the date of the financial statements, is adequate (20% and above) to demonstrate a commitment to pay for the property;
- Construction is beyond a preliminary stage. The engineering, design work, signing of construction contract, site clearance and building foundation are finished;
- The buyer is committed; and
- The aggregate sales proceeds and costs can be reliably estimated.

Cost of revenues
Cost of revenues includes the cost of land and development costs. Development costs include the cost of infrastructure and construction. The cost of revenues in respect of sale of condominiums is recognised on the basis of percentage of completion.

Rental and hoteliers income
Rental income of units in office buildings and residential buildings are recognised on an accrual basis.

Revenue from hoteliers and related services is recognised when the services are rendered.

Interest income
Interest income is recognised in the income statement as it accrues, taking into account the effective yield of the asset or an applicable floating rate.

Dividends
Dividends are recognised when the right to receive the dividends is established.

Fees and Commission
Fees and commission income are recognised when earned.

3 Significant accounting policies (continued)

Foreign currencies
The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Kuwaiti Dinar (‘KD’), which is the functional currency of the parent Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity’s functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each consolidated balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the consolidated balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in consolidated statement of income in the period in which they arise except for:

• exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on foreign currency borrowings;
• exchange differences on transactions entered into in order to hedge certain foreign currency risks ; and
• exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group’s foreign operations are expressed in KD using exchange rates prevailing at the consolidated balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and recognised in the Group’s foreign currency translation reserve in equity. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Taxation
Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that its probable that taxable profits will be available against which deductable temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary differences arise from goodwill or initial recognition (other than in business combination) of other assets and liabilities in the transactions that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is received at each consolidated balance sheet date and reduced to the extent that it’s no longer probable that sufficient taxable profits will be available for the assets to be recovered.

3 Significant accounting policies (continued)

Taxation (continued)
Income tax expenses represent the sum of the tax currently payable and deferred tax.

The tax currently payable is based on the taxable profit for the year plus secondary tax on companies. Taxable profit defers from profit as reported in the consolidated income statement because it excludes items of income and expenses that are taxable or deductible in other years and its further excludes items that are never taxable or deductible. The group's liabilities for current and deferred tax is calculated using tax rates that have been enacted or substantially enacted by the consolidated balance sheet date.

Kuwait Foundation for the Advancement of Sciences
The Group is required to contribute to the Kuwait Foundation for the Advancement of Sciences ("KFAS"). The Group's contributions to KFAS is recognised as an expense and is calculated @ 1 % of profit before transfer to legal reserve, Directors' remuneration, National Labour Support Tax and Zakat.

National Labour Support Tax
The Group is required to contribute to the National Labour Support Tax ("NLST"). The Group's contribution to NLST is recognised as an expense and is calculated in accordance with Ministry of Finance resolution No. 24/2008, law number 19/2000.

Zakat
The Group is required to contribute to the Zakat. The Group's contribution to Zakat is recognised as an expense and is calculated in accordance with Ministry of Finance resolution No. 58/2007 and 46/2006.

Cash and cash equivalent
Cash and cash equivalent as stated in the consolidated statement of cash flows comprise bank balance and cash, short term deposits maturing within three months and due to bank balances.

Financial assets
Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through Profit and Loss (FVTPL), 'available-for-sale' (AFS) financial assets and 'loans and receivables'.

Financial assets at FVTPL
Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:
• it has been acquired principally for the purpose of selling in the near future; or
• it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
• it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:
• such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
• the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

3 Significant accounting policies (continued)

Financial assets at FVTPL (continued)

• it forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in note 43.

AFS financial assets

Shares held by the Group that are traded in an active market are classified as being AFS and are stated at fair value. Fair value is determined in the manner described in note 43.

Gains and losses arising from changes in fair value are recognised directly in equity in the cumulative changes in fair value reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised is included in profit or loss for the period.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the balance sheet date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each consolidated balance sheet date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For shares classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including redeemable notes classified as AFS and finance lease receivables, objective evidence of impairment could include:

• significant financial difficulty of the issuer or counterparty; or
• default or delinquency in interest or principal payments; or
• it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

In respect of AFS equity securities, impairment losses previously recognised through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in equity.

3 Significant accounting policies (continued)

Derecognition of financial assets
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Impairment and uncollectability of financial assets
An assessment is made at each consolidated balance sheet date to determine whether there is objective evidence that a specific financial asset, or group of similar assets, may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss, based on the net present value of future anticipated cash flows, is recognised in the consolidated statement of income. For assets carried at amortised cost, future anticipated cash flows are discounted at the financial instrument's original effective interest rate. For assets carried at fair value, impairment is the difference between cost and fair value.

In addition, in accordance with the Central Bank of Kuwait instructions, a minimum general provision of 1% on all credit facilities and loans net of certain restricted categories of collateral, and not subject to specific provision, is provided.

The provision for impairment of loans and advances also covers losses where there is objective evidence that probable losses are present in components of the loans and advances portfolio at the consolidated balance sheet date. These have been estimated based on historical patterns of losses in each component, the credit ratings allocated to the borrowers and reflecting the current economic climate in which the borrowers operate.

Fair values
Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transactions.

For securities 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 consolidated balance sheet date.

For securities where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same, or is based on the expected discounted cash flows, or determined by using valuations implied by significant financial events e.g. indicative bids, partial exits, or additional investments, or determined by using valuations implied by third party issuers having substantially the same line of business as the investee or other appropriate valuation techniques.

The determination of fair value is done for each investment individually.

Trading properties
Trading properties include purchase and development costs of unsold real estate (land). Development costs include planning, maintenance and service cost. Trading properties are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each property to its present condition including identifiable finance cost. Net realisable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal.

3 Significant accounting policies (continued)

Investment properties
Investment properties, which is property held to earn rentals or for capital appreciation are initially measured at its cost, including transaction cost. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in fair values are taken to the consolidated statement of income.

Investment properties are derecognised 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, and 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.

Properties under development
Property under development represents properties under development/construction for trade, which are stated at cost or net realisable values which ever is lower. Cost includes the cost of land, construction, design and architecture, advances paid for purchase of properties and other related expenditures such as professional fees, project management fees and engineering costs attributable to the project, which are accrued as and when activities that are necessary to get the assets ready for the intended use are in progress. Direct costs from the start of the project up to completion of the project are accrued to properties under development. Completion is defined as the earlier of the issuance of the certificate for completion, or when management considers the project to be completed. Upon completion, unsold properties, if any are transferred to trading properties.

Capital work-in-progress
Capital work-in-progress includes land which is stated at cost less impairment in value, if any. The carrying value of land is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the value of land is written down to its recoverable amount.

Capital work-in-progress also includes the cost of construction, design and architecture, advances paid for purchase of properties and other related expenditures such as professional fees, project management fees and engineering costs attributable to the project, which are capitalized as and when activities that are necessary to get the assets ready for the intended use are in progress. Direct costs from the start of the project up to completion of the project are capitalized.

Property, plant and equipment
Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost of assets, other than freehold land, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Freehold land is not depreciated.

Building on leasehold land is depreciated over the term of lease.

3 Significant accounting policies (continued)

Property, plant and equipment (continued)
Plant and Equipments, Furniture and Fixtures, Motor Vehicles and Yachts are stated at cost less accumulated depreciation and accumulated impairment losses.

The Aircraft is depreciated over a 15 years period after deducting the residual value estimated by professional aircraft valuers to be 85% of original value after that period.

Depreciation is calculated on a straight-line basis over the estimated useful lives as follows:

Freehold buildings	50 years
Building on leasehold land	over the term of lease
Plant and equipment	5 – 7 years
Furniture and fixtures	5 – 10 years
Motor vehicles	4 -5 years
Yacht	10 years
Aircraft	15 years

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Provisions
A provision (other than the provision for investments and loans receivables) is recognised in the consolidated balance sheet when the group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows that reflects current market assessments for such liabilities.

Deposits received from customers
Deposits received from customers represent money received from customers towards instalments for properties in accordance with the terms of the sale agreements.

Employees' end of service benefits
Provision is made for employees' end of service indemnity in accordance with the applicable Labour Laws based on employees' salaries and accumulated periods of service or on the basis of employment contracts, where such contracts provide extra benefits. The provision which is unfunded is determined as the amount payable to employees as a result of involuntary termination of employment as of the consolidated balance sheet date.

Treasury shares
The parent company's own shares are accounted for as treasury shares and are stated at cost. When the treasury shares are sold, gains are credited to a separate account in equity under "treasury shares profit reserve" which is non distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the treasury shares reserve account. No cash dividends are distributed on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

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

3 Significant accounting policies (continued)

Segment information
A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products and services within a particular economic environment (geographic segment), which is subject to risks and rewards that are different from those of other segments.

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.

Key sources of estimation uncertainty
The key assumptions concerning the future and other key sources of estimation uncertainty at the consolidated balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

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 instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation.

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

Classification of real estate property
Management decides on acquisition of a real estate property 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.

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

Classification of real estate property (continued)
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.

Classification of investments
Management decides on acquisition of an investment whether it should be classified as held for trading, at fair value through statement of income, or available for sale.

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

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

Impairment of available for sale equity investments
The Group treats available for sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment. The Group generally treats 30% or more decline in the fair value as significant and decline greater than 6 months as prolonged.

Impairment of intangible assets
The Group determines whether goodwill and intangible assets are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows (Note 25).

All other investments are classified as available for sale.

5 Interest and similar income

Interest and similar income resulted from financial assets as follows:

	2008 KD	2007 KD
Investments at fair value through statement of income	**54,625**	61,309
Financing of future trades	**547,902**	630,435
Loans receivable	**380,271**	1,048,141
Cash and cash equivalents	**3,011,781**	2,407,138
Late payment by customers	**945,112**	901,129
Loans to related parties	**75,409**	447,946
	5,015,100	5,496,098
Interest and similar income on financial assets at fair value	**54,625**	61,309
Interest and similar income on financial assets at book value	**4,960,475**	5,434,789
	5,015,100	5,496,098

6 Management fees and commission income

	2008 KD	2007 KD
Management fees on assets under management	**624,479**	604,310
Incentive fees on assets under management	**171,099**	391,356
Placement fees –managed fund	**3,545**	105,202
Consulting and advisory fees on assets management	**4,085,366**	2,098,587
	4,884,489	3,199,455

7 Dividend income

Dividend income resulted from financial assets as follows:

	2008 KD	2007 KD
Investments at fair value through statement of income	**2,227,011**	2,441,205
Investments available for sale	**1,073,633**	1,099,823
	3,300,644	3,541,028

8 Net income from hoteliers and related services

	2008 KD	2007 KD
Revenue	**3,366,630**	1,756,172
Costs	**(984,042)**	(745,091)
	2,382,588	1,011,081

9 Net (loss)/gain on investments

Net (loss)/gain on investments, analyzed by category for the year ended 31 December 2008 and 2007 are as follows:

	2008			2007		
	Investments held for trading KD	**Available for sale investments KD**	**Total KD**	Investments held for trading KD	Available for sale investments KD	Total KD
Realized (loss) /gain	**(1,685,104)**	**(495,599)**	**(2,180,703)**	6,936,377	310,194	7,246,571
Unrealized (loss)/gain	**(32,965,000)**	**-**	**(32,965,000)**	28,531,032	-	28,531,032
	(34,650,104)	**(495,599)**	**(35,145,703)**	35,467,409	310,194	35,777,603

10 Net gain on investment properties

	2008 KD	2007 KD
Realized gain arising from disposals	**-**	3,970,300
Unrealized gain arising from revaluations (Note 23.3)	**758,292**	2,683,512
Net gain on investment properties	**758,292**	6,653,812

11 Gain on sale of properties under development

Gain on sale of properties under development represents the difference between the sales value and cost of properties originally carried by the group, to acquire, redevelop and sell to the clients. The realised income on sale of these properties is determined based on the percentage of completion method.

	2008 KD	2007 KD
Sales revenue	**121,690,021**	78,948,537
Cost of sales	**(53,786,039)**	(47,984,597)
	67,903,982	30,963,940

12 Other income

The other income consists of the following:

	2008 KD	2007 KD
Net Income from aviation services	**1,172,810**	1,126,811
Properties rental income	**351,367**	237,651
Gain/(loss) from foreign currency revaluation	**(219,442)**	2,749,992
Net income from ticket sales and related services	**157,942**	-
Reversal of excess provision on margin loans	**344,213**	231,076
Other income	**405,135**	41,077
	2,212,025	4,386,607

13 Interest and similar expenses

Interest and similar expense relates to the group's borrowing activities: short, medium and long. All these financial liabilities of the group are stated at amortised cost.

14 Contribution to Kuwait Foundation for Advancement of Sciences (KFAS), contribution to zakat and National Labour Support Tax (NLST)

Contribution to Kuwait Foundation for Advancement of Sciences (KFAS), contribution to zakat and National Labour Support Tax (NLST) are calculated on group's profit as follows:

Company name	KFAS		Zakat		NLST	
	2008 KD	2007 KD	**2008 KD**	2007 KD	**2008 KD**	2007 KD
International Financial Advisors Company – KSC (Closed) (parent co.)	**-**	529,894	**-**	40,903	**-**	1,449,101
IFA Hotels and Resorts Company – KSC (Closed) (subsidiary co.)	**541,772**	247,431	**601,969**	9,320	**1,504,923**	687,308
Seven Seas Company – KSC (Closed) (subsidiary co.)	**-**	236	**-**	-	**-**	-
IFA Aviation Company – KSC (Closed) (subsidiary co.)	**-**	3,147	**-**	190	**-**	-
Total	**541,772**	780,708	**601,969**	50,413	**1,504,923**	2,136,409

15 Basic and diluted (loss)/earnings per share

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

	2008	2007
(Loss)/ profit for the year attributable to the shareholders of the parent company (KD)	**(65,123,019)**	80,803,330
Weighted average number of shares outstanding (excluding treasury shares) (share)	**667,209,214**	686,811,642
Basic and diluted (loss)/earnings per share (Fils)	**(97.61)**	117.65

16 Cash and cash equivalents

	2008 KD	2007 KD
Bank balances and cash	**34,391,249**	26,944,721
Fixed deposit	**21,874,475**	47,841,678
Due to bank	**(996,620)**	(1,069,793)
Cash and cash equivalents in the consolidated statement of cash flows	**55,269,104**	73,716,606

17 Investments at fair value through statement of income

	2008 KD	2007 KD
Held for trading:		
Local		
Quoted shares	**12,010,594**	138,144,801
Unquoted shares	**1,620,575**	3,504,566
	13,631,169	141,649,367
Foreign		
Quoted shares	**693,519**	2,275,348
Unquoted shares	**39,311**	38,897
	732,830	2,314,245
Total	**14,363,999**	143,963,612

During the year and starting from 1 July 2008, the group reclassified its investments in two listed companies with a total value of KD61,235,763 from trading investments into investments in associates (Note 24).

The group also implemented the new amendment to IAS (39) and IFRS (7) and reclassified certain investments with a total value of KD16,345,370 into available for sale investments.

The total unrealised loss recognised in the consolidated statement of income during the six months period ended 30 June 2008 for the reclassified investment into available for sale amounted to KD(12,427).

18 Receivables and other debit balances

	2008 KD	2007 KD
Receivables on forward contacts	**3,034,312**	3,062,000
Trade receivables	**17,554,569**	10,901,635
Advances and prepayments (see below)	**19,457,144**	1,958,161
Kuwait Clearing Company receivables	**102,389**	275,474
Staff receivables	**112,905**	434,443
Prepaid expenses	**306,351**	1,268,800
Advance to contractors	**17,661,826**	13,313,593
Other receivables	**13,022,174**	14,848,090
	71,251,670	46,062,196

Advances and prepayments includes advance for purchase of land amount of KD10,609,168 (AED141,214,000) at Palm Jumeirah to be developed with Nakheel Properties Company, and amount of KD6,832,025 (AED90,938,100) for the Village Project at International City.

19 Loans receivable

19.1 Loans balances and effective interest rates are as follows:

	2008 KD	Effective interest rate	2007 KD	Effective interest rate
Consumer	**55,647**	6%	55,647	6%
Real estate	**1,032,606**	6% - 10%	1,032,606	6% - 10%
Margin loans	**10,772,885**	4% - 6%	12,289,016	6% - 10%
Rescheduled	**1,111**	7% - 11%	1,111	7% - 11%
	11,862,249		13,378,380	
Provisions	**(2,662,065)**		(3,006,278)	
	9,200,184		10,372,102	

19.2 The movement in provisions is as follows:

	2008 KD	2007 KD
Balance at 1 January	**3,006,278**	3,217,428
Provision charge for the year (included in other operating expenses)	**45**	-
Transferred surplus provision to income statement as per CBK instructions	**(329,982)**	-
Reversal of excess provision (no longer needed)	**(14,276)**	(231,076)
Foreign currency exchange movement	**-**	19,926
Balance at 31 December	**2,662,065**	3,006,278

The policy of the parent company for the calculation of the provisions for loans receivable complies in all material respects with the provision requirements of the Central Bank of Kuwait.

In accordance with Central Bank of Kuwait circular dated 20 November 2008 the excess in general provision of 1% resulting from reducing the general provision from 2% to 1% is transferred to the statement of income for the year.

20 Due from/to related parties

	2008 KD	2007 KD
Due from related parties		
United Investment Company, Portugal	**2,013,223**	2,016,941
Al-Bab Trading Company – WLL	**1,484,033**	1,459,322
Kuwait Invest Holding Company – KSC (Closed)	**-**	1,447,967
Istithmar PJSC	**-**	287,711
IFA Properties Brokerage	**724,243**	624,086
Raimond Land Public Company Limited –Thailand (Associate)	**3,762,033**	3,762,033
IFA Yacht Chartering LLC	**2,980,439**	2,570,823
IFA Properties – UK	**-**	452,386
IFA Travel & Tourism	**-**	610,515
Boschendals Ltd (Associate)	**1,641,962**	1,405,232
Legends and IFA developments (Pty) Ltd (Associate)	**7,360,004**	4,397,800
Assjad Al Kuwait General Trading & Contracting Co. – WLL	**-**	1,551,746
Univest Group – KSC (Closed)	**913,160**	913,160
Marasi Al Ofuq General Trading Co. – WLL	**1,551,746**	-
Manarat Al Ofuq General Trading Co. – WLL	**1,431,839**	1,431,839
Zilwa Limited (Associate)	**1,107,685**	-
Others	**908,933**	859,312
	25,879,300	23,790,873
Due to related parties		
Kuwait Invest Holding Company – KSC (Closed)	**7,546,579**	-
Istithmar PJSC	**2,518,670**	-
International Finance Company – KSC (Closed) (Associate)	**237,475**	241,482
Kuwait Real Estate Company – KSC	**859,003**	2,250,817
International Investment Projects Company – KSC (Closed)	**307,195**	-
International Resorts Company – KSC (Closed) (Associate)	**300,000**	-
Others	**-**	40,593
	11,768,922	2,532,892

21 Available for sale investments

21.1 The available for sale investments comprise of:

	2008 KD	2007 KD
Quoted shares	**26,052,214**	44,939,302
Unquoted shares	**53,369,539**	55,351,506
	79,421,753	100,290,808

Unquoted shares include KD40,843,708 (2007: KD36,900,176) that are carried at cost as at the balance sheet date due to unavailability of reliable sources to determine their fair value, out of which KD3,763,009 (2007: KD11,212,042) has been purchased during the year. Those investments comprise of direct participation in newly established companies that have not commenced operations, or companies that have recently commenced operations but their financial statements are not issued yet. Accordingly, the available valuation methods, indicated that the cost of these investments represent their fair values and management is not aware of any circumstances that would indicate any impairment in the value of these investments on the balance sheet date.

During the year, the group recognised an impairment loss of KD43,054,243 against local quoted shares as the market value of these shares at 31 December 2008 declined significantly below their costs. The carrying value of these investments before recognising the impairment loss and subsequently as at 31 December 2008 amounted to KD59,352,071 and KD16,297,828 respectively

21 Available for sale investments (continued)

21.2 The movement in available for sale investments is as follows:

	2008 KD	2007 KD
Balance at 1 January	**100,290,808**	61,107,266
Acquisitions during the year	**32,026,270**	51,537,271
Disposals during the year	**(13,168,445)**	(4,684,543)
Net movement in fair value	**(3,221,523)**	(7,619,186)
Impairment in value during the year	**(43,054,243)**	-
Transferred to investment in subsidiaries	**(10,519,699)**	-
Reclassification to associate companies	**-**	(50,000)
Reclassified from trading investments	**17,068,585**	-
Balance at 31 December	**79,421,753**	100,290,808

21.3 The movement on cumulative change in fair value is as follows:

	2008 KD	2007 KD
Balance at 1 January	**3,676,268**	11,295,454
Cumulative change in fair value during the year	**(46,211,147)**	(7,077,890)
Transferred to profit and losses on impairment value	**43,054,243**	-
Transferred to profit and losses on disposal	**(64,619)**	(541,296)
Balance at 31 December	**454,745**	3,676,268

22 Trading properties

22.1 Trading properties consists of:

	2008 KD	2007 KD
Properties in Dubai – UAE	**-**	900,756
	-	900,756

22.2 The movement in trading properties is as follows:

	2008 KD	2007 KD
Balance at 1 January	**900,756**	4,349,501
Absorbed to cost of sales	**(322,385)**	(2,101,634)
Transferred to investment properties	**(575,380)**	-
Discount received on Land	**-**	(1,118,790)
Foreign currency exchange difference	**(2,991)**	(228,321)
Balance at 31 December	**-**	900,756

23 Investment properties

23.1 Investment properties are located in the following regions:

	2008 KD	2007 KD
Kuwait	**12,930,000**	13,450,000
Lebanon	**2,665,623**	2,705,806
Jordan	**351,050**	351,050
UAE	**3,594,120**	1,465,665
Egypt	**354,966**	212,983
South Africa	**154,407**	215,620
	20,050,166	18,401,124

23.2 Investment properties represent the following:

	2008 KD	2007 KD
Private freehold land in IFA Zimbali – South Africa	**154,407**	215,620
Land in Jordan	**351,050**	351,050
Land in UAE	**572,387**	572,387
Land in Egypt	**354,966**	212,983
Properties in Kuwait	**12,930,000**	13,450,000
Apartments in Dubai – UAE (advances)	**1,110,717**	893,278
Building in Lebanon	**2,665,623**	2,705,806
Crescent, palm Jumeirah (freehold land in the Crescent area)	**1,911,016**	-
	20,050,166	18,401,124

23.3 The movement in investment properties is as follows:

	2008 KD	2007 KD
At Fair value		
Balance at 1 January	**18,401,124**	42,117,084
Additions during the year	**391,973**	5,187,974
Transfer from trading properties	**575,380**	-
Transfer from advance for purchase properties	**-**	14,577,968
Transfer to properties under development	**-**	(27,057,011)
Disposals during the year	**-**	(17,029,700)
Unrealized gain from fair value adjustment (Note 10)	**758,292**	2,683,512
Net foreign currency exchange differences	**(76,603)**	(2,078,703)
Balance at 31 December	**20,050,166**	18,401,124

At the end of the year, two properties in Kuwait were revalued by professional qualified external valuer with an amount of KD 12,930,000 which resulted in unrealised gain amounting to KD520,000.

24 Investment in associated companies

24.1 Details of associates are as follows:

Name of the associate	Principle activities	Date of acquisition	Place of incorporation	2008		2007	
				%	**KD**	%	KD
Addax Bank (BSC)	Providing banking services	Jul-03	Bahrain	**20**	**5,905,337**	20	5,918,142
Boschendal (Pty) Ltd	Real estate	Apr-06	South Africa	**32.08**	**827,026**	26.57	720,506
Raimon Land Public Company Limited	Property construction and development	Dec-06	Thailand	**24.18**	**8,272,890**	26.57	8,091,863
Zamzam Religious Tour Company	Hajj & Umrah	Sep-07	Kuwait	**20**	**50,000**	20	50,000
Legend & IFA Developments (Pty) Ltd	Property development	Jun-07	South Africa	**50**	**4,146,040**	20	794,783
International Finance Company – KSCC (C)	Financing	July-08	Kuwait	**28.63**	**32,003,484**	-	-
International Resorts Company – KSCC (C)	Hotels and Resorts	July-08	Kuwait	**33.49**	**2,531,743**	-	-
					53,736,520		15,575,294

(i) During the three month period ended 30 September 2008, and as part of the group's strategic plan to stream line its investments and operations activities, management has decided to exercise its influence on the management and operations of its investments in two entities namely: International Finance Company- KSCC (IFC) and International Resorts Company – KSCC (IRC), in which the group holds 29.11% interest and 29.79% interest as at 1 July 2008 respectively and the group started its significant influence on the operations of both companies during the period.

(ii) The group decided to reclassify its investment in these entities from investment at fair value through the statement of income ties (Note 17) to investment in associates at the carrying amount as at 1 July 2008 amounting to KD50,834,192 and KD10,401,571 respectively.

Subsequent to the reclassification, the group executed buying and selling transactions on shares of these companies. Such transactions resulted in loss amounting to KD2,141,632.

During the year, the group recognised an impairment loss of KD17,486,891 against local quoted associates as the market value of these associates at 31 December 2008 declined significantly below their costs.

24 Investment in associated companies (continued)

24.2 Summarized financial information in respect of group's associates is set out below:

	2008 KD	2007 KD
Total Assets	**379,438,703**	121,356,914
Total Liabilities	**(190,063,162)**	(70,042,957)
Total equity	**189,375,541**	51,313,957
Group's share of net assets of associates at carrying value	**43,377,410**	11,669,313
Goodwill on acquisition (see below 24.3)	**10,359,110**	3,905,981
Investment in associates as on 31st December	**53,736,520**	15,575,294
Total revenue	**15,062,172**	14,013,195
Groups' share of (loss)/profit from associates	**(6,172,441)**	3,234,000

24.3 Goodwill in associates which is included in the value of investment:

	2008 KD	2007 KD
Balance at 1 January	**3,905,981**	3,060,973
Additions during the year	**20,721,938**	539,997
Loss on impairment	**(12,772,389)**	-
Foreign currency exchange difference	**(1,496,420)**	305,011
Balance at 31 December	**10,359,110**	3,905,981

25 Goodwill

	2008 KD	2007 KD
Balance at 1 January	**38,916,729**	3,794,870
Increase arising on purchase of additional shares in IFA Hotels and Resorts – KSCC	**9,201,136**	34,957,649
Arising on acquisition of Fastnet Capital Limited	**-**	332,982
Arising on acquisition of IFA Travel & Tourism	**153,303**	-
Impairment loss	**-**	(131,414)
Foreign currency exchange differences	**(26,043)**	(37,358)
Balance at 31 December	**48,245,125**	38,916,729

During the year, the parent company executed buying and selling transactions of the shares in one of its subsidiaries. Such transactions resulted in net goodwill amounting to KD9,201,136 (2007: 34,957,649) which was recorded in the consolidated balance sheet. Total profit recognised from these transactions amounted to KD9,110,746 (2007: 27,500,013).

25.1 Annual test for impairment

During the financial year, the group assessed the recoverable amount of goodwill in subsidiary companies, and determined that there is no indication of impairment as of the consolidated balance sheet date other than the amounts listed above.

A discount rate of 15% per annum was applied in the value in use model.

26 Properties under development

26.1 The Properties under development consists of the following:

	2008 KD	2007 KD
a) Dubai – UAE (Note 26.2)		
Land cost		
- Balqis Residence	**18,598,386**	22,597,034
- The Trunk, Palm Jumeirah	**3,775,966**	6,149,779
- Golden Mile, Palm Jumeirah	**3,030,150**	4,125,789
- Jumeirah Lake, Dubai	**2,574,796**	2,792,355
- Kingdom of Sheeba Heritage Place	**3,978,886**	3,992,143
Construction, piling and enabling works	**23,699,873**	5,693,494
Other construction related costs	**6,206,756**	3,840,501
	61,864,813	49,191,095
b) S.A –Africa (Note 26.3)	**19,221,568**	13,712,118
c) Lebanon	**11,210,803**	5,729,430
Total	**92,297,184**	68,632,643

26.2 The movement in properties under development in UAE are as follows:

	2008 KD	2007 KD
Land:		
Balance at 1 January	**40,482,485**	12,869,773
Additions during the year	**-**	6,359,512
Absorbed to cost of sales	**(7,567,227)**	(5,335,977)
Transferred from investment properties	**-**	26,589,177
Balance at 31 December	**32,915,258**	40,482,485
Development expenditure:		
Balance at 1 January	**9,843,264**	5,309,602
Additions during the year	**60,377,826**	39,335,828
Absorbed to cost of sales	**(39,973,534)**	(34,802,166)
Balance at 31 December	**30,247,556**	9,843,264
Foreign currency exchange difference	**(1,298,001)**	(1,602,488)
Total	**61,864,813**	49,191,095

26.3 The movement in properties under development in South Africa are as follows:

	2008 KD	2007 KD
Land:		
Balance at 1 January	**8,272,416**	6,154,583
Absorbed to cost of sales	**(727,180)**	(1,731,993)
Reversal of valuations	**-**	(441,470)
Additions during the year	**1,294,651**	4,291,296
Balance at 31 December	**8,839,887**	8,272,416
Development expenditure:		
Balance at 1 January	**5,852,532**	2,983,923
Additions during the year	**9,037,671**	5,347,488
Absorbed to cost of sales	**(282,382)**	(2,478,879)
Balance at 31 December	**14,607,821**	5,852,532
Foreign currency exchange difference	**(4,226,140)**	(412,830)
Total	**19,221,568**	13,712,118

27 Capital work in progress

27.1 Capital work in progress consists of the following:

	2008 KD	2007 KD
Land cost		
- The Trunk , Palm Jumeirah	**6,314,607**	6,452,900
- Crescent, Palm Jumeirah	**997,996**	1,001,320
- Golden Mile, Palm Jumeirah	**1,176,988**	1,180,910
- Kingdom of Sheeba Hotel	**5,459,036**	5,477,224
- Palm Residence Club	**1,263,780**	1,267,991
Construction, piling and enabling work	**21,688,813**	11,496,239
Other construction related costs	**8,506,465**	4,279,889
Total	**45,407,685**	31,156,473

27.2 The movement in capital work in progress is as follows:

	2008 KD	2007 KD
Land		
Balance at 1 January	**16,468,029**	14,531,272
Additions during the year	**-**	1,936,757
Absorbed to cost of sale	**(116,864)**	-
Balance at 31 December	**16,351,165**	16,468,029
Development expenditure:		
Balance at 1 January	**15,987,839**	3,172,655
Additions during the year	**15,714,906**	12,815,184
Absorbed to cost of sale	**(1,243,370)**	-
Balance at 31 December	**30,459,375**	15,987,839
Foreign currency exchange difference	**(1,402,855)**	(1,299,395)
Total	**45,407,685**	31,156,473

Capital work in progress represents mainly hotels under construction in Dubai, UAE.

28 Property, plant and equipment

	Freehold land KD	Buildings on freehold land KD	Building on leasehold land KD	Plant and equipment KD	Furniture and fixture KD	Motor vehicles KD	Yacht KD	Aircraft KD	Total KD
Cost									
At 1 January 2008	215,920	2,579,422	3,623,533	1,122,225	1,707,856	247,128	1,143,643	7,008,567	17,648,294
Additions	521,613	738,621	3,126,326	195,832	374,696	51,385	-	64,402	5,072,875
Arising on acquisition of subsidiaries	-	-	2,813,437	23,764	205,765	-	-	-	3,042,966
Disposal	-	-	-	-	(391)	(3,094)	-	-	(3,485)
Foreign exchange adjustment	-	145,876	(1,112,533)	104,154	(311,250)	(42,002)	242,463	-	(973,292)
At 31 December 2008	**737,533**	**3,463,919**	**8,450,763**	**1,445,975**	**1,976,676**	**253,417**	**1,386,106**	**7,072,969**	**24,787,358**
Depreciation									
At 1 January 2008	-	181,366	222,015	610,670	657,718	120,691	7,434	92,904	1,892,798
Charge for the year	-	106,528	290,986	246,685	296,668	31,489	138,990	70,489	1,181,835
Arising on acquisition of subsidiaries	-	-	24,455	5,966	46,980	-	-	-	77,401
Relating to disposal	-	-	-	-	(33)	(2,899)	-	-	(2,932)
Foreign exchange adjustment	-	(80,134)	(56,094)	(26,963)	(145,990)	(20,728)	211,992	-	(117,917)
At 31 December 2008	**-**	**207,760**	**481,362**	**836,358**	**855,343**	**128,553**	**358,416**	**163,393**	**3,031,185**
Net carrying amount									
At 31 December 2008	**737,533**	**3,256,159**	**7,969,401**	**609,617**	**1,121,333**	**124,864**	**1,027,690**	**6,909,576**	**21,756,173**

Building on leasehold land comprises a hotel known as the Zanzibar Beach Hotels and Resorts leased to IFA Hotels & Resort 2 Limited. These buildings have been constructed on land leased from the Zanzibar Revolutionary Government. The lease commenced on 2 November 2000 for an initial lease term of 33 years.

28 Property, plant and equipment (continued)

	Freehold land KD	Buildings on freehold land KD	Building on leasehold land KD	Plant and equipment KD	Furniture and fixture KD	Motor vehicles KD	Yacht KD	Aircraft KD	Total KD
Cost									
At 1 January 2007	137,178	2,423,787	3,029,320	734,522	1,038,611	164,761	2,515,581	6,925,261	16,969,021
Additions	81,751	485,228	624,177	421,237	712,718	89,629	-	83,306	2,498,046
Disposal	-	-	-	-	-	-	(1,339,023)	-	(1,339,023)
Foreign exchange adjustment	(3,009)	(329,593)	(29,964)	(33,534)	(43,473)	(7,262)	(32,915)	-	(479,750)
At 31 December 2007	215,920	2,579,422	3,623,533	1,122,225	1,707,856	247,128	1,143,643	7,008,567	17,648,294
Depreciation									
At 1 January 2007	-	175,475	57,430	458,106	522,830	107,322	186,580	49,466	1,557,209
Charge for the year	-	30,170	165,154	159,608	161,513	16,702	69,875	43,438	646,460
Relating to disposal	-	-	-	-	-	-	(246,580)	-	(246,580)
Foreign exchange adjustment	-	(24,279)	(569)	(7,044)	(26,625)	(3,333)	(2,441)	-	(64,291)
At 31 December 2007	-	181,366	222,015	610,670	657,718	120,691	7,434	92,904	1,892,798
Net carrying amount									
At 31 December 2007	215,920	2,398,056	3,401,518	511,555	1,050,138	126,437	1,136,209	6,915,663	15,755,496

29 Payables and other credit balances

	2008 KD	2007 KD
Interest payable	**4,229,731**	3,186,239
Accounts payables	**19,172,663**	7,899,947
Dividends payable	**1,893,909**	1,814,441
Liability towards purchase of land (see below)	**12,342,467**	12,574,355
Accrued expenses	**570,973**	1,237,766
Kuwait Foundation for the Advancement of Science (KFAS),	**2,324,085**	1,803,691
National Labour Support Tax	**7,239,190**	5,395,457
Zakat contribution	**485,808**	50,413
Provision for leave & Indemnity	**867,098**	967,692
Provision for contingent liability (Note 37)	**6,876,475**	6,876,475
Deferred income	**1,050,332**	1,593,903
Retention payable	**7,360,930**	3,741,091
Advance deposits	**40,109**	105,414
Accrued construction cost	**10,832,819**	15,448,561
Other payables	**2,456,649**	3,796,880
	77,743,238	66,492,325

Liability towards purchase of land comprises of an amount due on purchase of plot of land at the Crescent on the Palm Jumeirah, Dubai and a plot located at Jumeirah Lakes, Dubai.

30 Term loan from a related party

Currency	Principal KD	From	To	Interest	2008 KD	2007 KD
KD	1,720,000	03/06/2008	02/06/2009	8.3%	**1,720,000**	-

31 Borrowings

The group has the following bank facilities as at the balance sheet date.

	Currency	From	To	Interest	Purpose	Assets pledged	2008	2007
							KD	KD
1	USD	21-6-2006	28-6-2017	1.25% + Libor	General corporate purposes	Shares of parent company IFA H& R shares	**33,114,000**	32,760,000
2	EUR	18-6-2007	28-12-2017	1.25%+Euribor	General corporate purposes	Shares of IFA H& R and an AFS investment	**7,715,010**	7,964,780
3	USD	27-6-2006	27-6-2009	2.25% + Libor	Repayment of indebtedness	Local portfolio with 140% coverage	**24,145,625**	23,887,500
4	KD	24-7-2006	3-5-2009	2.5% + CBK discount rate	Local Equity financing	Local portfolio with 150% coverage	**20,000,000**	20,000,000
5	USD	26-7-2007	26-7-2015	2% + Libor	Purchase of aircraft	Aircraft	**5,111,974**	5,391,750
6	USD	21-6-2006	21-6-2011	3% + Libor	General corporate purposes	Investment properties in two subsidiaries	**1,676,396**	2,211,300
7	KD	8-11-2006	8-11-2014	3% + CBK discount rate	Purchase of investment properties	Investment properties in Kuwait	**6,000,000**	6,000,000
8	EUR	01-7-2008	30-6-2009	3.18% + spread 1.25%	Foreign equity financing	AFS equities	**16,030,648**	24,261,473
9	AED	1-5-2007	30-4-2015	5% fixed + US monthly Libor	Projects financing	Trading properties Bank guarantee	**32,079,569**	4,790,394
10	Rand	23/5/2007	21/5/2017	1.75% below prime	General corporate purposes	Mortgage Bond of R120Million over Erf 189, Port Zimbali, Collateral Mortagage Bond Of R120 Million over moveable assets	**7,181,616**	8,318,302
11	USD	01/06/2008	31/05/2018	1.5% +Libor	General corporate purposes	A charge over existing and future shares of IFA Hotels and Resorts – 2 Limited	**3,005,200**	-
12	GBP	01/08/2008	31/07/2018	1.5% over bank's base rate.	General corporate purposes	Assets of Yotel Airports Limited	**510,535**	-
							156,570,573	135,585,499

32 Advances received from customers

These balances represent amounts collected from customers in advance on the sale of residential flats currently under construction by the group.

33 Share capital

Share capital
The authorised share capital as at 31 December 2008 comprised of 720,000,000 shares of KD 0.100 each, all issued and fully paid (2007: 450,000,000 shares of KD 0.100 each).

Share premium
Additional share capital of KD 3,000,000 at premium of 400 fils per share equivalent to KD 12,000,000 was issued during the year 2004 by issue of 20% stock rights to existing shareholders after approval in the Annual General Meeting held on 14 June 2004. Only 29,932,650 shares were subscribed for in this new issue, recognising share premium of KD11,973,061.

Treasury shares

	2008			2007		
	Number of shares	**%**	**Market Value KD**	Number of shares	%	Market Value KD
Balance at beginning of the year	**34,387,968**	**7.64**	**30,605,292**	32,257,275	7.17	23,870,384
Net Movement (included 60% bonus shares)	**25,504,583**			2,130,693		
Balance at end of the year	**59,892,551**	**8.32**	**7,546,461**	34,387,968	7.64	30,605,292

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

34 Statutory and Voluntary reserves

In accordance with the Commercial Companies Law and the parent company's Articles of Association, 10% of the profit for the year attributable to the shareholders of the parent company before contribution to KFAS, National Labour Support tax, Zakat and directors fees is transferred to statutory reserve. The parent company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid up share capital.

Distribution of the 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 accumulated profits are not sufficient for the payment of a dividend of that amount.

The parent company's articles of association requires that 10% of the profit for the year attributable to the shareholders of the parent company before contribution to KFAS, National Labour Support tax, Zakat and directors fees should be transferred to a voluntary reserve, and no transfer is required in a year when losses are made.

35 Fiduciary accounts

These accounts include term deposit and investment portfolios with the total amount of KD144,711,593 (2007: KD103,043,536) which are held by the group on behalf of its customers as margin guarantees against customer liabilities for trading related activities.

36 Proposed dividends

Subsequent to the balance sheet date, the directors have proposed for the year then ended 31 December 2008 not to distribute any dividends. This proposal is subject to the approval of the parent company's shareholders at the annual general meeting.

During 2008 bonus shares of 60% of paid up share capital or 60 shares for each 100 shares for the year ended at 31 December 2007 were approved at the annual general meeting held on 29 April 2008.

37 Contingent liabilities

In 1993, the liquidator of a bank in Bahrain filed a legal case in Ajman (United Arab Emirates) against the parent company and Gulf Group for Industrial Projects, claiming an amount of US$ 27,714,944 representing the balance of debt due from a third party. Two court decisions were issued by the Court of First Instance in favour of the parent company during 1995 and 1996, in addition to an appeal court decision issued in 1998 in favour of the parent company by that court, rejecting the aforementioned appeal, and supporting the decision issued by the Court of First Instance in favour of the company.

On 25 January 2006 a court order was issued requesting the payment of KD1,788,944 (AED22,431,145) from Gulf Group for Industrial Projects (the other party) and International Financial Advisors (parent company), jointly, being the principal amount of the debt to 29 April 1985 plus an amount of KD3,272,312 (AED41,032,903) interest on that amount from 29 April 1985 to the date of the court case on 12 August 1993. The parent company has provided for its share of principal and interest as ruled by the court for a total amount of KD5,061,256 during the year 2005.

During the previous year, the group also provided an amount of KD 1,815,219 (AED 29,041,265) as interest for the period from 13 August 1993 to 31 December 2007 (Note 29).

38 Commitments

Capital expenditure commitments

At 31 December 2008, the group was committed to invest in the additional anticipated funding required to build several real estate projects in Dubai – UAE and South Africa. The estimated funding commitments on these projects are as follows:

	2008 KD	2007 KD
Capital expenditure for purchase of properties contracted for	**170,700,000**	128,900,000
Estimated and contracted capital expenditure for construction of properties	**29,000,000**	104,700,000
	199,700,000	233,600,000

The group expects to finance the future expenditure commitments from the following sources:

a) sale of investment properties;
b) advances from customers;
c) raising additional share capital;
d) advances provided by the shareholder, related entities, joint ventures; and
e) borrowings, if required.

Expected financing rates from the above sources are dependent on the source of financing and management estimates of the best financing available at the time they become due.

In addition to the above commitments, the group has capital commitment relating to the purchase of two new aircrafts with a value of KD13,000,000 which will be due upon the delivery of the said aircrafts in 2009.

In December 2007, the group issued a bank guarantee for the total amount of US Dollars 275,000,000 (equivalent to KD75.9 million) relating to the construction of a hotel in New York, USA.

39 Segmental information

For management purposes the group is organised into four major business segments:

- Assets Management: Managing of GCC, MENA and international managed funds, discretionary and non-discretionary portfolio management and custody services.
- Principal investments: Comprises of investing of company funds in private equity and quoted securities, lending to corporate and individual customers and managing the company's liquidity requirements.
- Real estate: sale and purchase of real estate, real estate brokerage and advisory.
- Others: all items that do not fall in any of the above three categories.

	Asset Management		Principal Investments and Treasury		Real Estate		Other		Total	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	KD '000	KD '000	**KD '000**	KD '000	**KD '000**	KD '000	**KD '000**	KD '000	**KD '000**	KD '000
Statement of income										
Segment income/(loss)	**4,884**	4,211	**(53,609)**	75,749	**38,431**	37,618	**1,861**	4,386	**(8,433)**	121,964
Unallocated expenses									**(56,690)**	(41,161)
(Loss)/profit for the year	**4,884**	4,211	**(53,609)**	75,749	**38,431**	37,618	**1,861**	4,386	**(65,123)**	80,803
Balance sheet										
Total segment assets	**30,956**	26,458	**251,119**	372,546	**157,755**	125,020	-	-	**439,830**	524,024
Total segment liabilities	**-**	-	**(158,290)**	(135,585)	**(73,448)**	(94,051)	-	-	**(231,738)**	(229,636)
Net segmental assets	**30,956**	26,458	**92,829**	236,961	**84,307**	30,969	-	-	**208,092**	294,388
Unallocated assets									**97,131**	63,593
Unallocated liabilities									**(89,513)**	(69,025)
Net Assets									**215,710**	288,956

40 Related parties transactions

These represent transactions with related parties that is shareholders, directors and senior management of the parent company, and companies of which they are principal owners. Pricing policies and terms of these transactions are approved by the parent company's management.

Transactions with related parties included in the consolidated financial statements are as follows:

	2008 KD	2007 KD
Balances included in the consolidated balance sheet:		
Proceeds from sale of shares in subsidiary companies	**1,100,000**	1,535,852
Purchase of share in a subsidiary company	**-**	8,621,172
Cash dividends received from subsidiaries	**-**	12,266,030
Amounts due from related parties (Note 20)	**25,879,300**	23,790,873
Amounts due to related parties (Note 20)	**(11,768,922)**	(2,532,892)
Repayment of long term loans	**-**	2,834,141
Investment in a subsidiary company	**-**	360,181
Loans to associates - below	**9,001,966**	5,803,032
Loans from related parties	**1,720,000**	-
Transactions included in the consolidated statement of income:		
Profit from sale of subsidiary	**15,795**	200,328
Commission income	**-**	168,103
Commission expense	**17,200**	-
Fees/services to asset management and development projects	**-**	751,761
Interest expenses	**82,624**	475,846
Key management compensation of the group:		
Short-term employee benefits	**780,000**	592,000

Loans to associates are loans extended by the subsidiary (IFA Hotels & Resorts – KSCC) to its associate companies in South Africa.

Related party balances outstanding at year end due to funds transfer are included under due from related parties and due to related parties.

41 Risk management objectives and policies

The group's risk management is carried out by the central risk management function and focuses on actively securing the group's short to medium term cash flows by minimizing the potential adverse effects on the group's financial performance through internal risk reports which analyse exposures by degree and magnitude of risks. Long term financial investments are managed to generate lasting returns.

The board of directors of the parent company is ultimately responsible for setting out risk strategies and objectives and policies for their management. The group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

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

41.1 Market risk

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

a) Foreign currency risk management

The group mainly operates in the GCC, South Africa and other Middle Eastern countries and is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to US Dollar, UAE Dirhams and South African Rand. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

41 Risk management objectives and policies (continued)

41.1 Market risk (continued)

a) Foreign currency risk management (continued)

To mitigate the group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored and forward exchanged contracts are entered into in accordance with the group's risk management policies. Generally, the group's risk management procedures distinguish short-term foreign currency cash flows (due within twelve months) from longer-term cash flows. Where the amounts to be paid and received in specific currency are expected to largely offset one another, no further hedging activity is undertaken. Forward foreign contracts are mainly entered into for significant long-term foreign currency exposures that are not expected to be offset by other currency transactions.

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

	2008 KD'000	2007 KD'000
UAE Dirhams	**3,832**	4,191
Euro	**(14,534)**	(32,240)
South African Rand	**(8,845)**	-
Sterling Pound	**(1,157)**	432
US Dollar	**(67,615)**	(49,617)

If the Kuwaiti Dinar had strengthened/ weakened against the foreign currencies assuming the sensitivity given in the table below, then this would have the following impact on the profit for the year and equity:

	2008			2007		
	Inc/(Dec) %	**Profit for the year KD'000**	**Equity KD'000**	Inc/(Dec) %	Profit for the year KD'000	Equity KD'000
UAE Dirhams	**+ 1.63**	**62**	**-**	+ 5.61	235	-
	- 1.63	**(62)**	**-**	- 5.61	(235)	-
Euro	**+ 2.06**	**(299)**	**-**	+ 5.40	(1,741)	-
	- 2.06	**299**	**-**	-5.40	1,741	-
SouthAfrican Rand	**+ 29.95**	**(2,649)**	**-**	-	-	-
	-29.95	**2,649**	**-**	-	-	-
Sterling Pound	**+ 28.21**	**(326)**	**-**	+ 3.56	15	-
	-28.21	**326**	**-**	- 3.56	(15)	-
US Dollar	**+ 1.60**	**(1,081)**	**-**	+ 5.60	(2,779)	-
	-1.60	**1,081**	**-**	- 5.60	2,779	-

The above percentages have been determined based on the average exchange rates in the previous twelve months.

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 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 Board has established levels of interest rate risk by setting limits on the interest rate gaps for stipulated periods.

Positions are monitored on a daily basis and hedging strategies used to ensure positions are maintained within established limits.

The effective interest rate (effective yield) of a monetary financial instrument is the rate that, when used in a present value calculation, results in the carrying amount of the instrument. The rate is a historical rate for a fixed rate instrument carried at amortised cost and a current rate for a floating rate instrument or an instrument carried at fair value.

41 Risk management objectives and policies (continued)

41.1 Market risk (continued)

b) Interest rate risk (continued)

The group's interest rate exposure based on earlier of contractual repricing arrangements and maturity at 31 December 2008 was as follows:

	Up to 1 month KD '000	3-12 months KD '000	Over 1 year KD '000	Non-interest bearing items KD '000	Total KD '000	Effective interest rate (%)
Cash and cash equivalents	**33,395**	**21,874**	**-**	**-**	**55,269**	**2%-7%**
Investments at fair value through statement of income	**-**	**950**	**-**	**13,414**	**14,364**	**6%**
Receivables and other debit balances	**-**	**15,011**	**-**	**56,241**	**71,252**	**7%**
Loans receivable	**-**	**-**	**9,200**	**-**	**9,200**	**3% -6%**
Due from related parties	**-**	**-**	**9,002**	**16,877**	**25,879**	**5%-7%**
Available for sale investments	**-**	**-**	**1,365**	**78,056**	**79,421**	**5%-7%**
Investment properties	**-**	**-**	**-**	**20,050**	**20,050**	
Investment in associated companies	**-**	**-**	**-**	**53,737**	**53,737**	
Investment in unconsolidated subsidiaries	**-**	**-**	**-**	**82**	**82**	
Goodwill	**-**	**-**	**-**	**48,245**	**48,245**	
Properties under development	**-**	**-**	**-**	**92,298**	**92,298**	
Capital work in progress	**-**	**-**	**-**	**45,408**	**45,408**	
Property, plant and equipment	**-**	**-**	**-**	**21,756**	**21,756**	
Total assets	**33,395**	**37,835**	**19,567**	**446,164**	**536,961**	
Payables and other credit balances	**-**	**-**	**-**	**77,743**	**77,743**	
Due to related parties	**-**	**-**	**-**	**11,769**	**11,769**	
Term loan from a related party	**-**	**1,720**	**-**	**-**	**1,720**	**8.3%**
Borrowings	**131**	**45,960**	**110,480**	**-**	**156,571**	**3%-7.25%**
Advances received from customers	**-**	**-**	**-**	**73,448**	**73,448**	
Total liabilities	**131**	**47,680**	**110,480**	**162,960**	**321,251**	

The group's interest rate exposure based on earlier of contractual repricing arrangements and maturity at 31 December 2007 was as follows:

	Up to 1 month KD '000	3-12 months KD '000	Over 1 year KD '000	Non-interest bearing items KD '000	Total KD '000	Effective interest rate (%)
Cash and cash equivalents	25,875	47,842	-	-	73,717	5%-7%
Investments at fair value through statement of income	-	-	950	143,014	143,964	6%
Receivables and other debit balances	-	2,061	-	44,001	46,062	7%
Loans receivable	-	-	10,372	-	10,372	6%-10%
Due from related parties	-	-	5,804	17,987	23,791	5%-7%
Available for sale investments	-	-	8,027	92,264	100,291	5%-7%
Trading properties	-	-	-	901	901	
Investment properties	-	-	-	18,401	18,401	
Investment in associated companies	-	-	-	15,575	15,575	
Investment in unconsolidated subsidiaries	-	-	-	82	82	
Goodwill	-	-	-	38,917	38,917	
Properties under development	-	-	-	68,633	68,633	
Capital work in progress	-	-	-	31,156	31,156	
Property, plant and equipment	-	-	-	15,755	15,755	
Total assets	25,875	49,903	25,153	486,686	587,617	
Payables and other credit balances	-	-	-	66,492	66,492	
Due to related parties	-	-	-	2,533	2,533	

Borrowings	-	5,322	130,263	-	135,585	5%-9.75%
Advances received from customers	-	-	-	94,051	94,051	
Total liabilities	-	5,322	130,263	163,076	298,661	

41 Risk management objectives and policies (continued)

41.1 Market risk (continued)

b) Interest rate risk (continued)

Interest rate sensitivity analysis

The following table illustrates the sensitivity of the loss/profit for the year to a reasonably possible change in interest rates of + 1% and – 1% (2007: + 1% and –1%) with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market condition. The calculations are based on the group's financial instruments held at each balance sheet date. All other variables are held constant.

	2008		2007	
	+ 1 % KD'000	**-1 % KD'000**	+ 1 % KD'000	-1 % KD'000
Loss/profit for the year	**(675)**	**675**	(343)	343

c) Price risk

The group is exposed to equity price risk with respect to its equity investments. 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:

	2008	2007
Kuwait market	**-38%**	9%
London market	**-31%**	2%
USA market	**-33%**	9%
China market	**-48%**	11%
Portugal market	**-51%**	37%

The above percentages have been determined based on basis of average market movements in a 90 days holding period. 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 negative changes to equity prices in accordance with the above –mentioned equity price sensitivity assumptions.

	Profit for the year		**Equity**	
	2008 KD'000	2007 KD'000	**2008 KD'000**	2007 KD'000
Investments held for trading	**(4,808)**	12,504	**-**	-
Available for sale investments	**-**	-	**(6,065)**	10,242
Total	**(4,808)**	12,504	**(6,065)**	10,242

41.2 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. It also obtains security when appropriate.

41 Risk management objectives and policies (continued)

41.2 Credit risk (continued)

The loans receivables consists mainly of margins, ongoing credit valuation is performed on financial conditions of these receivables where appropriate coverage of collaterals is monitored.

The credit risk on liquid funds is limited because the counterparties are the banks with high credit-rating assigned by international credit rating agencies.

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

	2008 KD '000	2007 KD '000
Cash and cash equivalents	**55,269**	73,717
Loans receivable	**9,200**	10,372
Receivables and other debit balances	**71,252**	46,062
Due from related parties	**25,879**	23,791
	161,600	153,942

Information on other significant concentrations of credit risk is set out in note 41.3.

41.3 Concentration of assets

The group operates in different geographical areas. A geographical analysis based on location of assets is as follows:

	GCC KD'000	**Asia KD'000**	**Africa KD'000**	**Europe KD'000**	**USA KD'000**	**Total KD'000**
2008						
Assets						
Cash and cash equivalents	**47,716**	**1,000**	**2,594**	**775**	**3,184**	**55,269**
Investments at fair value through statement of income	**13,631**	**294**	**-**	**-**	**439**	**14,364**
Receivables and other debit balances	**66,663**	**1,246**	**1,635**	**176**	**1,532**	**71,252**
Loans receivable	**9,200**	**-**	**-**	**-**	**-**	**9,200**
Due from related parties	**7,788**	**3,781**	**10,110**	**3,654**	**546**	**25,879**
Available for sale investments	**42,896**	**17,678**	**148**	**7,506**	**11,194**	**79,422**
Investment properties	**16,524**	**3,017**	**509**	**-**	**-**	**20,050**
Investment in associated companies	**40,491**	**8,273**	**4,973**	**-**	**-**	**53,737**
Investment in unconsolidated subsidiaries	**-**	**6**	**76**	**-**	**-**	**82**
Goodwill	**46,248**	**1,664**	**-**	**333**	**-**	**48,245**
Properties under development	**61,864**	**11,211**	**19,222**	**-**	**-**	**92,297**
Capital work in progress	**45,408**	**-**	**-**	**-**	**-**	**45,408**
Property, plant and equipment	**8,734**	**281**	**4,277**	**5,179**	**3,285**	**21,756**
Total assets	**407,163**	**48,451**	**43,544**	**17,623**	**20,180**	**536,961**
2007						
Assets						
Cash and cash equivalents	71,363	1,076	1,274	4	-	73,717
Investments at fair value through statement of income	141,825	1,444	-	-	695	143,964
Receivables and other debit balances	38,004	997	7,026	35	-	46,062
Loans receivable	10,372	-	-	-	-	10,372
Due from related parties	11,756	3,763	5,804	2,468	-	23,791
Available for sale investments	27,378	964	3,124	61,273	7,552	100,291
Trading properties	901	-	-	-	-	901
Investment properties	14,915	3,057	429	-	-	18,401
Investment in associated companies	5,968	8,092	1,515	-	-	15,575
Investment in unconsolidated subsidiaries	-	82	-	-	-	82
Goodwill	36,919	1,664	-	334	-	38,917
Properties under development	49,192	5,729	13,712	-	-	68,633
Capital work in progress	31,156	-	-	-	-	31,156

Property, plant and equipment	9,130	141	6,484	-	-	15,755
Total assets	448,879	27,009	39,368	64,114	8,247	587,617

41 Risk management objectives and policies (continued)

41.4 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial assets and liabilities.

	Up to 1month KD '000	1-3 months KD'000	3-12 months KD '000	Over 1year KD '000	Total KD '000
At 31 December 2008					
Assets					
Cash and cash equivalents	33,395	-	21,874	-	55,269
Investments at fair value through statement of income	-	13,414	950	-	14,364
Receivables and other debit balances	-	-	71,252	-	71,252
Loans receivable	-	-	-	9,200	9,200
Due from related parties	-	-	25,879	-	25,879
Available for sale investments	-	-	-	79,422	79,422
Investment properties	-	-	-	20,050	20,050
Investment in associated companies	-	-	-	53,737	53,737
Investment in unconsolidated subsidiaries	-	-	-	82	82
Goodwill	-	-	-	48,245	48,245
Properties under development	-	-	-	92,298	92,298
Capital Work in progress	-	-	-	45,407	45,407
Property, plant and equipment	-	-	-	21,756	21,756
Total assets	33,395	13,414	119,955	370,197	536,961
Liabilities					
Payables and other credit balances	-	-	45,774	31,969	77,743
Due to related parties	-	-	11,769	-	11,769
Term Loan from a related party	-	-	1,720	-	1,720
Borrowings	131	-	45,960	110,480	156,571
Advances received from customers	-	-	-	73,448	73,448
Total liabilities	131	-	105,223	215,897	321,251
At 31 December 2007					
Assets					
Cash and cash equivalents	25,875	-	47,842	-	73,717
Investments at fair value through statement of income	-	143,014	-	950	143,964
Receivables and other debit balances	-	-	46,062	-	46,062
Loans receivable	-	-	-	10,372	10,372
Due from related parties	-	-	23,791	-	23,791
Available for sale investments	-	-	-	- 100,291	100,291
Trading properties	-	-	901	-	901
Investment properties	-	-	-	18,401	18,401
Investment in associated companies	-	-	-	15,575	15,575
Investment in unconsolidated subsidiaries	-	-	-	82	82
Goodwill	-	-	-	38,917	38,917
Properties under development	-	-	-	68,633	68,633
Capital Work in progress	-	-	-	31,156	31,156
Property, plant and equipment	-	-	-	15,755	15,755
Total assets	25,875	143,014	118,596	300,132	587,617
Liabilities					
Payables and other credit balances	-	-	39,621	26,871	66,492
Due to related parties	-	-	2,533	-	2,533

Borrowings	-	-	5,322	130,263	135,585
Advances received from customers	-	-	-	94,051	94,051
Total liabilities	-	-	47,476	251,185	298,661

42 Capital management objectives

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

The group manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital structure of the group consists of the following:

42.1 Gearing ratio

The Group's risk management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. The Group has a target gearing ratio of 20%-50% determined as the proportion of net debt to equity.

	2008 KD	2007 KD
Debt (a)	**156,570,573**	135,585,499
Cash and cash equivalents	**(55,269,104)**	(73,716,606)
Net debt	**101,301,469**	61,868,893
Equity (b)	**215,710,592**	288,955,677
Net debt to equity ratio	47%	21%

(a) Debt is defined as long and short term borrowings .
(b) Equity includes all capital and reserves of the group.

42.2 Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the consolidated financial statements.

42.3 Categories of financial instruments

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

	2008 KD'000 Fair value	**2008 KD'000 Carrying value**	2007 KD'000 Fair value	2007 KD'000 Carrying value
Financial assets				
Cash and cash equivalents	**-**	**55,269**	-	73,717
Investments at fair value through statement of income	**14,364**	**-**	143,964	-
Loans receivable	**-**	**9,200**	-	10,372
Available for sale investments	**38,578**	**40,844**	45,296	54,995
Other assets at amortised cost	**-**	**71,252**	-	46,062
Due from related parties	**-**	**25,879**	-	23,791
	52,942	**202,444**	189,260	208,937
Financial liabilities at amortised cost				
Borrowings	**-**	**156,571**	-	135,585
Other liabilities	**-**	**77,743**	-	66,492

Due to related parties	**-**	**11,769**	-	2,533
Advances received from customers	**-**	**73,448**	-	94,051
Term loan from a related party	**-**	**1,720**	-	-
	-	**321,251**	-	298,661

43 Fair value of financial Instruments

Fair value of financial instruments
The fair values of financial assets and financial liabilities are determined as follows:

• the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;

• the fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments; and

• the fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

44 Comparative amounts

Certain prior year amounts have been reclassified to conform to the current year presentation. Such reclassifications do not affect previously reported total assets, total equity, total liabilities and profit reported in the prior year.