
**Tharwa Investment Company K.S.C (Closed)
And Subsidiary (The Group)**

**CONSOLIDATED FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT**

31 DECEMBER 2008

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 consolidated financial statements of Tharwa Investment Company K.S.C. (Closed) (the Parent Company) and subsidiary (the Group) which comprise the consolidated balance sheet as at December 31, 2008, and the consolidated statement of income, statement of changes in shareholders' equity and statement of cash flows for the year ended December 31, 2008 and a summary of significant accounting policies and other explanatory notes.

I did not audit the financial statements of TIC Bahrain B.S.C. (the subsidiary) whose total assets and revenues constitute 12.5% and 2.1% of the respective consolidated totals. This investment is reflected in the accompanying consolidated financial statements using the equity method of accounting. The financial statements of the above mentioned subsidiary were audited by another auditor whose report was provided to me and my conclusion in so far as it relates to the amount included in the consolidated financial statements related to this subsidiary are based solely on the report of the other auditor.

Furthermore, I did not audit the financial statements of Tharwa Saudi Company W.L.L.- associate company-. whose total assets and revenues constitute 2.1% and 8.3% of the respective consolidated totals ,The financial statements of the above mentioned associate were audited by another auditor, whose report was provided to me and my opinion in so far as it relates to the amounts included in the consolidated financial statements related to this associate are based solely on the audit report of the other auditor.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted 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 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 consolidated 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 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 auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In my opinion and based on the reports of the other auditors, the consolidated financial statements present fairly, in all material respects, the financial position of Tharwa Investment Company K.S.C. (Closed) as of December 31, 2008, and of its financial performance and its cash flows for the year ended December 31, 2008 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 consolidated financial statements include the disclosures required by the Commercial Companies Law and the Parent Company's Articles of Association, and I obtained the information I required to perform my audit and that the consolidated financial statements incorporate all the information that is required by the Commercial Companies Law of 1960, as amended, and by the Parent 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 Parent Company's books. According to the information available to me, no violation of the Commercial Companies Law of 1960 as amended or of the Parent Company's Articles of Association have occurred during the year ended December 31, 2008 that might have had a material effect on the business of the Parent 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 year ended December 31, 2008 that might have had a material effect on the business of the Parent Company or on its financial position.

State of Kuwait
17 March 2009

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

Tharwa Investment Company K.S.C (Closed) and Subsidiary (The Group)

CONSOLIDATED BALANCE SHEET

As of 31 December 2008

	<i>Notes</i>	2008 KD	2007 KD
ASSETS:			
Cash and cash equivalents	3	3,333,266	4,429,648
Investments at fair value through income statement	4	2,257,238	7,583,085
Accounts receivable	5	644,333	1,199,800
Loans granted to others	6	1,451,918	1,447,952
Available for sale investments	7	8,472,983	4,442,765
Investment in an associate	8	344,116	183,505
Investments in unconsolidated subsidiaries	9	300,000	300,000
Investment property	10	1,990,004	-
Property and equipment	11	547,265	198,259
TOTAL ASSETS		19,341,123	19,785,014
LIABILITIES AND EQUITY			
LIABILITIES:			
Accounts payable and accruals	12	289,342	574,944
Due to related parties	13	298,850	298,850
Employees' end of service benefits	14	13,468	4,619
TOTAL LIABILITIES		601,660	878,413
EQUITY:			
Share capital	15	15,112,500	15,000,000
Share premium	16	18,000	-
Statutory reserve	16	576,362	379,942
Voluntary reserve	16	288,181	189,971
Cumulative changes in fair value		(635,927)	153,716
Foreign currency translation reserve		75,817	-
Retained earnings		3,304,530	3,182,972
TOTAL EQUITY		18,739,463	18,906,601
TOTAL LIABILITIES AND EQUITY		19,341,123	19,785,014

Fahad Salem Yousef Al-Humaidhi
(Chairman)

Adel Jasem Abdulah Al-Najada
(Deputy Chairman)

The attached notes 1 to 27 form part of these consolidated financial statements.

Tharwa Investment Company K.S.C (Closed) and Subsidiary (The Group)

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2008

		<i>For the year ended 31 December 2008 KD</i>	<i>For the period from September 11, 2006 (date of inception) till 31 December 2007 KD</i>
INCOME			
Realised gain on sale of investments at fair value through income statement		723,265	2,228,357
Unrealised (loss) gain on investments at fair value through income statement	4	(103,145)	126,448
Dividend income		163,366	179,904
Gain on revaluation of investment property	10	58,467	-
Investment service income	17	2,098,088	1,886,357
Share of results from associate	8	160,611	-
Interest income	18	231,734	843,456
Other income		8,912	-
TOTAL INCOME		3,341,298	5,264,522
EXPENSES			
Staff costs		(532,001)	(892,701)
General and administration		(412,084)	(338,732)
Foreign currency loss		(27,095)	(127,549)
Provision no longer required (charge)	3 & 6	10,009	(24,675)
Impairment of investments	4 & 7	(318,595)	-
Depreciation and amortization	11	(71,555)	(57,438)
Interest expenses		(25,777)	(24,012)
TOTAL EXPENSES		(1,377,098)	(1,465,107)
Profit for the year/period before contribution to Kuwait			
Foundation for the Advancement of Sciences (KFAS), Zakat and Directors' remuneration		1,964,200	3,799,415
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)	19	(17,678)	(34,195)
Zakat	20	(20,334)	(2,335)
Directors' remuneration		(10,000)	(10,000)
PROFIT FOR THE YEAR / PERIOD		1,916,188	3,752,885
EARNINGS PER SHARE FOR THE YEAR / PERIOD (FILS)	21	12.75	25.02

The attached notes 1 to 27 form part of these consolidated financial statements.

Tharwa Investment Company K.S.C (Closed) and Subsidiary (The Group)

COSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

	<i>Share capital KD</i>	<i>Share premium KD</i>	<i>Statutory Reserve KD</i>	<i>Voluntary reserve KD</i>	<i>Cumulative changes in fair value KD</i>	<i>Foreign currency translation reserve KD</i>	<i>Retained earnings KD</i>	<i>Total KD</i>
Proceeds from issue of share capital	15,000,000	-	-	-	-	-	-	15,000,000
Changes in fair value of available for sale investments	-	-	-	-	153,716	-	-	153,716
Net income recognised directly in equity	-	-	-	-	153,716	-	-	153,716
Profit for the period	-	-	-	-	-	-	3,752,885	3,752,885
Total income for the period	-	-	-	-	153,716	-	3,752,885	3,906,601
Transfer to reserves	-	-	379,942	189,971	-	-	(569,913)	-
Balance at 31 December 2007	15,000,000	-	379,942	189,971	153,716	-	3,182,972	18,906,601
Change in fair value of available for sale investments	-	-	-	-	(789,643)	-	-	(789,643)
Foreign currency translation adjustments	-	-	-	-	-	75,817	-	75,817
Net (expense) income recognised directly in equity	-	-	-	-	(789,643)	75,817	-	(713,826)
Profit for the year	-	-	-	-	-	-	1,916,188	1,916,188
Total (expense) income for the year	-	-	-	-	(789,643)	75,817	1,916,188	1,202,362
Issue of shares under employees share purchase scheme (Note 25)	112,500	18,000	-	-	-	-	-	130,500
Cash dividends (Note 15)	-	-	-	-	-	-	(1,500,000)	(1,500,000)
Transfer to reserves	-	-	196,420	98,210	-	-	(294,630)	-
Balance at 31 December 2008	15,112,500	18,000	576,362	288,181	(635,927)	75,817	3,304,530	18,739,463

The attached notes 1 to 27 form part of these consolidated financial statements.

Tharwa Investment Company K.S.C (Closed) and Subsidiary (The Group)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008

	<i>Note</i>	<i>For the Year ended 31 December 2008 KD</i>	<i>For the period from September 11, 2006 (date of inception) till 31 December 2007 KD</i>
OPERATING ACTIVITIES			
Profit for the year / period before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), Zakat and Directors' remuneration		1,964,200	3,799,415
Adjustments for:			
Realised gain on sale of investments at fair value through income statement		(723,265)	(2,228,357)
Unrealized loss (gain) on sale of investments at fair value through income statement		103,145	(126,448)
Dividend income		(163,366)	(179,904)
Gain on revaluation of investment property		(58,467)	-
Investment services income		(2,098,088)	(1,886,357)
Share of results of associate		(160,611)	-
Depreciation and amortization		71,555	57,438
Provision (no longer required) charge		(10,009)	24,675
Provision for employees' end of service benefits		8,849	4,619
Impairment of investments		318,595	-
Interest income		(231,734)	(843,456)
Interest expense		25,777	24,012
		(953,419)	(1,354,363)
Changes in operating assets and liabilities:			
Investments at fair value through income statement		5,706,322	(5,228,280)
Accounts receivable		683,692	(198,679)
Loans granted to others		(4,006)	(1,462,578)
Accounts payable and accruals		(287,084)	528,414
Cash generated from (used in) operations		5,145,505	(7,715,486)
Paid to Kuwait Foundation for the Advancement of Sciences		(34,195)	-
Paid to Zakat		(2,335)	-
Payment of Directors' remuneration		(10,000)	-
Net cash generated from (used in) operating activities		5,098,975	(7,715,486)
INVESTING ACTIVITIES			
Dividend income received		163,366	179,904
Interest income received		120,139	831,447
Investment services income received		2,081,458	897,245
Purchase of available-for-sale investments		(4,898,811)	(4,289,049)
Payment of investment in associate		-	(183,505)
Payment of investments in unconsolidated subsidiaries		-	(1,150)
Payment of investment property		(1,931,537)	-
Purchase of property and equipment		(420,561)	(255,697)
Net cash used in investing activities		(4,885,946)	(2,820,805)
FINANCING ACTIVITIES			
Proceeds from issue of share capital		112,500	15,000,000
Share premium		18,000	-
Foreign currency translation reserve		75,817	-
Dividends paid		(1,500,000)	-
Interest expense paid		(25,777)	(24,012)
Net cash (used in) generated from financing activities		(1,319,460)	14,975,988
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(1,106,431)	4,439,697
Cash and cash equivalents at 1 January		4,439,697	-
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	3	3,333,266	4,439,697

The attached notes 1 to 27 form part of these consolidated financial statements.

Tharwa Investment Company K.S.C (Closed) and Subsidiary (The Group)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2008

1. ACTIVITIES

Tharwa Investment Company K.S.C (Closed) (the Parent Company) is a Kuwaiti Shareholding Company registered in Kuwait on 28 August 2006 and is engaged in investment and trading in securities, investment in real estate, finance activities and portfolio and fund management on behalf of third parties.

The details of subsidiaries are included in (Note 2)

The Parent Company's principal place of business and registered address is Al Bahar Tower, Floors 17,18 and 19, Ahmed Al Jaber Street, Sharq, P.O. Box: 811 Safat, 13009 Kuwait.

The consolidated financial statements for the year ended 31 December 2008 were authorized for issue in accordance with resolution of the board of directors of the parent company on 17 March 2009.

The shareholders' Annual General Assembly has the power to amend these consolidated financial statements after issuance.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements have been prepared in accordance with regulations of 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 International Accounting Standard (IAS) 39 requirement 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.

The consolidated financial statements have been presented in Kuwaiti Dinars.

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

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous period.

The following IASB Standard and Interpretation have been issued but are not yet effective, and have not yet been adopted by the Group:

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.

IAS 23 "Borrowing Cost" (Revised)

The application of IAS 23 (Revised), which will be effective for the annual periods beginning on or after January 1, 2009, will require the Group to capitalize borrowing costs attributable to the acquisition, construction or production of a qualifying asset as a part of the cost of that asset and removing an option of expensing these borrowing costs in the consolidated statement of income.

Amended IAS 27 Consolidated and Separate Financial Statements (2008)

Amended IAS 27, which will be effective for annual periods beginning on or after July 1, 2009 with retrospective application, requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in consolidated statement of income.

Tharwa Investment Company K.S.C (Closed) and Subsidiary (The Group)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2008

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiary, for the year ended 31 December 2008. Subsidiaries are those enterprises controlled by the parent company. Control exists when the parent company has the power, directly or indirectly, to govern the financial and operating policies of the subsidiary so as to obtain benefits from its activities.

The subsidiaries are consolidated from the date on which control is transferred to the group and cease to be consolidated from the date on which control is transferred out of the group. Where there is a loss of control of a subsidiary, consolidated financial statements include the results for the part of the reporting year during which the group has control.

The financial statements of the subsidiary company are consolidated on a line-by-line basis adding together like items of assets, liabilities, income and expenses.

All inter-group balances and transactions, including unrealised profits arising from intra-group transactions, are eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

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

The consolidated financial statements include the financial statements of Tharwa Investment Company-K.S.C. (Closed) (Parent Company) and the following subsidiary:

Name of Subsidiary	Country of incorporation	Percentage of holding	
		2008	2007
TIC Real Estate Company B.S.C. (Closed)	Kingdom of Bahrain	100%	-

The consolidated financial statements for the year ended December 31, 2008 include profit amounting to KD 39,593 and the following assets and liabilities for the subsidiary which mentioned above as of December 31, 2008. The comparative figures for the period ended December 31, 2007 do not include such information:

	2008 KD
Assets:	
Cash and cash equivalents	407,988
Accounts receivable	11,288
Investment property	1,990,004
Property and equipment	13,717

Revenue recognition

- i) 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 recognised at the time of the sale.
- ii) Dividend income is recognised when the right to receive payment established.
- iii) Investment service income is recognised when services are rendered.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and bank balances and short-term deposit with an original maturity of three months or less. In addition, in accordance with Central

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2008

Bank of Kuwait instructions, the Group provides a minimum general provision of 1% on short term Wakala investment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2008

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities:

The group classifies its financial assets and liabilities as “investments at fair value through income statement” “loans granted to others”, “available for sale investments” or “financial liabilities”.

The group recognizes financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instruments. A regular way purchase of financial assets is recognized using the trade date accounting. Financial liabilities are not recognized unless one of the parties has performed or the contract is a derivative contract

Financial assets and liabilities are measured initially at fair value (transaction price) plus, in case of financial assets not at fair value through income statement, directly attributable transaction costs. On financial assets and financial liabilities at fair value through income statement are expensed immediately, while on other debt instruments they are amortized.

Investment 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.

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.

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 consolidated balance sheet date.

Loans granted to others

Loans granted to others are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money or services directly to third party with no intention of trading the receivable.

Available for sale investments

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 off the investment within 12 months of the consolidated balance sheet date.

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

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 changes in fair value earlier reported in equity is transferred to the consolidated statement of income.

Financial liabilities

Financial liabilities are subsequently measured at amortized cost using effective profit rate method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2008

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value

The fair value of financial assets and liabilities traded in recognized financial markets is their quoted market price, based on the current bid price. For all other financial assets or liabilities where there is no quoted market price, a reasonable estimate of fair value is determined by reference to the current fair value of another instrument that is substantially the same; recent arm's length market transactions, discounted cash flow analysis or earnings multiplier or other valuation models.

Derecognition

A financial asset (in whole or in part) is derecognized either when: the rights to receive the cash flows from the asset have expired; the group has transferred its right to receive cash flows from the assets or has assumed an obligation to pay them in full without material delay to a third party under a "pass through" arrangement; or group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. Where the group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the group's continuing involvement in the asset.

A financial liability is derecognized either when the obligation specified in the contract is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same financier on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in consolidated income statement.

Offsetting

Financial assets and liabilities are offset when the group has a legally enforceable right to offset and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

Impairment and uncollectibility of financial assets

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

- (a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognized in the consolidated income statement;
- (b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
- (c) For assets carried at amortized cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective profit rate.

Reversal, of impairment losses is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. For equity instruments classified as available for sale investments, impairment losses are not reversed through the consolidated statement of income; any increase in the fair value subsequent to the recognition of impairment loss, is recognized directly in the consolidated statement of changes in equity. For debt instruments classified as available for sale financial assets, if in a subsequent year, the fair value of the debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated income statement; the impairment loss is reversed through the consolidated statement of income.

In addition, in accordance with Central Bank of Kuwait instructions, a minimum general provision is made on all applicable credit facilities (net of certain categories of collateral) that are not provided for specifically.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2008

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Receivables

Receivables are recognized initially at fair value and subsequently measured at amortized cost, using the effective rate of return, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group 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 trade 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 rate of return. 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 consolidated statement of income within general and administration expense. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the consolidated statement of income.

Investment in associate

The Group's investments in its associates are accounted for under the equity method of accounting. An associate is an entity in which the group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the consolidated balance sheet at cost plus post-acquisition changes in the group's share of net assets of the associate, less any impairment in value. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortized, the consolidated income statement reflect the group's share of results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the group recognizes its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Profit and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

Investment properties

Investment properties are initially measured at cost, being the fair value of the consideration given and including acquisition charges associated with the property. After initial recognition, all investments properties are carried at fair value that is determined based on valuation performed by independent valuers using valuation methods consistent with the nature and usage of the investment properties. Resultant unrealized gains or losses from change in the fair value are recognized in the consolidated statement of income.

Property and equipment

Property and Equipment is stated at cost, less accumulated depreciation and any impairment in value.

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

Furniture	4 years
Office equipment	3 years
Other assets	3 years

The carrying values of property and equipment are 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 values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Impairment of non-financial assets

The group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and then its recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the assets (or cash-generating unit) is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit). In determining fair value less costs to sell an appropriate valuation model is used. These calculations are corroborated by available fair value indicators.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2008

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income. After such a reversal, the depreciation charge is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Accounts payable and accruals

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

Employees' end of service benefits

The group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' length of service. The expected costs of those benefits are accrued over the period of employment.

The group also contributes to the government defined contribution plan for its Kuwaiti employees in accordance with the legal requirements in Kuwait.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the consolidated balance sheet date. All exchange differences are taken to the consolidated statement of income.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Kuwaiti Dinars at the foreign exchange rates prevailing at the dates that values were determined. In case of non-monetary assets whose change in fair values are recognized directly in equity, foreign exchange differences are recognized directly in equity and for non-monetary assets whose change in fair value are recognized in the consolidated statement of income are recognized in the consolidated statement of income.

Exchange differences arising from translation of the financial statements of the foreign operations are taken to the consolidated statement of changes in equity under foreign currency translation reserve.

Fiduciary accounts

Assets and related liabilities held in a trust or fiduciary capacity on behalf of managed portfolios and funds' owners are not treated as assets or liabilities of the group and, accordingly, are not included in these consolidated financial statements.

Judgement

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

Classification of investments

Classification of financial assets and liabilities is based on management's intention at acquisition and requires considerable judgment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2008

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 material adjustment to the carrying amounts of assets and liabilities 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.
- Earnings multiple technique; or other valuation models.

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

Impairment of 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. In addition the group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

Impairment provision of receivables

An estimate of the collectible amount of receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2008

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as shown in the consolidated cash flow statement is reconciled for the related items as follows:

	<i>2008</i> <i>KD</i>	<i>2007</i> <i>KD</i>
Bank balances and cash	966,754	321,224
Short term deposits	2,366,512	3,113,593
Short term Wakala	-	1,004,880
	3,333,266	4,439,697
Less: provision for impairment of short term Wakala	-	(10,049)
	3,333,266	4,429,648

Short term deposits carry effective average annual rate of 4.7% (2007: 6.5%) and the rate of return on short term Wakala is Nil per annum (2007: 9% per annum). These have an average maturity of 31 days (2007: 12 days).

Short term deposits amounting to KD Nil (2007: KD 2,111,866) has been pledged against an overdraft facility granted by local bank.

Tharwa Investment Company K.S.C (Closed) and Subsidiary (The Group)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2008

4. INVESTMENTS AT FAIR VALUE THROUGH INCOME STATEMENT

	<i>2008</i> <i>KD</i>	<i>2007</i> <i>KD</i>
Quoted securities held for trading – local	1,185,000	3,982,750
Unquoted securities held for trading – local	1,045,000	-
Portfolios securities held for trading – foreign	266,883	3,600,335
	2,496,883	7,583,085
Less: Impairment of investments at fair value through income statement	(239,645)	-
	2,257,238	7,583,085

The movement during the year / period is as follows:

	<i>2008</i> <i>KD</i>	<i>2007</i> <i>KD</i>
Balance at beginning of the year / period	7,583,085	-
Net movement during the year / period	(4,983,057)	7,456,637
Unrealised (loss) gain on investments at fair value through income statement	(103,145)	126,448
	2,496,883	7,583,085
Less: Impairment of investments at fair value through income statement	(239,645)	-
Balance at the end of the year / period	2,257,238	7,583,085

5. ACCOUNTS RECEIVABLE

	<i>2008</i> <i>KD</i>	<i>2007</i> <i>KD</i>
Due from Kuwait Clearing Company	1,565	140,644
Accrued income	399,046	1,001,121
Prepaid expenses	5,769	-
Advance payments	148,874	16,056
Refundable deposit	24,519	24,519
Due from related parties	64,560	17,460
	644,333	1,199,800

The fair value of accounts receivable approximated their carrying values as of December 31, 2008.

Tharwa Investment Company K.S.C (Closed) and Subsidiary (The Group)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2008

6. LOANS GRANTED TO OTHERS

	<i>2008</i> <i>KD</i>	<i>2007</i> <i>KD</i>
Loans granted to others	1,466,584	1,462,578
Provision for impairment on loans	(14,666)	(14,626)
	1,451,918	1,447,952

The policy of the Group 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.

Loans granted to others bear interest rate of 2% per annum over the Central Bank of Kuwait discount rate, receivable in quarterly instalments.

Movement in provision for impairment on loans is as follows:

	<i>2008</i> <i>KD</i>	<i>2007</i> <i>KD</i>
Balance at the beginning of the year / period	14,626	-
Provision charge during the year / period	40	14,626
Balance at the end of the year / period	14,666	14,626

7. AVAILABLE FOR SALE INVESTMENTS

	<i>2008</i> <i>KD</i>	<i>2007</i> <i>KD</i>
Local funds	3,370,030	4,161,846
Foreign funds	1,928,570	143,535
Foreign equities	425,636	137,384
Foreign portfolios	2,827,697	-
	8,551,933	4,442,765
Impairment of investments	(78,950)	-
	8,472,983	4,442,765

The movement during the year / period is as follows:

	<i>2008</i> <i>KD</i>	<i>2007</i> <i>KD</i>
Balance at the beginning of the year / period	4,442,765	-
Net movement during the year / period	4,898,811	4,289,049
Unrealized (loss) gain on investments available for sale	(789,643)	153,716
	8,551,933	4,442,765
Less: Impairment of investments	(78,950)	-
	8,472,983	4,442,765

Included in the investments above are investments amounting to KD 3,332,284 (2007: KD 280,919) that are carried at cost since their fair value cannot be reliably measured on a regular basis. The management believes that there is no objective evidence or circumstances that indicate any impairment in the value of these investments at the consolidated balance sheet date except for uncertain investment.

Tharwa Investment Company K.S.C (Closed) and Subsidiary (The Group)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2008

8. INVESTMENT IN AN ASSOCIATE

Associate is involved in General Trading activities.

	<i>Country of i n c o r p o r a t i o n</i>	<i>Ownership</i>	
		<i>2008</i>	<i>2007</i>
Tharwa Saudi Company W.L.L	Kingdom of Saudi Arabia	49%	49%

The following table illustrates summarised information of the Group's investment in the associate:

	<i>2008 KD</i>	<i>2007 KD</i>
Associate assets and liabilities:		
Current assets	391,835	183,505
Non-current assets	14,466	-
Current liabilities	(59,291)	-
Non-current liabilities	(2,894)	-
Net assets	344,116	183,505
Associate's revenue and result:		
Revenue	327,778	-
Result	160,611	-

9. INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES

<i>Name of the subsidiary</i>	<i>Principle activity</i>	<i>Country of Incorporation</i>	<i>Ownership Percentage</i>	<i>2008</i>	<i>2007</i>
Tharwa Real Estate Co. W.L.L	Real Estate	Kuwait	100%	50,000	50,000
Tharwa Gulf General Trading and Construction Co W.L.L	General Trading	Kuwait	100%	250,000	250,000

The Group did not consolidate these investments since the subsidiaries have not commenced any operations as of the consolidated balance sheet date and were not considered material to the accompanying consolidated financial statements.

10. INVESTMENT PROPERTY

Tharwa Investment Company K.S.C (Closed) and Subsidiary (The Group)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2008

	<i>2008</i> <i>KD</i>	<i>2007</i> <i>KD</i>
	<hr/>	<hr/>
Additions during the year	1,931,537	-
Gain on revaluation of investment property	58,467	-
	<hr/>	<hr/>
	1,990,004	-
	<hr/> <hr/>	<hr/> <hr/>

Investment property represents a property owned by the subsidiary located on Seef area in the Kingdom of Bahrain. The fair value as December 31, 2008 had been arrived at on the basis of evaluation carried out at that date by independent valuers.

Tharwa Investment Company K.S.C (Closed) and Subsidiary (The Group)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2008

11. PROPERTY AND EQUIPMENT

	<i>Furniture KD</i>	<i>Office equipment KD</i>	<i>Other assets KD</i>	<i>Total KD</i>
Cost:				
At 1 January 2008	187,581	51,116	17,000	255,697
Additions	367,693	52,868	-	420,561
At 31 December 2008	555,274	103,984	17,000	676,258
Depreciation and amortization:				
At 1 January 2008	(35,152)	(16,314)	(5,972)	(57,438)
Charge for the year	(47,585)	(18,303)	(5,667)	(71,555)
At 31 December 2008	(82,737)	(34,617)	(11,639)	(128,993)
Net book value:				
At 31 December 2007	152,429	34,802	11,028	198,259
At 31 December 2008	472,537	69,367	5,361	547,265

12. ACCOUNTS PAYABLE AND ACCRUALS

	<i>2008 KD</i>	<i>2007 KD</i>
Accrued expenses	37,275	528,414
KFAS payable	17,678	34,195
Zakat payable	20,334	2,335
Board of Directors' remuneration payable	10,000	10,000
Other payables	204,055	-
	289,342	574,944

At the consolidated balance sheet date, there are no material differences between the fair value and the carrying value of accounts payables and accruals.

13. RELATED PARTY TRANSACTIONS AND BALANCES

These represent transactions with certain parties (major shareholders, directors and executive officers of the parent company, close members of their families and entities controlled, jointly controlled or significantly influenced by such parties) entered into by the group in the ordinary course of business. Pricing policies and terms of these transactions are approved by the group's management.

Balance with related parties included in the consolidated balance sheet are as follow:

	<i>2008 KD</i>	<i>2007 KD</i>
Accounts receivable	136,725	120,610
Investment available for sale	5,140,699	4,161,840
Due to related parties	298,850	298,850

Tharwa Investment Company K.S.C (Closed) and Subsidiary (The Group)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2008

13. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Transactions with related parties included in the consolidated income statement are as follows:

	<i>For the year ended 31 December 2008 KD</i>	<i>For the period from 11 September 2006 (date of inception) till 31 December 2007 KD</i>
Management fees – managed funds	337,476	362,506
Directors' remuneration	(10,000)	(10,000)

Related parties transactions are subject to the approval of the shareholders' Annual General Assembly.

Key management compensation:

	<i>For the year ended 31 December 2008 KD</i>	<i>For the period from 11 September 2006 (date of inception) till 31 December 2007 KD</i>
Salaries and other short term benefits	150,661	132,259

14. EMPLOYEE'S END OF SERVICE BENEFITS

	<i>2008 KD</i>	<i>2007 KD</i>
Balance at the beginning of the year / period	4,619	-
Charge for the year / period	8,849	4,619
Balance at the end of the year / period	13,468	4,619

15. SHARE CAPITAL, DIVIDENDS AND DIRECTORS' REMUNERATION

	<i>Authorized</i>		<i>Issued and fully paid up</i>	
	<i>2008 KD</i>	<i>2007 KD</i>	<i>2008 KD</i>	<i>2007 KD</i>
Ordinary shares of 100 Fils for each	15,112,500	15,000,000	15,112,500	15,000,000

The Board of Directors of the Parent Company have proposed the following to the Parent Company's shareholder records as of the date of the General Assembly:

Cash Dividends of 5 % (2007: 10%) of paid up share capital. This proposal is subject to the approval of the shareholders general assembly.

These dividends have not been accounted in these consolidated financial statements

The proposed is subject to the approval of the ordinary general assembly of the shareholders of the parent company.

Capital increase through share options for the employee at 116 fils per share made up of par value of 100 fils and the share premium of 16 fils.

The distribution of cash dividends for the period ended 31 December 2007 was approved on May 6, 2008 by the ordinary general assembly of the shareholders of the Parent Company.

Directors' remuneration of KD 10,000 (2007: KD 10,000) is within the amount permissible under local regulations and is subject to approval by the ordinary general assembly of the shareholders of the Parent Company.

Tharwa Investment Company K.S.C (Closed) and Subsidiary (The Group)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2008

16. RESERVES

Share premium

This represents cash received in excess of the par value of the shares issued. The share premium account is not available for distribution except under specific circumstances as provided in Commercial Companies Law.

Statutory reserve

As required by the law of commercial Companies and the Parent Company's articles of association, 10% of the profit for the year before contribution to Kuwait Foundation for Advancement of Sciences (KFAS), Zakat and Board of Directors' remuneration has been transferred to statutory reserve. The parent company may resolve to discontinue such annual transfers when the reserve totals 50% of the issued share capital.

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

Voluntary reserve

As proposed by the Parent Company's Board of directors, 5% of the profit for the year 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. INVESTMENT SERVICE INCOME

	<i>For the year ended 31 December 2008 KD</i>	<i>For the period from September 11, 2006 (date of inception) till 31 December 2007 KD</i>
Management fees	1,248,146	808,756
Incentive fees	3,227	702,957
Placement fees	-	165,380
Consulting fees	19,847	-
Arrangement fees	525,869	-
Other fees	300,999	209,264
	<u>2,098,088</u>	<u>1,886,357</u>

18. INTEREST INCOME

	<i>For the year ended 31 December 2008 KD</i>	<i>For the period from September 11, 2006 (date of inception) till 31 December 2007 KD</i>
Short term deposit	97,878	685,484
Loans granted to others	127,669	113,041
Other interest income	6,187	44,931
	<u>231,734</u>	<u>843,456</u>

Tharwa Investment Company K.S.C (Closed) and Subsidiary (The Group)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2008

19. 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 year after deducting the transfer to statutory reserve.

20. ZAKAT

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

21. EARNINGS PER SHARE

Basic earnings per share is computed by dividing profit for the year/period by the weighted average number of shares outstanding during the year/period as follows:

	<i>For the year ended 31 December 2008 KD</i>	<i>For the period from September 11, 2006 (date of inception) till 31 December 2007 KD</i>
Profit for the year / period	<u>1,916,188</u>	<u>3,752,885</u>
	Shares	Shares
Weighted average of shares outstanding during the year/ period	<u>150,313,525</u>	<u>150,000,000</u>
Basic earnings per share for the year / period (fils)	<u>12.75</u>	<u>25.02</u>

22. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash and cash equivalents, investments at fair value through income statement, available for sale investments, loan granted to others and certain accounts receivable. Financial liabilities consist of accounts payable and accruals and due to related parties.

Fair values of all financial instruments are not materially different from their carrying values, except for certain unquoted investments available for sale, which are mentioned in Note (7).

23. RISK MANAGEMENT

The group is exposed to credit risk, liquidity risk and market risk and capital risk.

23.1. Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Group's credit policy and exposure to credit risk is monitored on an ongoing basis. The group manages its credit risk with the objective of ensuring that it is well diversified and earns a level of return appropriate to the risk it assumes. It also obtains security when appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2008

23. RISK MANAGEMENT (continued)

23.1. Credit risk (continued)

Maximum exposure to credit risk and risk concentration

	<i>Gross maximum exposure 2008 KD</i>	<i>Gross maximum exposure 2007 KD</i>
Cash and cash equivalents	3,333,266	4,429,648
Accounts receivable	644,333	1,199,800
Loans granted to others	1,451,918	1,447,952
	<u>5,429,517</u>	<u>7,077,400</u>

23.2. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk, the group invests in short-term deposits or other investments that are readily realisable. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

31 December 2008	<i>Within 1 month KD</i>	<i>1 to 3 months KD</i>	<i>3 to 12 months KD</i>	<i>1 to 5 years KD</i>	<i>Total KD</i>
Assets					
Cash and cash equivalents	3,333,266	-	-	-	3,333,266
Investments at fair value through income statement	-	1,212,238	-	1,045,000	2,257,238
Accounts receivable	404,121	11,288	228,924	-	644,333
Loans granted to others	-	-	1,451,918	-	1,451,918
Available for sale investments	-	-	-	8,472,983	8,472,983
Investment in associate	-	-	-	344,116	344,116
Investments in unconsolidated subsidiaries	-	-	-	300,000	300,000
Investment property	-	-	-	1,990,004	1,990,004
Property and equipment	-	-	-	547,265	547,265
Total assets	<u>3,737,387</u>	<u>1,223,526</u>	<u>1,680,842</u>	<u>12,699,368</u>	<u>19,341,123</u>
Liabilities					
Accounts payable and accruals	-	38,928	250,414	-	289,342
Due to related parties	-	-	-	298,850	298,850
Employees' end of service benefit	-	-	-	13,468	13,468
Total liabilities	<u>-</u>	<u>38,928</u>	<u>250,414</u>	<u>312,318</u>	<u>601,660</u>

Tharwa Investment Company K.S.C (Closed) and Subsidiary (The Group)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2008

23. RISK MANAGEMENT (continued)

23.2. Liquidity risk (continued)

31 December 2007	<i>Within 1 month KD</i>	<i>1 to 3 months KD</i>	<i>3 to 12 months KD</i>	<i>1 to 5 years KD</i>	<i>Total KD</i>
<u>Assets</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	1,129,756	-	70,044	-	1,199,800
Loans granted to others	-	-	1,447,952	-	1,447,952
Available for sale investments	-	-	-	4,442,765	4,442,765
Investment in associate	-	-	-	183,505	183,505
Investments in unconsolidated subsidiaries	-	-	-	300,000	300,000
Property and equipment	-	-	-	198,259	198,259
Total assets	5,559,404	7,583,085	1,517,996	5,124,529	19,785,014
<u>Liabilities</u>					
Accounts payable and accruals	-	557,799	17,145	-	574,944
Due to related parties	-	-	-	298,850	298,850
Employees' end of service benefit	-	-	-	4,619	4,619
Total liabilities	-	557,799	17,145	303,469	878,413

23.3. Market risk

Market risk is the risk that the value of an asset will fluctuate as a result of changes in market variables such as foreign exchange rates, and equity prices, whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all investments traded in the market.

Market risk is managed on the basis of pre-determined asset allocations across various asset categories, diversification of assets in terms of geographical distribution as disclosed in Note 24, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value.

23.3.1 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Currency risk is managed by the group on the basis of determined limits and a continuous assessment of the group's open positions and current and expected exchange rate movements. Management believes that there is minimal risk of losses due to exchange rate fluctuations, and consequently the group does not hedge foreign currency exposures.

The effect on profit for the year (due to change in the fair value of monetary assets and liabilities) and on equity, as a result of change in currency rate, with all other variables held constant is shown below:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2008

23. RISK MANAGEMENT (continued)

23.3. Market risk (continued)

23.3.1 Currency risk (continued)

Currency	2008			2007		
	Change in Currency rate In %	Effect on profit for the year KD	Effect on Equity KD	Change in Currency rate In %	Effect on profit for the period KD	Effect on Equity KD
USD	±5%	±1,362	±50,012	±5%	±55,340	±13,670
SAR	±5%	-	±158,916	±5%	±14,030	±250
BHD	±5%	-	±115,334	±5%	-	-

23.3.2 Equity price risk

Equity price risk arises from changes in the fair values of equity investments. The unquoted equity price risk exposure arises from the group's investment portfolio. The group manages this through diversification of investments in terms of geographical distribution and industry concentration. The majority of the group's quoted investments are listed on the Kuwait Stock Exchange.

The effect on consolidated statement of income (as a result of a change in the fair value of investments at fair value through income statement) and on equity (as a result of a change in the fair value of available for sale investments) due to a reasonably possible change in market indices, with all other variables held constant is as follows:

Market Index	2008			2007		
	Change in Price %	Effect on profit for the year KD	Effect on Equity KD	Change in Price %	Effect on profit for the period KD	Effect on Equity KD
Kuwait Stock Exchange	±5%	±59,250	±168,502	±5%	±199,138	±208,092

23.4. Capital risk

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

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

For the purpose of capital risk management, the total capital resources consist of the following components:

	2008 KD	2007 KD
Cash and cash equivalents	(3,333,266)	(4,429,648)
Total equity	18,739,463	18,906,601
Total capital resources	15,406,197	14,476,953

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2008

24. CONCENTRATION OF ASSETS

Concentration of assets arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the group's performance to developments affecting geographic location.

The distribution of assets by geographic region was as follows:

Geographic region	2008 KD	2007 KD
Kuwait	11,713,148	16,593,881
Kingdom of Bahrain	2,306,670	-
United States of America	378,823	1,387,798
Cayman Island	1,770,669	-
Qatar	-	196,208
Kingdom of Saudi Arabia	3,171,813	933,229
United Arab Emirates	-	673,898
	19,341,123	19,785,014

25. EMPLOYEES' SHARE OPTION SCHEME

During the year ended 2008, the Parent Company approved a share purchase scheme for certain employees, wherein 1,125,000 shares were granted on September 21, 2008 (the grant date) at an exercise price of 116 fils. All the shares were vested and exercised on the grant date. The fair value of the share purchase scheme approximates the exercise price and hence there is no material impact on the consolidated statement of income.

The fair value was calculated using the _____ pricing model, the inputs into the model were as follows:

26. MANAGED PORTFOLIOS AND FUNDS

In its capacity as manager of portfolios and funds belonging to third parties, the parent company holds investments and bank accounts amounting to KD 120,778,244 (2007: KD 146,512,569) in its own name as a nominee for the third parties. These assets are not included in the consolidated balance sheet of the group.

27. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with the current year presentation.