

THARWA INVESTMENT COMPANY K.S.C. (CLOSED)  
STATE OF KUWAIT

FINANCIAL STATEMENTS  
FOR THE PERIOD FROM SEPTEMBER 11, 2006 (DATE OF INCEPTION)  
TILL DECEMBER 31, 2007  
WITH  
INDEPENDENT AUDITOR'S REPORT

THARWA INVESTMENT COMPANY K.S.C. (CLOSED)  
STATE OF KUWAIT

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FOR THE PERIOD FROM SEPTEMBER 11, 2006 (DATE OF INCEPTION)  
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WITH  
INDEPENDENT AUDITOR'S REPORT

CONTENTS

Independent auditor's report	
	<u>Pages</u>
Balance sheet	3
Statement of income	4
Statement of changes in shareholders' equity	5
Statement of cash flows	6
Notes to financial statements	7 - 28

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the financial statements

I have audited the accompanying financial statements of Tharwa Investment Company K.S.C. (Closed) (the Company) which comprise the balance sheet as at December 31, 2007, and the statement of income, statement of changes in shareholders' equity and statement of cash flows for the period from September 11, 2006 (date of inception) till December 31, 2007 and a summary of significant accounting policies and other explanatory notes.

### Management's responsibility for the financial statements

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

### Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Tharwa Investment Company K.S.C. (Closed) as of December 31, 2007, and of its financial performance and its cash flows for the period from September 11, 2006 (date of inception) till December 31, 2007 in accordance with International Financial Reporting Standards as adopted for use by the State of Kuwait.

### Report on other Legal and Regulatory Requirements

Also in my opinion, the financial statements include the disclosures required by the Commercial Companies Law and the Company's Articles of Association, and I obtained the information I required to perform my audit and that the financial statements incorporate all the information that is required by the Commercial Companies Law of 1960, as amended, and by the Company's Articles of Association. In addition, proper books of account have been kept, physical stocktaking was carried out in accordance with recognized practice, and the accounting information given in the Director's Report is in agreement with the Company's books. According to the information available to me, no violation of the Commercial Companies Law of 1960 as amended or of the Company's Articles of Association have occurred during the period from September 11, 2006 (date of inception) till December 31, 2007 that might have had a material effect on the business of the Company or on its financial position.

I further report that, during the course of my audit, I have not become aware of any material violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organization of banking business, and its related regulations, during the period from September 11, 2006 (date of inception) till December 31, 2007 that might have had a material effect on the business of the Company or on its financial position.

State of Kuwait  
March 18, 2008

Dr. Shuaib A. Shuaib  
Licence No. 33-A  
Albazie & Co.  
Member of RSM International

THARWA INVESTMENT COMPANY K.S.C. (CLOSED)  
BALANCE SHEET  
DECEMBER 31, 2007  
All amounts are in Kuwaiti Dinars

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<u>ASSETS</u>	<u>Note</u>	<u>December 31, 2007</u>
Cash and cash equivalents	3	4,429,648
Investments at fair value through income statement	4	7,583,085
Accounts receivable and other debit balances	5	1,199,800
Loans granted to others	6	1,447,952
Investments available for sale	7	4,442,765
Investment in an associate	8	183,505
Investment in unconsolidated subsidiaries	9	300,000
Fixed assets	10	187,231
Intangible asset	11	11,028
		<u>19,785,014</u>
 <u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>  		
Liabilities:		
Accounts payable and other credit balances	12	574,944
Due to related parties	13	298,850
Provision for end of service indemnity		4,619
Total liabilities		<u>878,413</u>
Shareholders' equity:		
Share capital	14	15,000,000
Statutory reserve	15	379,942
Voluntary reserve	16	189,971
Cumulative change in fair value		153,716
Retained earnings		3,182,972
Total shareholders' equity		<u>18,906,601</u>
		<u>19,785,014</u>

The accompanying notes (1) to (26) form an integral part of the financial statements

Fahad Salem Yousef Al-Humaidhi  
Chairman

Adel Jasem Abdulah Al-Najada  
Deputy Chairman

THARWA INVESTMENT COMPANY K.S.C. (CLOSED)  
 STATEMENT OF INCOME  
 FOR THE PERIOD FROM SEPTEMBER 11, 2006 (DATE OF INCEPTION) TILL DECEMBER 31, 2007  
 All amounts are in Kuwaiti Dinars

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	Note	For the period from September 11, 2006 (date of inception) till December 31, 2007
Revenues:		
Net investment income	17	2,534,709
Fees and commission	18	1,886,357
Interest income	19	843,456
		<u>5,264,522</u>
Expenses and other charges:		
General and administrative	20	(1,231,433)
Interest expense		(24,012)
Foreign exchange loss		(127,549)
Provision for impairment	3 & 6	(24,675)
Depreciation and amortization	10 & 11	(57,438)
Profit for the period before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), Zakat and Board of Directors' remuneration		3,799,415
Contribution to KFAS	21	(34,195)
Zakat	22	(2,335)
Board of Directors' remuneration		<u>(10,000)</u>
Net profit for the period		<u><u>3,752,885</u></u>

The accompanying notes (1) to (26) form an integral part of the financial statements

THARWA INVESTMENT COMPANY K.S.C. (CLOSED)  
 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
 FOR THE PERIOD FROM SEPTEMBER 11, 2006 (DATE OF INCEPTION) TILL DECEMBER 31, 2007  
 All amounts are in Kuwaiti Dinars

	Share capital	Statutory reserve	Voluntary reserve	Cumulative change in fair value	Retained earnings	Total
Proceeds from issue of share capital	15,000,000	-	-	-	-	15,000,000
Change in fair value of investments available for sale	-	-	-	153,716	-	153,716
Net income recognized directly in equity	-	-	-	153,716	-	153,716
Net profit for the period	-	-	-	-	3,752,885	3,752,885
Total income recognized for the period	-	-	-	153,716	3,752,885	3,906,601
Transfer to reserves	-	379,942	189,971	-	(569,913)	-
Balance as at December 31, 2007	15,000,000	379,942	189,971	153,716	3,182,972	18,906,601

The accompanying notes (1) to (26) form an integral part of the financial statements

THARWA INVESTMENT COMPANY K.S.C. (CLOSED)  
 STATEMENT OF CASH FLOWS  
 FOR THE PERIOD FROM SEPTEMBER 11, 2006 (DATE OF INCEPTION) TILL DECEMBER 31, 2007  
 All amounts are in Kuwaiti Dinars

	For the period from September 11, 2006 (date of inception) till December 31, 2007
Cash flows from operating activities:	
Profit for the period before contribution to Kuwait Foundation for Advancement of Sciences (KFAS), Zakat and Board of Directors' remuneration	3,799,415
Adjustments:	
Investment income	(2,534,709)
Fees and commission	(1,886,357)
Interest income	(843,456)
Depreciation and amortization	57,438
Provision for end of service indemnity	4,619
Provision for impairment	24,675
Interest expense	24,012
	<u>(1,354,363)</u>
Changes in operating assets and liabilities	
Investments at fair value through income statement	(5,228,280)
Accounts receivable and other debit balances	(198,679)
Loans granted to others	(1,462,578)
Accounts payable and other credit balances	528,414
Management fees received	897,245
Net cash used in operating activities	<u>(6,818,241)</u>
Cash flows from investing activities:	
Purchase of investments available for sale	(4,289,049)
Purchase of fixed assets	(238,697)
Purchase of intangible asset	(17,000)
Payment for investment in an associate	(183,505)
Payment for investment in unconsolidated subsidiaries	(1,150)
Dividends received	179,904
Interest paid	(24,012)
Interest received	831,447
Net cash used in investing activities	<u>(3,742,062)</u>
Cash flows from financing activities:	
Proceeds from issue of share capital	15,000,0000
Net cash generated from financing activities	<u>15,000,0000</u>
Cash and cash equivalents at end of the period (Note 3)	<u>4,439,697</u>

The accompanying notes (1) to (26) form an integral part of the financial statements

1. Incorporation and activities

Tharwa Investment Company K.S.C. (Closed) (the Company), was incorporated as a closed Kuwaiti shareholding company, duly authenticated at the Ministry of Justice, Real Estate Registration and Authentication Department under Articles of Association 6156 / Vol. 1 on August 28, 2006. The Company's commercial registration number is 116195 dated August 28, 2006 and is registered as an investment company with the Central Bank of Kuwait.

The Company's main activities are:

- a. Investment in real-estate, industrial, agricultural and other economic sectors through participating in formation of specialized corporations or through the purchase of the stocks or bonds of these corporations in the different sectors within and outside Kuwait.
- b. Taking a stake during incorporations or partial ownership of corporations in different sectors.
- c. Management of public and private institutions, funds and their investment in different sectors including real-estate and financial portfolio management.
- d. Preparation of technical and economic valuation studies and consultancies and studies of investment and related projects for institutions and corporations.
- e. Brokerage and finance of lending and borrowing operations.
- f. Carrying out the functions of bonds and stock issuing managers, which are issued by corporations and institutions as well as investment secretarial function.
- g. Brokerage and finance of international trade operations.
- h. Lending to others in different fields, taking into consideration the basics of financial adequacy in respect of lending to others, while to keeping the Company's financial adequacy in line with the rules, limits and regulations set by the Central Bank of Kuwait.
- i. Dealing and trading in foreign currency and precious metals within and outside Kuwait only for the Company's benefit.
- j. Operations of dealing in stock market of purchase and sale of capital stock and bonds of companies and governmental, local and international institutions.
- k. Execution of all services that help developing and supporting the financial and monetary market in Kuwait and fulfilling its needs in line with the prevailing laws, regulation, instructions and procedures issued by the Central Bank of Kuwait.
- l. Establishment of investment funds for the Company and third parties as well as floating its units for public subscription and acting as investment secretary or manager of leasing investment funds within and outside Kuwait as per the laws and regulations prevailing (after the approval of the Central Bank of Kuwait).

The registered address of the Company is Al Bahr Tower, Floor 17, 18 and 19, Ahmed Al Jaber Street, Sharq, State of Kuwait.

The total number of employees of the Company as at December 31, 2007 is 29.

The accompanying financial statements were authorized for issue by the Board of Directors on March 18, 2008. The Shareholders' Annual General Assembly has the power to amend these financial statements after issuance.

2. Significant accounting policies

a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted in the State 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 requirement for 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 financial instruments.

The financial statements are presented in Kuwaiti Dinars and are prepared under the historical cost convention except that investments at fair value through income statement and certain investment available for sale are stated at their fair value. The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions in the process of applying the Company's accounting policies. Significant accounting judgments, estimates and assumptions are disclosed in Note 2(p).

Standard and amendments to standard effective in 2007

The Company has adopted IFRS 7 "Financial Instruments: Disclosure" and the complementary amendment to IAS 1 "Presentation of Financial Statements" introducing amended and additional disclosures relating to financial instruments and associated risks and capital disclosures respectively.

Standard issued but not effective

The following IASB Standard have been issued but is not yet effective, and have not yet been adopted by the Company:

IAS 1 "Presentation of Financial Statements" (Revised)

The application of IAS 1 (Revised), which will be effective for the annual periods beginning on or after January 1, 2009, will impact the presentation of financial statements to enhance the usefulness of the information presented.

b) Cash and cash equivalents

Cash and cash equivalents includes cash in hand and deposits held at call with banks with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

In addition, in accordance with Central Bank of Kuwait instructions, the Company provides a minimum general provision of 1% on short term Wakala.

c) Accounts receivable

Accounts receivable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the statement of income. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited in the statement of income.

d) Financial assets

The Company classifies its financial assets in the following categories: investments at fair value through income statement, loans and receivables and investments available for sale. The classification depends on the purpose for which the financial assets were acquired and is determined at initial recognition by the management.

(i) Investments at fair value through income statement

This category has two sub-categories: investments held for trading, and those designated at fair value through statement of income at inception.

- a) An investment is classified as held for trading if acquired principally for the purpose of selling in the short term or if it forms part of an identified portfolio of investments that are managed together and has a recent actual pattern of short-term profit making or it is a derivative that is not designated and effective as a hedging instrument.
- b) An investment is designated by the management on initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise or; if they are managed and their performance is evaluated and reported internally on a fair value basis in accordance with a documented risk management or investment strategy.

Investments in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months of the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

(iii) Investments available for sale

Investments available for sale are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognized on trade date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through income statement.

After initial recognition, investments at fair value through income statement and investments available for sale are subsequently carried at fair value. Loans and receivable are carried at amortized cost using effective interest method. The fair values of quoted investments are based on current bid prices. If the market for an investment is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

Realized and unrealized gains and losses from investments at fair value through income statement are included in the statement of income. Unrealized gains and losses arising from changes in the fair value of investments available for sale are recognized in cumulative changes in fair value in statement of changes in shareholders' equity.

Where investments available for sale could not be measured reliably, these are stated at cost less impairment losses, if any.

When an investment available for sale is disposed off or impaired, any prior fair value earlier reported in equity is transferred to the statement of income.

An investment (in whole or in part) is derecognized either when: the contractual rights to receive the cash flows from the investment have expired; or the Company has transferred its rights to receive cash flows from the investment and either (a) has transferred substantially all the risks and rewards of ownership of the investment, or (b) has neither transferred nor retained substantially all the risks and rewards of the investment, but has transferred control of the investment. Where the Company has retained control, it shall continue to recognize the investment to the extent of its continuing involvement in the investment.

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

Loans and receivables are subject to credit risk provision for loan impairment if there is objective evidence that the Company will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected future cash flows, including amount recoverable from guarantee and collateral, discounted based on the original effective interest rate and current interest rate for fixed and floating rate loans respectively. The amount of loss arising from impairment is taken to the statement of income.

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

e) Associate

Associates are those enterprises in which the Company has significant influence, but not control, over the financial and operating policy decisions. The financial statements include the Company's share of the results and assets and liabilities of associates under the equity method of accounting from the date that significant influence effectively commences until the date that significant influence effectively ceases, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the balance sheet at cost as adjusted for post-acquisition changes in the Company's share of the net assets of the associate, less any impairment in the value of individual investments.

Gains or losses arising from transactions with associates are eliminated against the investment in the associate to the extent of the Company's interest in the associate.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment in associates and is assessed for impairment as part of the investment. Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in the statement of income.

f) Fixed assets

The initial cost of fixed assets comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of fixed assets beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of fixed assets.

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

Depreciation is computed on a straight-line basis over the estimated useful lives of fixed assets as follows:

	<u>Years</u>
Furniture	4
Office equipment	3

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

g) Intangible asset

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives of three years.

h) Impairment of tangible and intangible assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the statement of income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

i) Accounts payable

Accounts payable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

j) Provisions

A provision is recognized when, and only when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

k) End of service indemnity

Provision is made for amounts payable to employees under the Kuwaiti Labor Law in the private sector and employee contracts. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination on the balance sheet date, and approximates the present value of the final obligation.

l) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable on the sale of investments or services rendered in the ordinary course of the Company's activities.

The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

i) Gain on sale of investments

Gain on sale of investments is measured by the difference between the sale proceeds and the carrying amount of the investment at the date of disposal, and is recognized at the time of the sale.

ii) Dividend income

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

iii) Interest income

Interest income is recognized on a time-proportion basis using the effective interest method.

iv) Management fees

Management fees are recognized on accrual basis.

m) Foreign currencies

Foreign currency transactions are translated into Kuwaiti Dinars at rates of exchange prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currency at the balance sheet date are retranslated into Kuwaiti Dinars at rates of exchange prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on 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 arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Translation differences on non-monetary items such as equity investments which are classified as investments at fair value through income statement are reported as part of the fair value gain or loss. Translation differences on non-monetary items such as equity investments classified as available for sale are included in "cumulative changes in fair value" in the statement of changes in shareholders' equity.

n) Fiduciary assets

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

o) Financial instruments

Financial assets and financial liabilities carried on the balance sheet include cash and cash equivalents, receivables, investments, loans granted to others, payables and due to related parties. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies found in this Note.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains, and losses relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

p) Significant accounting estimates and judgments

The Company makes judgments, estimates and assumptions concerning the future. The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from the estimates.

a) Judgments

In the process of applying the Company's accounting policies which are described in note 2, management has made the following judgments that have the most significant effect on the amounts recognized in the financial statements.

(i) Classification of investments

On acquisition of an investment, the Company decides whether it should be classified as "at fair value through statement of income" or "available for sale". The Company follows the guidance of IAS 39 on classifying its investments.

The Company classifies investments as "at fair value through income statement" if they are acquired primarily for the purpose of short term profit making or if they are designated at fair value through statement of income at inception, provided their fair values can be reliably estimated. All other investments are classified as "available for sale".

(ii) Impairment of investments

The Company treats "investments available for sale" as impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is "significant" or "prolonged" requires significant judgment.

b) Estimation and assumptions

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

(i) Impairment losses on loans granted to others

The Company reviews loans granted to others on a quarterly basis to assess whether a provision for impairment should be recorded in the statement of income. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required.

(ii) Fair value of unquoted equity investments

If the market for a financial asset is not active or not available, the Company establishes fair value by using valuation techniques which include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances. This valuation requires the Company to make estimates about expected future cash flows and discount rates that are subject to uncertainty.

3. Cash and cash equivalents

	December 31, 2007
Cash on hand and at banks	321,224
Short term deposits	3,113,593
Short term Wakala (within 90 days)	1,004,880
	<u>4,439,697</u>
Less: Provision for impairment	(10,049)
	<u><u>4,429,648</u></u>

The effective interest rate on short term deposits ranges from 6% to 6.5% per annum and the rate of return on short term Wakala is 9% per annum. These have an average maturity of 12 days.

Short term deposit amounting to KD 2,111,866 has been pledged against an overdraft facility granted by a local bank.

THARWA INVESTMENT COMPANY K.S.C. (CLOSED)  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007  
All amounts are in Kuwaiti Dinars

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4. Investments at fair value through income statement

	December 31, 2007
Quoted securities held for trading - local	3,982,750
Portfolios held for trading - foreign	3,600,335
	<u>7,583,085</u>

The movement during the period is as follows:

	December 31, 2007
Net movement	7,456,637
Unrealized gain on investments at fair value through income statement (Note 17)	126,448
	<u>7,583,085</u>

5. Accounts receivable and other debit balances

	December 31, 2007
Due from Kuwait Clearing Company	140,644
Accrued management fees	316,586
Accrued incentive fees	672,526
Prepaid expenses	16,056
Refundable deposits	24,519
Accrued interest	12,009
Advance payment against incorporation of investment funds	17,460
	<u>1,199,800</u>

The fair value of accounts receivable and other debit balances approximated their carrying values as at December 31, 2007.

THARWA INVESTMENT COMPANY K.S.C. (CLOSED)  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2007  
 All amounts are in Kuwaiti Dinars

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6. Loans granted to others

	December 31, 2007
Loans granted	1,462,578
Provision for impairment on loans	(14,626)
	<u>1,447,952</u>

Loans granted to others are classified as "loans and receivable". The policy of the Company for calculation of the impairment provisions for loans granted to others complies in all material respects with the specific provision requirements of the Central Bank of Kuwait.

The Central Bank of Kuwait requires a general provision of 1% on cash credit facilities net of certain restricted categories of collaterals, and not subject to specific provision.

Loans granted to others bear interest rate of 2% per annum over the Central bank of Kuwait discount rate, repayable in quarterly installments.

7. Investments available for sale

	December 31, 2007
Unquoted:	
Equity securities - Foreign	137,384
Funds – Local	4,161,846
Fund – Foreign	143,535
	<u>4,442,765</u>

The movement during the period is as follows:

	December 31, 2007
Additions	4,289,049
Changes in fair value	153,716
	<u>4,442,765</u>

It was not possible to reliably measure the fair value of unquoted investments amounting to KD 280,919 due to non availability of a reliable method that could be used to determine the fair value of such investments. Accordingly, they were stated at their cost less impairment losses, if any.

Investments available for sale are denominated in the following currencies:

	December 31, 2007
Kuwaiti Dinar	4,161,846
US Dollar	280,919
	<u>4,442,765</u>

THARWA INVESTMENT COMPANY K.S.C. (CLOSED)  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2007  
 All amounts are in Kuwaiti Dinars

---

8. Investment in an associate

<u>Name of the associate</u>	<u>Principal activity</u>	<u>Country of Incorporation</u>	<u>Ownership Percentage</u>	<u>December 31, 2007</u>
Tharwa Saudi Co.-W.L.L.	General trading	Saudi Arabia	49%	183,505
				<u>183,505</u>

The Company has not accounted for its share of results in the associate since the associate was incorporated during the period and has not commenced any operations as of the balance sheet date.

9. Investment in unconsolidated subsidiaries

<u>Name of the subsidiary</u>	<u>Principal activity</u>	<u>Country of Incorporation</u>	<u>Ownership Percentage</u>	<u>December 31, 2007</u>
Tharwa Real Estate Co. W.L.L.	Real Estate	Kuwait	100%	50,000
Tharwa Gulf General Trading and Construction Co. W.L.L.	General trading	Kuwait	100%	250,000
				<u>300,000</u>

The Company had not consolidated these investments since the subsidiaries have not commenced any operations as of the balance sheet date and therefore not considered material to the accompanying financial statements.

10. Fixed assets

	<u>Furniture</u>	<u>Office equipment</u>	<u>Total</u>
Cost:			
Additions	187,581	51,116	238,697
As of December 31, 2007	<u>187,581</u>	<u>51,116</u>	<u>238,697</u>
Accumulated depreciation:			
Charge for the period	(35,152)	(16,314)	(51,466)
As of December 31, 2007	<u>(35,152)</u>	<u>(16,314)</u>	<u>(51,466)</u>
Net book value:			
As of December 31, 2007	<u>152,429</u>	<u>34,802</u>	<u>187,231</u>

THARWA INVESTMENT COMPANY K.S.C. (CLOSED)  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007  
All amounts are in Kuwaiti Dinars

---

11. Intangible asset

Intangible asset represents amount paid for computer software.

	December 31, 2007
Cost:	
Addition	17,000
As of December 31, 2007	<u>17,000</u>
Accumulated amortization:	
Charge for the period	(5,972)
As of December 31, 2007	<u>(5,972)</u>
Net book value:	
As of December 31, 2007	<u><u>11,028</u></u>

12. Accounts payable and other credit balances

	December 31, 2007
Accrued expenses	511,269
KFAS payable	34,195
Zakat payable	2,335
Board of Directors' remuneration payable	10,000
Accrued leave	17,145
	<u><u>574,944</u></u>

13. Related party balances and transactions

The Company has entered into various transactions with related parties, i.e. shareholders, key management personnel, associates and other related parties in the normal course of its business concerning financing and other related services. Prices and terms of payment are approved by the Company's management. Significant related party transactions and balances are as follows:

	<u>Unconsolidated subsidiaries</u>	<u>Other related parties</u>	<u>December 31, 2007</u>
Balance included in the balance sheet			
Accounts receivable and other debit balances	-	120,610	120,610
Investments available for sale	-	4,161,846	4,161,846
Due to related parties	298,850	-	298,850
Transactions included in the income statement			
Fees and commission	-	362,506	362,506
Board of Directors' remuneration	-	10,000	10,000
			For the period from September 11, 2006 (date of inception) till December 31, 2007
Compensation to key management personnel			<u>118,300</u>
Short-term benefits			118,300
Termination benefits			13,956

Related party transactions are subject to the approval of the Shareholders' Annual General Assembly.

14. Share capital

The authorized, issued and fully paid-up capital consists of 150,000,000 shares with a par value of 100 fils each.

15. Statutory reserve

As required by the Commercial Companies Law and the Company's Articles of Association, 10% of the profit for the period before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), Zakat and Board of Directors' remuneration is transferred to statutory reserve. The Company may resolve to discontinue such annual transfers when the reserve equals 50% of the capital. This reserve is not available for distribution except in cases stipulated by Law and the Company's Articles of Association.

16. Voluntary reserve

As proposed by the Company's Board of Directors, 5% of the profit for the period before contribution to Kuwait Foundation for Advancement of Sciences (KFAS), Zakat and Board of Directors' remuneration is transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the Shareholders' Annual General Assembly upon recommendation by the Board of Directors. The transfer is subject to the approval of the Shareholders Annual General Assembly.

17. Net investment income

	For the period from September 11, 2006 (date of inception) till December 31, 2007
Dividend income	179,904
Realized gain on sale of investments at fair value through income statement	2,228,357
Unrealized gain on investments at fair value through income statement (Note 4)	126,448
	<u>2,534,709</u>

THARWA INVESTMENT COMPANY K.S.C. (CLOSED)  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007  
All amounts are in Kuwaiti Dinars

---

18. Fees and commission

	For the period from September 11, 2006 (date of inception) till December 31, 2007
Placement fees	165,380
Commission	196,698
Portfolio and other management fees	790,418
Incentive fees	702,957
Subscription fees	18,338
Other fees	12,566
	<u>1,886,357</u>

19. Interest income

	For the period from September 11, 2006 (date of inception) till December 31, 2007
Call accounts	42,128
Short term deposits	685,484
Loans granted to others	113,041
Investments	2,803
	<u>843,456</u>

20. General and administrative expenses

	For the period from September 11, 2006 (date of inception) till December 31, 2007
Staff cost	892,701
Advertisement	80,970
Consultancy fees	15,545
Professional fees	15,793
Rent	130,416
Others	96,008
	<u>1,231,433</u>

21. Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)

Contribution to Kuwait Foundation for the Advancement of Sciences is calculated at 1% of the profit for the period after deducting the transfer to statutory reserve.

22. Zakat

Zakat is calculated at 1% of the profit of the Company in accordance with Law No. 46/2006 and the Ministry of Finance Resolution No. 58/2007, which is effective from December 10, 2007.

23. Fiduciary assets

The aggregate value of assets held in a trust or fiduciary as of December 31, 2007 amounted to KD 146,512,569.

24. Financial instruments

In the normal course of business, the Company uses primary financial instruments such as cash and cash equivalents, investments, accounts receivables, loans granted to others and accounts payable and as a result, is exposed to the risks indicated below. The Company currently does not use derivative financial instruments to manage its exposure to these risks.

a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets which potentially subject the Company to credit risk consist principally of cash and cash equivalents and loans granted to others.

The Company manages its credit risk with the objective of ensuring that it is well diversified and it earns a level of return appropriate to the risk it assumes.

In the normal course of business, the Company deploys its funds in various credit facilities, with the primary objective of generating profits for the shareholder. However, at the same time, the Company seeks to ensure the quality of the credit facilities. The Company continually strives to achieve an optimal balance between the return and the credit quality of the portfolio.

Whenever necessary, loans granted to others are secured by acceptable forms of collateral to mitigate the related credit risks.

(i) Maximum exposure to credit risk before collateral held or other credit enhancements

	Gross maximum exposure December 31, 2007
Credit risk exposures relating to on-balance sheet assets are as follows:	
Cash and cash equivalents	4,429,648
Accounts receivable and other debit balances	1,199,800
Loans granted to others	1,447,952
	<u>7,077,400</u>

(ii) Concentration of financial assets:

	December 31, 2007
Geographical sector	
Kuwait	15,221,996
GCC	2,493,455
Others	1,387,799
	<u>19,103,250</u>

b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk, the Company periodically assesses the financial viability of customers and invests in bank deposits or other investments that are readily realizable.

(i) Liquidity risk management process

The Company's liquidity management process, as carried out within the Company includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met.
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow.
- Monitoring balance sheet liquidity ratios against internal and regulatory requirements.
- Managing the concentration and profile of debt maturities.

THARWA INVESTMENT COMPANY K.S.C. (CLOSED)  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2007  
 All amounts are in Kuwaiti Dinars

---

(ii) The maturity profile of assets and liabilities as of December 31, 2007 was as follows:

<u>Assets</u>	<u>Up to 1 month</u>	<u>1 - 3 months</u>	<u>3 - 12 months</u>	<u>1 - 5 years</u>	<u>Total</u>
Cash and cash equivalents	4,429,648	-	-	-	4,429,648
Investments at fair value through income statement	-	7,583,085	-	-	7,583,085
Accounts receivable and other debit balances	1,129,756	-	70,044	-	1,199,800
Loans granted to others	-	-	-	1,447,952	1,447,952
Investments available for sale	-	-	-	4,442,765	4,442,765
Investment in an associate	-	-	-	183,505	183,505
Investment in unconsolidated subsidiaries	-	-	-	300,000	300,000
Fixed assets	-	-	-	187,231	187,231
Intangible asset	-	-	-	11,028	11,028
Total assets	<u>5,559,404</u>	<u>7,583,085</u>	<u>70,044</u>	<u>6,572,481</u>	<u>19,785,014</u>
<u>Liabilities</u>					
Due to related parties	-	-	298,850	-	298,850
Accounts payable and other credit balances	-	557,799	17,145	-	574,944
Provision for end of service indemnity	-	-	-	4,619	4,619
Total liabilities	<u>-</u>	<u>557,799</u>	<u>315,995</u>	<u>4,619</u>	<u>878,413</u>

THARWA INVESTMENT COMPANY K.S.C. (CLOSED)  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2007  
 All amounts are in Kuwaiti Dinars

---

c) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rate, foreign exchange rates and equity prices as indicated below:

i) Interest rate risk

Financial instruments are subject to the risk of changes in value due to changes in the level of interest. The effective interest rates and the periods in which interest bearing financial assets and liabilities are repriced or mature are indicated in the respective notes.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's statement of income (through the impact on floating rate borrowings). There is no impact on Company's equity.

<u>Year</u>	<u>Increase / (Decrease) in interest rate</u>	<u>Loan Balance on December 31</u>	<u>Effect on income statement</u>
2007			
KD Loans	±50 basis points	1,462,578	7,313

ii) Foreign currency risk

The Company incurs foreign currency risk on transactions that are denominated in a currency other than the Kuwaiti Dinar. The Company may reduce its exposure to fluctuations in foreign exchange rates through the use of derivative financial instruments. The Company ensures that the net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the Kuwaiti Dinar.

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange between, other currencies and Kuwaiti Dinar.

<u>Year</u>	<u>Change in foreign currency rate</u>	<u>Effect on income statement</u>	<u>Effect on equity</u>
2007			
US Dollar	±5%	55,340	13,670
Saudi Riyal	±5%	14,030	250

iii) Equity price risk

Equity price risk is a risk that the value of a financial instrument will fluctuate as a result of changes in the level of equity indices and the value of individual stocks, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Company manages this risk through diversification of investments in terms of geographical distribution and industry concentration.

The effect on income statement and equity due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

Market indices	December 31, 2007		
	Change in equity price %	Effect on income statement	Effect on equity
Kuwait Stock Exchange	±5%	199,140	200,000
Saudi Stock Exchange (Tadawul)	±5%	37,486	-

d) Fair value of financial instruments

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and other models as appropriate. As of December 31, the fair values of financial instruments approximate their carrying amounts, due to their short maturities, except for certain unquoted investments available for sale, which are mentioned in Note (7).

25. Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares, sell assets to reduce debt.

26. Proposed Dividends

The Board of Directors propose a cash dividend of 10 fils per share. This proposal is subject to the approval of the shareholders' annual General Assembly.