ANNUAL REPORT

2008 AQAR REAL ESTATE INVESTMENTS CO.

His Highness
Sheikh Naser Al-Mohammad Al-Sabah
Prime Minister of
the State of Kuwait

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

His Highness
Sheikh Nawaf Al-Ahmad
Al-Jaber Al-Sabah
Crown Prince of the State of Kuwait

Aqar Real Estate Investments Co. (K.S.C.C.)

Al Sharq - Khaleejia Complex 9th floor - P.O. BOX 20017 Safaat 13061 Kuwait
Tel: +965 2249 1900 - Fax: +965 2249 1906
www.aqar.com.kw

CONTENTS

CHAIRMAN’S MESSAGE

To the Shareholders of
AQAR REAL ESTATE INVESTMENTS COMPANY

" It is my pleasure to meet with the shareholders of the company and I would like to welcome you all to the general assembly to present the company's annual report for the fiscal year ended on the 31st of December 2008, including the company's most significant activities and achievements during the year along with the auditor's report, consolidated balance sheet and income statement. "

Dear shareholders,

The year 2008 witnessed exceptional financial and economic conditions, as the world's financial markets suffered an unprecedented major collapse. These circumstances have had a significant impact in the decline in asset values throughout the world to varying degrees depending on the strengths of economies and their cohesion in crisis. The real estate sector, particularly in Kuwait and throughout the world was also severely affected.

In these difficult circumstances, the company through its strategy of diversifying assets and investments has reduced risks to overcome critical stages, and it is no exaggeration to say that the portfolio of assets and investments of the company are solid. Their market value exceeds their book value, thanks to a policy of prudence and caution that the company follows in the evaluation of assets which will help the company to avoid any future losses. In fact, the company expects attractive future profits from its assets and investments.

Dear shareholders,

The company is moving forward in the implementation and completion of the projects initiated during the past year. Construction work is in progress on the C View Tower located in the Al Shaab Al Bahri area and is expected to be completed by the end of the second quarter of this year.

Furthermore, 80% of the Al-Barsha'a Project in Dubai, United Arab Emirates, has been completed. The project is expected to be ready to be used by the third quarter of 2009. This project will be rented out and is expected to generate good rental returns, according to recent studies that have been conducted on the project, taking into account the average price of reservation rent value.

The company has invested in a diversified portfolio of investments with the aim to reduce risk to the greatest extent possible. These investments have been made on a regional level through alliances with other active parties in the year 2008. Investments have been made in an infrastructure project in the Lusail district, Qatar. Investments have also been

made in the Kingdom of Bahrain in the Al-Hidd area, for the development of infrastructure for the planned industrial zone. Furthermore, investments in a tourism project in Turkey have also been made, in addition to some local investments.

The company has established a subsidiary in the Kingdom of Saudi Arabia through which investments can be made at the right time, in order to capitalize on investment opportunities best suited with the company's strategy. The Saudi market remains a promising market that has not been very much affected by the world financial crisis and the demand for real estate is still high as specialized economic studies have confirmed.

Dear shareholders,

Despite the exceptional circumstances which have been discussed, and despite the lack of financing in both the local market and the world, the company was able to obtain credit facilities through local credit suppliers, which will be used to finance future projects of the company, a clear indicator of the strength of the company's assets as previously mentioned in this report. The company now has the liquidity necessary to support and conduct business during the fiscal year 2009 in accordance with its plan, as we await market stabilization to seize good investment opportunities to achieve adequate future profits.

The company's revenues amounted to KD 992,752 during the fiscal year 2008 while its expenses amounted to KD (697,295). However, the net loss for the year 2008 is KD (1,180,345) i.e. (5.07) fils per share.

The loss is mainly unrealized losses that Aqar has incurred with respect to its available for sale investments. The decline in the value of available for sale investments amounted to KD (1,475,802). This loss was due to current market and the prevailing global conditions. The company's available for sale investments include a portfolio that invests in selected operational shares in the Kuwait Stock Exchange, which has declined in value by KD (635,802). In maintaining its conservative approach, the company has also taken a provision of KD (840,000) on an available for sale investment.

To avoid losses in the future, the management of the company is following an approach of transparency in presenting its financial statements to shareholders. In addition the management has not resorted to embellishing budget figures of any unrealized profits in anticipation of future conditions.

In conclusion, we would like to renew our pledge to make every effort to move the company to safety and overcome difficult financial circumstances and achieve the aspirations of the company's shareholders.

On behalf of my colleagues on the Board of Directors and myself, I would like to offer my sincere thanks and appreciation to our shareholders, for their confidence and continued support which has resulted in a greater effort to achieve the best results despite the current economic conditions.

I would also like to extend my thanks to the management of the company and its staff for their dedicated efforts during the past year.

Issam Abdulaziz Al Usaimi
Chairman

BOARD OF DIRECTORS

Issam Abdulaziz Al Usaimi
Chairman

Muneer Abdul Mohsen Al Sharhan
Vice Chairman

Khaled Abdulaziz Al Usaimi
Board Member

Yousef Dakeel Al Dakeel
Board Member

Mohammed Rashed Al Qaoud
Board Member

Nawaf Abdullah Al Refaee
Board Member

Jasem Mohammed Al Zaid
Board Member

EXECUTIVE MANAGEMENT

Emad Abdullah Al Essa
General Manager

Hamed Fatouh Hamed
Financial and Administration Manager

Abdulaziz Abdul Razzaq Al Meajel
Manager of Project Development Department

COMPANY PROFILE

Aqar in brief

Aqar Real Estate Investment Co. was established in the year 1997 by an elite group of Kuwaiti institutions and entrepreneurs. It was successfully listed on the Kuwait Stock Exchange in the year 2005. Aqar has a total adjusted capital of KWD 23.425 Million as on 31 Dec 2008.

Aqar provides a comprehensive portfolio of real estate products and services, including acquisition and development of real estate property both inside and outside Kuwait.

Vision & Mission

Aqar seeks to adopt an opportunistic approach in exploiting real estate opportunities – local, regional as well as international opportunities.

Aqar strives to utilize all available resources in an efficient and effective manner to enhance shareholder value through balanced investments in multiple asset classes.

AQAR SUBSIDIARIES

Al Roaya International Real Estate Company

Al Roaya International Real Estate Company was established 3rd quarter 2004 with a paid up capital of KD 1 Million. Al Roaya International Real Estate Company is involved in acquiring, buying, selling, developing, and investing in real estate for Aqar both inside and outside of Kuwait as well as managing client's funds. Its other services include research, consultancy, maintenance, organizing real estate exhibitions for Aqar's projects, as well as buying, selling, and acquiring the company's bonds and shares.

Gulf Springs Kuwait Real Estate Development Company

Gulf Springs Kuwait Real Estate Development Company is a limited liability company established in 2nd quarter 2007 with a paid up capital of KD 4 million and is 100 % owned by Aqar Real Estate Investments Company. Gulf Springs Real Estate Development Company, Kuwait owns the C View tower located in Al Shaab Al Bahri Area.

AQAR
JORDAN

AQAR – Jordan:

Aqar Jordan was established on the 22nd of April 2008 and will focus on developing and investing in various real estate projects in the Kingdom of Jordan.

AQAR
KSA

AQAR - Saudi Arabia:

Aqar Saudi Arabia was established on the 5th of April 2008 in order to identify attractive opportunities, develop real estate assets, and invest in the promising Saudi real estate sector.

AQAR WEBSITE

Aqar continuously endeavors to provide the latest information on the company activities to its shareholders as well as the general public.

In order to facilitate this, we are pleased to inform you that Aqar has successfully launched its new website. The website would include information on the company's profile, main activities, and details on the Board of Directors as well as the Management Team.

The website would also provide up to date information on the company's projects and investments in local, regional and international markets.

Visitors of the website will have complete access to the company's latest financial reports as well as financial reports of previous years.

VISIT OUR WEBSITE

www.aqar.com.kw

COMPANY PROJECTS

COMPANY INVESTMENTS

C View Tower

The C View Tower is situated in the Shaab Al Bahri area, Kuwait and overlooks the Arabian Gulf Road.

This contemporary development covers an area of 1,000 square meters and is a high quality luxurious building catering to the requirements of upper class customers.

It consists of 15 floors plus basement comprising of 4 bedroom and 3 bedroom apartments, 2 penthouses and one townhouse. Each floor consists of a single apartment that is designed at the highest standards to ensure quality, exclusivity and privacy. Each apartment has a direct view of the vast, tranquil gulf. The living room, same as the bedrooms, will have a clear sea view. This is being made possible by the innovative and striking design.

The townhouse consists of 2 floors and has its own private swimming pool and garden. The first four floors are 4 bedroom apartments, the fifth and the fourteenth floor are penthouses and the sixth to the 13th floors comprise of 3 bedroom apartments. The top floor penthouse will also include a private area on the roof.

A swimming pool, health club, shaded parking, 24 hours security, reception, storage room per residential unit are among the facilities that will be provided.

This project is scheduled for completion in the second quarter of 2009.

AL BARSHA'A PROJECT - DUBAI

A Multi use development situated in the Al Barsha'a Area (1), Dubai UAE. This area is one of the most highly developed parts in Dubai.

The development covers an area of 3,221 square meters and comprises of 3 level basement car parking, ground floor that will be utilized as shopping area and 6 floors of retail area. The shopping area would include a health club, restaurants, cafes as well as commercial stores.

This development is well accessible from the main city centers. It is close to the Mall of Emirates and Jumeirah City. So far, 80% of the project has been accomplished and the project is expected to be fully completed by the third quarter of the year 2009.

DANA & DINA TOWERS

This project was especially designed for one of Aqar's clients based on the "Build to Suit, Lease to Own" concept.

Aqar has successfully completed on time, the development of the Dana and Dina Towers. This development is situated in the Al Mahboulah Area and overlooks the Al Fahaheel Highway.

The Dana and Dina Towers are two luxury residential towers built on a total site area of 4,000 square meters and comprising of 86 residential units. The towers were designed specifically to meet the housing requirements of one of Aqar's clients.

The 'Build to Suit, Lease to Own' concept has been successfully adopted for this development. This concept involves the construction of development as per client specifications, leasing the development to the client on completion and transfer of ownership to the client upon receipt of all lease payments thus, converting a client's expenses into an asset.

Some of the facilities offered are a swimming pool, health club as well as basement and ground floor car parking. Special attention has been made to provide the development with an impressive and beautiful landscape.

AL SHARQ TOWER

The design for this project won the MIPIM Award for 'Best Office Tower Design in the World' in the year 2007 at the International Property Exhibition which was held in Cannes, France.

Aqar and Injazzat Real Estate Development Co. have entered into a Joint Venture with the purpose of developing an office tower in the Al Sharq District opposite Al Hilali Road.

The development covers a land area of approximately 3,000 square meters with a build up area of 61,000 square meters including parking and is a prime location in the capital city. The development has a unique design that incorporates architectural and technical features that will enable it to stand out among the high rise buildings in the area. It features a sky garden and a pool at the top with a higher suspended section for panoramic city views.

At present final designs are being developed as well as efforts being made to obtain the necessary licenses. The project hopes to make a significant enhancement to the capital city area which has been witnessing continuous development in recent years.

LUSAIL MEDIA DISTRICT - QATAR

The City of Lusail is a true symbol of tomorrow's Qatar

Abundant resources, various initiatives taken by the Qatari government to promote the real estate sector as well as a total overhaul of the existing infrastructure facilities have led to the rapid growth in the real estate and construction industry in Qatar. The City of Lusail is one of the upcoming developments. Aqar has made an investment in a project that is involved in providing infrastructure facilities as well as a master plan for the Media District, Lusail. The main components of the master plan include residential towers, commercial mixed use, mosque and health centre.

BODRUM VACATION HOMES - TURKEY

Bodrum – the city that doesn't sleep.

In order to capitalize on the strong demand for vacation homes in Turkey, Aqar has invested a significant amount in a project that is involved in the development and sale of vacation homes in Turkey. This demand has been fueled by attractive prices, all year around pleasant weather, excellent infrastructure facilities as well as a well served airport. The project is located in the Bodrum peninsula with close proximity to the sea. The project involves purchase of 3 sites with the development of approximately 750 high quality vacations homes marketed to international buyers from UK, Spain, Russia, and the Middle East.

AL HIDD INDUSTRIAL AREA - BAHRAIN

Al Hidd Industrial Area is one of the upcoming projects in the Kingdom of Bahrain.

The Al Hidd Industrial estate covers an area of 650 hectares of which 240 hectares will be completed in the first phase. The area will be used mainly to house light industries. Aqar has made an investment in a project involved in the development of infrastructure facilities in the Al Hidd Industrial area.

ABYAT REAL ESTATE COMPANY

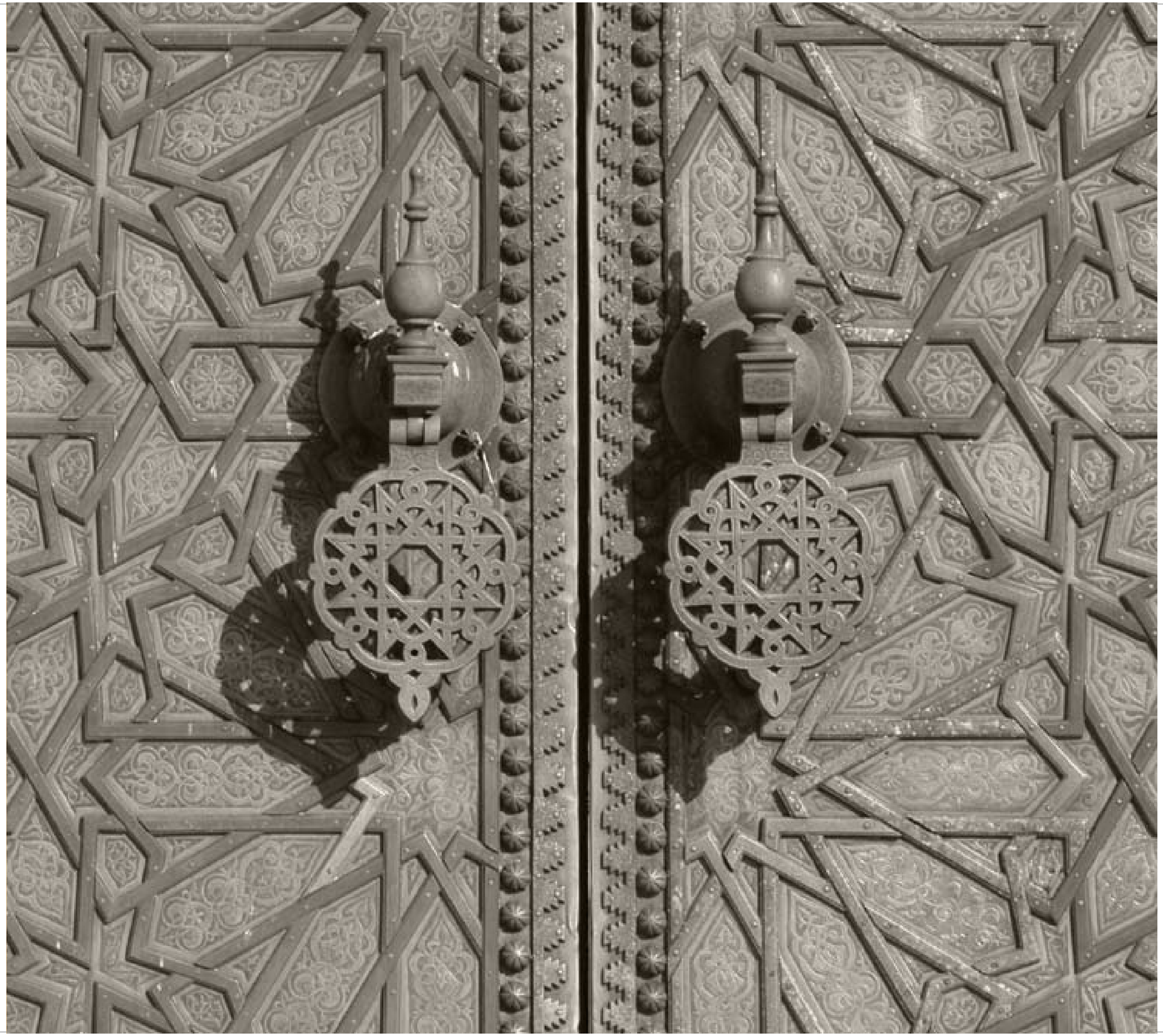
The new "One Stop Shop for Building Materials" concept.

Aqar has invested in Abyaat Real Estate Company which is the real estate arm for current and future expansion requirements of Abyaat Megastore showrooms. Abyaat Megastore has adopted a concept of managing and developing 'One Stop Shop for Building Materials". The completed showroom in Shuwaikh, covering an area of 22,500 sqm, is the first project of its kind in the GCC region. Abyaat Real Estate Company has an authorized capital of KD 10 Million.

GULF NORTH AFRICA HOLDING COMPANY

Promising investment opportunities in the North Africa region.

The North Africa region has been witnessing high economic growth across all sectors and specifically in the infrastructure and real estate industry. In order to capitalize on potential investment opportunities, Aqar Real Estate Investments company along with other strategic investors have participated jointly to incorporate Gulf North Africa Holding Company in December 2005 with a paid up capital of KWD 15 million. Aqar's contribution is 10%. This company has adopted the Islamic Sharia Principles and its geographic focus will be in the North Africa region. The main activity company will be involved in is investment in real estate.



FINANCIAL REPORT

AUDITORS' REPORT

To The Shareholders OF AQAR Real Estate Investments Company K.S.C. (Closed)

We have audited the accompanying consolidated financial statements of Aqar Real Estate Investments Company K.S.C. (Closed) ("the parent company") and subsidiaries (collectively "the group") which comprise consolidated balance sheet as at 31 December 2008 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, 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 the parent company's management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

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

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the parent company and the consolidated financial statements, together with the contents of the report of the parent company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Commercial Companies Law of 1960, as amended, and by the parent company's articles of association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Commercial Companies Law of 1960, as amended, nor of the parent company's articles of association have occurred during the year ended 31 December 2008 that might have had a material effect on the business of the group or on its financial position.

WALEED A. AL OSAIMI
LICENCE NO. 68 A - OF ERNST & YOUNG

30 March 2009 Kuwait

ALI A. AL HASAWI
LICENCE NO. 30 A - RÖDL MIDDLE EAST
BURGAN INTERNATIONAL ACCOUNTANTS

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2008

	Notes	2008 KD	2007 KD
INCOME			
Real estate income	3	403,004	435,427
Gain on disposal of property under development		-	750,000
Realised gain on available for sale investments		151,430	293,261
Net (loss)/gain on investments carried at fair value through income statement		(22,817)	469
Change in fair value of investment properties	10	-	936,600
Dividend income		136,769	57,724
Rental income		58,150	27,365
Share of results of associates	9	142,262	-
Interest income		117,766	260,934
Other income		6,188	2,709
		992,752	2,764,489
EXPENSES			
Staff costs		(360,445)	(675,701)
Depreciation		(10,353)	(10,129)
Administrative expenses		(155,736)	(148,593)
Impairment of available for sale investments		(1,475,802)	-
Finance costs		(114,891)	(39,038)
Loss on foreign exchange		(55,870)	(52,450)
PROFIT BEFORE KFAS, NLST AND ZAKAT		**(1,180,345)**	1,838,578
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		-	(16,547)
National Labour Support Tax (NLST)		-	(45,964)
Zakat		-	(1,108)
Directors' remuneration		-	(40,000)
(LOSS)/PROFIT FOR THE YEAR		**(1,180,345)**	1,734,959
BASIC AND DILUTED (LOSS) EARNINGS PER SHARE	4	**(5.07) fils**	7.48 fils

The attached notes 1 to 23 form part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

Year ended 31 December 2008

	Notes	2008 KD	2007 KD
ASSETS			
Cash and bank balances	5	168,516	386,766
Fixed deposits	5	2,100,000	4,524,439
Investments carried at fair value through income statement		-	266,649
Accounts receivable and other assets	7	5,238,038	4,287,710
Available for sale investments	8	4,691,899	4,077,755
Investment in associates	9	5,467,323	7,364,947
Investment properties	10	4,682,225	4,682,225
Properties under development	11	4,715,777	1,116,000
Furniture and equipment		10,852	20,461
Goodwill	6	165,889	-
TOTAL ASSETS		**27,240,519**	26,726,952
LIABILITIES AND EQUITY			
Liabilities			
Term loan	12	2,000,000	-
Due to banks	5	13,774	-
Employees' end of service benefits		111,688	79,183
Accounts payable and other liabilities	13	173,019	787,699
		2,298,481	866,882
Equity			
Share capital	14	23,425,000	21,500,000
Share premium		227,567	129,167
Statutory reserve	15	608,572	608,572
General reserve	15	608,572	608,572
Cumulative changes in fair values		-	(80,655)
Treasury shares	16	(149,360)	(27,618)
Treasury shares reserve	16	8,523	8,523
Retained earnings		213,164	3,113,509
		24,942,038	25,860,070
Total liabilities and equity		**27,240,519**	26,726,952

Issam Abdulaziz Al Usaimi
Chairman

Emad Abdullah Al-Essa
General Manager

The attached notes 1 to 23 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2008

	Share capital KD	Share premium KD	Statutory reserve KD	General reserve KD	Cumulative changes in fair values KD	Treasury shares KD	Treasury shares reserve KD	Retained earnings KD	Total KD
Balance at 1 January 2008	**21,500,000**	**129,167**	**608,572**	**608,572**	**(80,655)**	**(27,618)**	**8,523**	**3,113,509**	**25,860,070**
Changes in fair values of available for sale investments	-	-	-	-	(403,717)	-	-	-	(403,717)
Transferred to income statement on sale/impairment of available for sale investments	-	-	-	-	484,372	-	-	-	484,372
Total income recognised directly in equity	-	-	-	-	80,655	-	-	-	80,655
Loss for the year	-	-	-	-	-	-	-	(1,180,345)	(1,180,345)
Total income and expenses for the year	-	-	-	-	80,655	-	-	(1,180,345)	(1,099,690)
Issue of bonus shares	1,720,000		-	-	-	-	-	(1,720,000)	-
Capital increase	205,000	98,400	-	-	-	-	-	-	303,400
Purchase of treasury shares	-	-	-	-	-	(121,742)	-	-	(121,742)
Sale of treasury shares	-	-	-	-	-	-	-	-	-
Transfers to reserves	-	-	-	-	-	-	-	-	-
Balance at 31 December 2008	**23,425,000**	**227,567**	**608,572**	**608,572**	**-**	**(149,360)**	**8,523**	**213,164**	**24,942,038**
Balance at 1 January 2007	21,500,000	129,167	424,714	424,714	(179,629)	-	-	1,746,266	24,045,232
Changes in fair values of available for sale investments	-	-	-	-	392,235	-	-	-	392,235
Transferred to income statement on sale of available for sale investments	-	-	-	-	(293,261)	-	-	-	(293,261)
Total income recognised directly in equity	-	-	-	-	98,974	-	-	-	98,974
Profit for the year	-	-	-	-	-	-	-	1,734,959	1,734,959
Total income and expenses for the year	-	-	-	-	98,974	-	-	1,734,959	1,833,933
Purchase of treasury shares	-	-	-	-	-	(44,982)	-	-	(44,982)
Sale of treasury shares	-	-	-	-	-	17,364	8,523	-	25,887
Transfers to reserves	-	-	183,858	183,858	-	-	-	(367,716)	-
Balance at 31 December 2007	21,500,000	129,167	608,572	608,572	(80,655)	(27,618)	8,523	3,113,509	25,860,070

The attached notes 1 to 23 form part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2008

	Note	2008 KD	2007 KD
OPERATING ACTIVITIES			
(Loss)/Profit for the year		(1,180,345)	1,734,959
Adjustments for:			
Depreciation		10,353	10,129
Realised gain on available for sale investments		(151,430)	(293,261)
Impairment of available for sale investments		1,475,802	-
Net loss/gain on investments carried at fair value through income statement		22,817	(469)
Gain on disposal of property under development		-	(750,000)
Real estate income		(403,004)	(435,427)
Change in fair value of investment properties		-	(936,600)
Dividend income		(136,769)	(57,724)
Interest income		(117,766)	(260,934)
Share of results in associates		(142,262)	-
Finance Cost		114,891	39,038
Provision for employees' end of service benefits		33,936	31,627
		(473,777)	(918,662)
Changes in operating assets and liabilities:			
Accounts receivable and other assets		405,475	310,290
Accounts payable and other liabilities		(241,777)	674,702
		(310,079)	66,330
Payment For Employees end Service Benefits		(1,431)	-
Contribution paid to KFAS		-	(7,082)
NLST paid		(45,146)	(19,381)
Zakat paid		(1,107)	-
Directors fees paid		(40,000)	-
Net cash (used in) from operating activities		(397,763)	39,867

The attached notes 1 to 23 form part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT (continued)

Year ended 31 December 2008

	Note	2008 KD	2007 KD
INVESTING ACTIVITIES			
Purchase of available for sale investments		(2,580,397)	-
Proceeds from sale of available for sale investments		734,306	1,686,625
Proceeds from sale of investments carried at fair value through income statement		243,832	-
Purchase of investment property		-	(583,625)
Proceeds from disposal of property under development		-	2,700,000
Additions to properties under development		(559,619)	(1,804,249)
Acquisition of a subsidiaty , net of cash acquired	6	(2,113,032)	-
Investment in associates		-	(1,071,600)
Purchase of equipment		(745)	(6,235)
Proceeds on sale of available for sale investments		-	306,110
Interest received		128,588	248,428
Dividend received		125,000	25,000
Release (blocking) of fixed deposits		-	1,787,630
Net cash (used in) from investing activities		(4,022,067)	3,288,084
FINANCING ACTIVITIES			
Proceeds from term loan		2,000,000	-
Term loan repayment		-	(1,445,700)
Interest Paid		(114,891)	(39,038)
Purchase of treasury shares		(121,742)	(44,982)
Proceeds from sale of treasury shares		-	25,887
Net cash from (used in) financing activities		1,763,367	(1,503,833)
(DECREASE) increase in cash and cash equivalents		(2,656,463)	1,824,118
Cash and cash equivalents at beginning of the year		4,911,205	3,087,087
Cash and cash equivalents at end of the year	5	2,254,742	4,911,205

The attached notes 1 to 23 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2008

1. ACTIVITIES

The consolidated financial statements of the group for the year ended 31 December 2008 were authorised for issue in accordance with a resolution of the parent company's board of directors on 30 March 2009. The general assembly of the equity holders of the parent company has the power to amend these consolidated financial statements after issuance.

The parent company is a Kuwaiti closed shareholding company registered in Kuwait. The parent company was established in April 1997 and listed on the Kuwait Stock Exchange on 11 April 2005. The group is engaged in real estate development and other real estate investment activities.

The address of the parent company's registered office is PO Box 20017, Safat 13061, State of Kuwait.

The consolidated financial statements include the financial statements of the parent company and the following subsidiaries:

Name of company	Percentage of ownership 2008	2007	Country of registration	Principal activities
Al-Roaya International Real Estate Company	**100%**	100%	Kuwait	Real estate development
Gulf spring Kuwait Real Estate Development Company	**100%**	26.79%	Kuwait	Real estate development
Rabeea Al Khaleej Real Estate Company	**100%**	-	Saudi Arabia	Real estate development
Al Nakhwa Real Estate and Investment Company	**100%**	-	Jordon	Real estate development

The subsidiaries are engaged in real state investment activities.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

The consolidated financial statements have been presented in Kuwaiti Dinars.

2. SIGNIFICANT ACCOUNTING POLICIES (contiued)

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The accounting policies applied are consistent with those used in the previous year.

Future changes in accounting policies

The following standards and interpretations, which have been issued but are not yet effective, are applicable to the group. These standards and interpretations have not been applied in these financial statements. The group intends to comply with these standards from the effective dates.

Revised IAS 1 – Presentation of Financial Statements (applicable for reporting periods beginning on or after 1 January 2009)

The revised standard introduces changes to the presentation of financial statements and does not affect the recognition, measurement or disclosure of specific transactions. The standard will not affect the financial position or results of the group but will introduce some changes to the presentation of the financial position, changes in equity and financial results of the group. The changes are not expected to be of any significance to the current level of disclosure in the group financial statements

Revised IFRS 3 – Business Combinations and consequential amendments to IAS 27 – Consolidated and Separate Financial Statements (applicable for business combinations for which the acquisition date is on or after the beginning of the reporting period be on or after 1 July 2009)

The main changes to the standard that affects the group's current policies is that acquisition related costs are expensed in the income statement in the periods in which the costs are incurred and the services received, except for costs related to the issue of debt (recognised as part of the effective interest rate) and the cost of issue of equity (recognised directly in equity). Currently the group recognises acquisition costs as part of the purchase consideration. Also changes in ownership interest in a subsidiary that do not result in a loss of control are accounted for within equity and will have no impact on goodwill nor will it give rise to a gain or loss.

IFRS 8 – Operating Segments (applicable for reporting periods beginning on or after 1 January 2009)

The standard relates to disclosure requirements for segmental information and replaces IAS 14 – Segmental Reporting. The new standard intends to disclose segment information in line with information provided to the top management.

Revised IAS 23 – Borrowing Cost (applicable for reporting periods beginning on or after 1 January 2009)

The application of IAS 23 (Revised) will require an entity to capitalise borrowing costs attributable to the acquisition, construction or production of a qualifying asset as a part of the cost of that asset and removes the option of expensing these borrowing costs in the consolidated income statement. The application of the revised IAS 23 will not impact the group's financial statements as the group currently capitalises bank borrowing costs.

IFRIC 15 – Agreements for construction of real estate (applicable for reporting periods beginning on or after 1 January 2009)

The interpretation is to be applied retrospectively. It clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognised if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. Furthermore, the interpretation provides guidance on how to determine whether an agreement is within the scope of IAS 11 or IAS 18. It is likely to result in IAS 18 being applied to a wider range of transactions.

2. SIGNIFICANT ACCOUNTING POLICIES (contiued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the parent company and its subsidiaries for the year ended 31 December 2008.

Subsidiary is those entity 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 an entity so as to obtain benefits from its activities. The financial statements of subsidiary is included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

The financial statement of the subsidiary is consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Inter group balances and transactions, including inter group profits and unrealized profits and losses are eliminated on consolidation. The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Recognition of income

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

Profit from sale of properties
Profit from the sale of properties is recognised when significant risks and rewards of ownership have passed to the buyer and the amount of revenue can be measured reliably.

Financing income on pre-completion real estate assets
Financing income on pre-completion real estate assets are recognised on an effective yield basis.

Interest income
Interest income is recognised using the effective interest method.

Rental income
Rental income is accounted for on a straight line basis over the lease terms.

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

Finance costs
Finance costs are recognised on an effective yield basis taking into account the outstanding balance payable and applicable interest rate.

Cash and cash equivalents
Cash and cash equivalents consist of cash and bank balances and short-term deposits maturing within three months from the date of inception net of any overdraft balances and balances secured for the term loans.

Accounts receivable
Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

2. SIGNIFICANT ACCOUNTING POLICIES (contiued)

Goodwill

Goodwill arising on an acquisition represents the excess of the cost of the business acquisition over the acquirer's interest in the fair value of the acquiree's net identifiable assets, liabilities and contingent liabilities acquired as at the date of the exchange transaction. Goodwill is stated at cost less impairment losses. Goodwill is reviewed at each balance sheet date to assess the probability of continuing future benefits. If there is an indication that goodwill may be impaired, the recoverable amount is determined for the cash-generating unit to which the goodwill belongs. If the carrying amount is more than the recoverable amount, an impairment loss is recognised.

Term loans

Term loans are carried on the balance sheet at their principal amounts. Interest is charged as an expense as it accrues with unpaid amounts included in "accounts payable and accruals".

Financial instruments

The group classifies financial assets upon initial recognition into the following two categories:
- Investments carried at fair value through income statement
- Available for sale investments

Investments carried at fair value through income statement

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

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

Available for sale investments

After initial recognition at cost including transaction costs associated with the acquisition, available for sale investments are remeasured at fair value unless fair value cannot be reliably measured. Investments whose fair value cannot be reliably measured are carried at cost less impairment losses, if any.

Changes in fair value of the investments are reported as a separate component of equity until the investment is either derecognised or the investment is determined to be impaired. On derecognition or impairment, the cumulative gain or loss previously reported in equity is included in the consolidated statement of income. Reversal of previously recognised impairment losses in the consolidated statement of income are recorded as an increase in cumulative changes in fair value.

Trade and settlement date accounting

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

2. SIGNIFICANT ACCOUNTING POLICIES (contiued)

Impairment of financial assets

An assessment for a financial asset or a group of financial assets is made at each balance sheet date to determine whether there is an objective evidence that a financial asset or a specific group of financial assets may be impaired. If such an evidence exists, an impairment loss is recognised in the consolidated income statement.

Impairment is determined as follows:

a. for assets carried at amortised cost, impairment is based on estimated cash flows discounted at the original effective rate of return;
b. for assets carried at fair value, impairment is the difference between cost and fair value; and
c. for assets carried at cost, impairment is the difference between cost and present value of future cash flows discounted at the current market rate of return for a similar financial asset.

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

Recognition and derecognition of financial assets and liabilities

A financial asset or a financial liability is recognised when the group becomes a party to the contractual provisions of the instrument. A financial asset is de-recognised either when the contractual rights to cash flows from the financial asset expire, the group has transferred substantially all the risks and rewards of ownership or when it has neither transferred nor retained substantially all the risks and rewards, but no longer has control over the asset or a proportion of the asset. A financial liability is de-recognised when the obligation specified in the contract is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in consolidated income statement.

Investments in associates

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (contiued)
Investments in associates (contiued)

Unrealised gains on transactions with associates are eliminated to the extent of the group's share in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred. An assessment for impairment of investments in associates is performed when there is an indication that the asset has been impaired, or that impairment losses recognised in prior years no longer exist.

Investment properties

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

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

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

Properties under development

Properties acquired, constructed or in the course of construction for sale are classified as properties under development. Unsold properties are stated at the lower of cost or net realizable value. The cost of properties under development includes the cost of land and other related expenditure which are capitalized as and when activities that are necessary to get the properties ready for sale are in progress. Net realizable value represents the estimated selling price less costs to be incurred in selling the property.

Segment information

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

Impairment of non-financial assets

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

2. SIGNIFICANT ACCOUNTING POLICIES (contiued)
Impairment of non-financial assets (contiued)

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated income statement. After such 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.

Furniture and equipment

Furniture and equipment are recorded at cost less accumulated depreciation and impairment losses. The carrying amounts are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed recoverable amounts assets are written down to their recoverable amount.

Depreciation

Depreciation is provided on all furniture and equipment at rates calculated to write off the cost of each asset on a straight line basis over its estimated useful life of 3 to 5 years. The useful economic lives of furniture and equipment are reviewed at each year and revised where necessary.

Accounts payable and accruals
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provision for end of service benefits

The company provides end of service benefits to its employees in accordance with local labour laws. The entitlement to these benefits is based upon the employees' final salary and length of service subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its national employees, the company makes contributions to social security scheme calculated as a percentage of the employees' salaries. The company's obligations are limited to these contributions, which are expensed when due.

Treasury shares

The parent company's holding in its own shares is accounted for as treasury shares. Such shares are stated at cost as a deduction within shareholders' equity and no cash dividends are distributed on these shares.

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

2. SIGNIFICANT ACCOUNTING POLICIES (contiued)

Foreign currency

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

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

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

On consolidation, assets and liabilities of foreign subsidiary are translated into Kuwaiti Dinars at the year end rates of exchange and the results of these entities are translated into Kuwaiti Dinars at the average rates of exchange for the year. All foreign exchange translation adjustments are taken to the foreign currency translation adjustment within equity until disposal at which time they are recognised in the consolidated income statement.

Fair values

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Consequently differences can arise between carrying values and the fair value estimates.

Underlying the definitions of fair value is the presumption that the group is a going concern without any intention or requirement to materially curtail the scale of its operations or to undertake a transaction on adverse terms.

Investments

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

For investments where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to recent arm's length transactions, current fair value of another instrument that is substantially the same, an earnings multiple, or an industry specific earnings multiple or is based on the expected cash flows of the investment discounted at current rates applicable for items with similar terms and risk characteristics. Fair value estimates take into account liquidity constraints and assessment for any impairment.

Investments with no reliable measures of their fair values and for which no fair value information could be obtained are carried at their initial cost less impairment in value, if any.

Investment properties

Fair value is determined based on external valuation by independent, registered real estate valuers which have relevant experience in the real estate market.

Other financial assets and liabilities

For other financial assets and liabilities, fair value is determined based on expected future cash flows and management's estimate of the amount at which these assets could be exchanged for cash on an arm's length basis or a liability settled to the satisfaction of creditors

2. SIGNIFICANT ACCOUNTING POLICIES (contiued)

Judgements

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

Classification of real estate

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

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

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

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

Classification of investments

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

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

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

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

Estimation uncertainty

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

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on one of the following:
- recent arm's length market transactions;
- current fair value of another instrument that is substantially the same;
- an earnings multiple or industry specific earnings multiple;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- other valuation models.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2008

2. SIGNIFICANT ACCOUNTING POLICIES (contiued)
Estimation uncertainty (contiued)

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. There are a number of investments where this estimation cannot be reliably determined. As a result these investments are carried at cost less any impairment in value.

Valuation of investment properties

Valuation of foreign investment properties is based on one valuation by an independent valuer who holds a recognised and relevant professional qualifications and relevant experience.

3. REAL ESTATE INCOME

	2008 KD	2007 KD
Sales	-	2,089,576
Cost of sales	-	(1,842,495)
Trading profit	-	247,081
Finance income	403,004	188,346
	403,004	435,427

The average interest rate attributable to the sale of assets is 10.94% (2007: 10.94%).

4. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the profit for the year by the weighted average number of shares outstanding during the year as follows:

	2008	2007
(Loss)/profit for the year (KD)	(1,180,345)	1,734,959
Weighted average number of shares outstanding during the year	233,029,813	231,969,425
Basic and diluted (loss) earnings per share	**(5.07) fils**	7.48 fils

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2008

5. CASH AND CASH EQUIVALENTS

	2008 KD	2007 KD
Cash and bank balances	168,516	386,766
Fixed deposits maturing within three months of inception	2,100,000	4,524,439
	2,268,516	4,911,205
Less: due to banks	13,774	-
	2,254,742	4,911,205

Bank balances represent balances in non-interest bearing current accounts with financial institutions.

Fixed deposits are with local banks and yield an effective interest rate ranging from 2.5 % per annum to 6.25% per annum (2007: 6.25% to 6.75%) and have a maturity of less than three months.

6. ACQUISITION OF A SUBSIDIARY

On 1 May 2007, the parent company purchased 26.79 % holding in the shares of Gulf Spring Kuwait Real Estate Development Company W.L.L. (the "company") for a consideration of KD 1,071,600. On 20 February 2008 the parent company purchased the remaining 73.21% of shares in the company for consideration of KD 3,122,965. The company is based in Kuwait and operates in the real estate sector.

The values assigned to the identifiable assets and liabilities acquired from the company as at the date of acquisition reflected their respective carrying values and are shown below.

	As at 20 February 2008 KD
Assets	
Bank balances and cash	206,021
Fixed deposits	803,912
Accounts receivable	5,828
Property under development	2,700,000
Projects under construction	340,158
	4,055,919
Liabilities	
Payables and other liabilities	16,750
Value of net assets acquired	4,039,169
Goodwill arising on acquisition	165,889
Cost of acquisition	**4,205,058**
Less: carrying value included earlier under investment in associate	(1,082,093)
Less: cash and cash equivalents acquired	(1,009,933)
Cash outflow on acquisition	**2,113,032**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2008

7. ACCOUNTS RECEIVABLE AND OTHER ASSETS

	2008 KD	2007 KD
Accounts receivable	3,601,362	3,867,125
Amounts due from associates (Note 17)	1,600,714	387,607
Accrued interest and other assets	35,962	32,978
	5,238,038	4,287,710

Included in accounts receivable there is amount of KD 5,863,212 (2007: KD 6,371,096) due from a single client on sale of a property under development. The amount of KD 3,601,362 (2007: KD 3,704,030) is net of differed interest income of KD 2,261,850 (2007: KD 2,667,066). The receivable is secured against the asset sold.

The amounts due from associates are interest free with no fixed repayment term.

8. AVAILABLE FOR SALE INVESTMENTS

	2008 KD	2007 KD
Managed portfolios comprising quoted securities	492,893	1,072,678
Unquoted investment in real estate fund	-	222,577
Unquoted equity investments	4,199,006	2,782,500
	4,691,899	4,077,755

Managed portfolios comprising of quoted securities are managed by related parties.

Unquoted equity investments are carried at cost because fair value can not be reliably measured. An impairment charge of KD 840,000 (2007: Nil) has been recognised in income statement on an available for sale security.

9. INVESTMENTS IN ASSOCIATES

The group's associates consist of the following companies:

Name	Country of incorporation	% equity interest 2008	% equity interest 2007	Activities
Al Mal & Aqar Joint Projects Company W.L.L	Kuwait	33.3%	33.3%	Real estate development
Al Barsha Real Estate Company K.S.C.C	Kuwait	35%	35%	Real estate development
Gulf Spring Kuwait Real Estate Development Company W.L.L.	Kuwait	-	26.79 %	Real estate development

	2008 KD	2007 KD
Carrying amount of investments in associates:		
At 1 January	7,364,947	6,293,347
Additions	-	1,071,600
Transfer to receivables	(957,793)	-
Share of results	142,262	-
Transfer to subsidiaries (Note 6)	(1,082,093)	-
At 31 December	**5,467,323**	7,364,947

	2008 KD	2007 KD
Share of associates' assets and liabilities:		
Assets	9,704,985	9,278,940
Liabilities	4,237,662	1,913,993
Net assets	**5,467,323**	7,364,947

	2008 KD	2007 KD
Share of associates' revenue and results:		
Revenue	160,287	-
Profits	142,262	-

The associates are unlisted.

10. INVESTMENT PROPERTIES

	2008 KD	2007 KD
Balance at 1 January	**4,682,225**	4,257,000
Addition	-	583,625
Transfers to properties under development (note 11)	-	(1,095,000)
Change in fair value	-	936,600
Balance at 31 December	**4,682,225**	4,682,225

The group's investment properties were revalued at 31 December 2008 by an independent professionally qualified valuer. Valuation was based on current prices and is approximately equal to current book value.

11. PROPERTIES UNDER DEVELOPMENT

	2008 KD	2007 KD
At 1 January	1,116,000	2,780,027
Additions	3,599,777	1,804,249
Transferred from investment properties (note 10)	-	1,095,000
Disposal during the year	-	(4,563,276)
At 31 December	**4,715,777**	1,116,000

12. TERM LOAN

Term loan is denominated in Kuwaiti Dinars and carries a floating interest rate of 2.5% per annum over the Central Bank of Kuwait discount rate. The term loan is unsecured and is repayable within one year from the balance sheet date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2008

13. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2008 KD	2007 KD
Accounts payable	30,455	12,886
Other liabilities	142,564	774,813
	173,019	787,699

14. SHARE CAPITAL

Following approval of the Annual General Meeting held on 18 May 2008, the company increased its share capital from KD 21,500,000 as at 31 December 2007 to KD 23,425,000 by issuance of 17,200,000 bonus shares of 100 fils each equivalent to 8% of paid-up share capital as at 31 December 2007 and 2,050,000 shares were issued to employees at the market value of 148 fils on 4 June 2008.

The authorized, issued and fully paid share capital as of 31 December 2008 comprised 234,250,000 (2007: 215,000,000) shares of 100 fils each.

15. RESERVES

a) Statutory reserve

In accordance with the Commercial Companies Law and the parent company's Articles of Association, no transfer has been made to statutory reserve, since looses have been incurred during the year.

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

b) General reserve

In accordance with the parent company's Articles of Association, no transfer has been made to general reserve, since looses have been incurred during the year.

16. TREASURY SHARES

	2008	2007
Number of shares	1,279,200	240,000
Percentage of issued shares	0.55%	0.11%
Cost (KD)	149,360	27,618
Market value (KD)	143,270	36,960

The parent company has realised a profit of KD NIL (2007: KD 8,523) on sale of treasury shares during the year, which has been shown as treasury share reserve. The balance in the Treasury share reserve account is not available for distribution.

17. RELATED PARTY TRANSACTIONS

These represent transactions with certain parties (major shareholders, directors and executive officers of the parent company, close members of their families and companies of which they are principal owners or over which they are able to exercise significant influence) 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.

The income and expenses in respect of related parties included in the consolidated income statement are as follow:

	2008 KD	2007 KD
Major shareholders – management fee expense	2,898	2,792

Balances with related parties included in the consolidated balance sheet are as follows:

	2008 KD	2007 KD
Receivables from associates	1,600,714	387,607

Compensation of key management personnel

The remuneration of key management personnel of the group during the year were as follows:

	2008 KD	2007 KD
Short-term benefits	156,790	150,742
Employees' end of service benefits	17,577	15,679
	174,367	166,421

18. SEGMENT INFORMATION

Primary segment information

For management purposes the group is organised into two business segments:

- The real estate investment segment manages the group's investment in real estates.
- Other category comprises items which are not directly attributable to specific business segments.

These segments are the basis on which the group reports its primary segment information, as follows:

	Real Estate		Other		Total	
	2008 KD	2007 KD	2008 KD	2007 KD	2008 KD	2007 KD
Segment revenue	467,342	2,152,101	548,227	612,388	1,015,569	2,764,489
Segment results	467,342	2,152,101	(1,647,687)	(417,142)	(1,180,345)	1,734,959
Segment assets	12,999,364	9,663,855	14,241,155	17,063,097	27,240,519	26,726,952
Segment liabilities	-	-	2,298,481	866,882	2,298,481	866,882

Secondary segment information

The majority of the group's assets and operations are located in the State of Kuwait. The segmental revenues earned by the assets and operation in business segment outside the State of Kuwait are immaterial.

19. RISK MANAGEMENT

Risk is inherent in the group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the group's continuing profitability and each individual within the group is accountable for the risk exposures relating to his or her responsibilities. The group is exposed to credit risk, liquidity risk and market risk. Market risk is subdivided into interest rate risk and foreign currency risk. It is also subject to operating risks.

The Board of Directors are ultimately responsible for the overall risk management approach and for approving the risk strategies and principles.

19.1 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.

Maximum exposure to credit risk

The group's policy is to enter into arrangements only with recognised, creditworthy third parties. The maximum exposure with respect to credit risk arising from financial assets of the company, which comprise bank balances and cash, fixed deposits and receivables, is equal to the carrying amount of these instruments as shown in notes 5 and 7.

Risk concentrations of the maximum exposure to credit risk

The maximum credit exposure to any client or counterparty as of 31 December 2008 was KD 3,441,362 (2007: KD 3,704,030).

The group's receivable is with clients located in Kuwait.

Credit quality for class of financial assets

Neither internal credit grading system nor external credit grades are used by the group to manage the credit quality of receivables. Receivable balances are monitored on an ongoing basis with the result that the group's exposure to bad debts is not significant.

19.2 Liquidity risk

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

The table below summarises the maturity profile of the groups financial liabilities at 31 December 2008 based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately and are included in less than three months.

Financial liabilities	Less than 3 months KD	3 to 12 months KD	1 to 5 years KD	Total KD
31 December 2008				
Term loans	-	2,070,000	-	2,070,000
Due to banks	14,039	-	-	14,039
Accounts payable and other accruals	173,019	-	-	173,019
Employees end of service benefits	-	-	111,688	111,688
Total financial liabilities	**187,058**	**2,070,000**	**111,688**	**2,368,746**

19.2 Liquidity risk (continued)

Financial liabilities	Less than 3 months KD	3 to 12 months KD	1 to 5 years KD	Total KD
31 December 2007				
Accounts payable and other accruals	12,886	774,813	-	787,699
Employees end of service benefits	-	-	79,183	79,183
Total financial liabilities	12,886	774,813	79,183	**866,882**

The table below shows the contractual maturity profile of the group's contingent liabilities and commitments.

	Less than 3 months KD	3 to 12 months KD	1 to 5 years KD	Total KD
31 December 2008				
Commitments	383,768	313,992	-	697,760
31 December 2007				
Commitments	731,579	598,564	-	1,330,143

19.3 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 interest rates, 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, a continuous appraisal of market conditions and trends and the directors' estimate of long and short term changes in fair value.

19.3.1 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

The group does not have any significant borrowings and has a fixed deposit with a maturity within 3 months, and holds non-interest bearing bank balances. Consequently the group has no significant exposure to interest rate risk.

19.3 Market Risk (contiued)

19.3.2 Foreign exchange risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The group had the following significant exposures denominated in foreign currencies as of 31 December:

	2008 KD equivalent	2007 KD equivalent
USD	1,546,669	222,791
AED	913,107	957,793
SAR	10,721	-
JD	18,915	-
BHD	719,855	-

The table below analyses the effect on profit and equity of an assumed 5% strengthening in value of the currency rate against the Kuwaiti Dinar from levels applicable at the year end, with all other variables held constant. A negative amount in the table reflects a potential net reduction in profit or equity, whereas a positive amount reflects a net potential increase.

Currency	% change in currency rate	2008 Effect on profit KD	2007 Effect on profit KD
USD	+5	77,333	11,140
AED	+5	45,655	47,890
SAR	+5	536	-
JD	+5	946	-
BHD	+5	35,993	-

19.3 Market Risk (contiued)

19.3.3 Equity price risk

Equity price risk is the risk that the fair values of equity investments decrease as a result of the changes in the level of equity indices and the value of the individual stocks.

The effect of a change in the fair value of the equity instruments held as investments carried at fair value through income statement at 31 December 2008 due to a reasonable possible change in the equity indices, with all other variables held as constant, is as follows:

Market indices	% change in equity price	2008 Effect on Income statement KD	2007 Effect on Income statement KD
Kuwait Stock Exchange	+5	33,482	39,391

20. PROPOSED DISTRIBUTION

The board of directors of the parent company have proposed the non-distribution of dividends to the parent company's shareholders. This proposal is subject to the approval of the ordinary general assembly of the shareholders of the parent company.

On 18 May 2008, the shareholders at the annual general meeting approved bonus shares at 8% of the paid up capital as of 31 December 2007 amounting to KD 1,720,000.

21. FAIR VALUE OF FINANCIAL INSTRUMENTS

Except for the available for sale investments carried at cost (Note 8), in the opinion of the parent company's directors the carrying amounts of financial assets and liabilities as at 31 December 2008 approximated their fair values.

22. COMMITMENTS AND CONTINGENCIES

The group has commitments in respect of future capital expenditure amounting to KD 697,760 (2007: KD 1,330,143) relating to capital work in progress.

23. CAPITAL MANAGEMENT

The group's objectives regarding capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholders value.

The group manages its capital structure and makes adjustments to it in light of changes in business conditions. The group's strategy is unchanged from last year.

Capital is calculated as equity, as shown in the consolidated balance sheet and amounts to KD 24,942,038 (2007: KD 25,860,070).