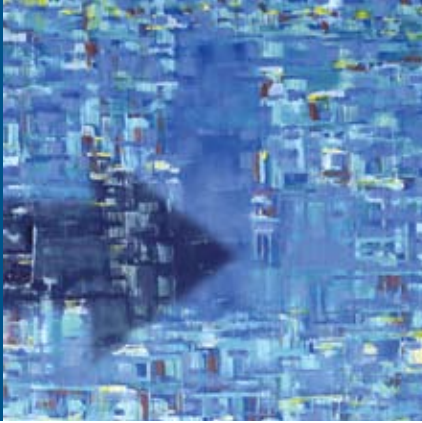


08

ANNUAL REPORT



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THE ART OF DEVELOPMENT



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



His Highness
Sheikh Nasser Al-Mohamad Al-Ahmad Al-Sabah
Prime Minister



BOARD OF DIRECTORS

BOARD OF DIRECTORS



Hamad Abdal Aziz Al-Shaya
Chairman



Mohammad Ibrahim Al-Farhan
Managing Director



Faisal Fahad Al-Shaya
Vice Chairman



Mohamed A. Almarzook
Board Member



Khaled Abdul Mohsen Al-Saqer
Board Member



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CHAIRMAN'S MESSAGE

Dear Shareholders,

It gives me great pleasure to welcome you, personally and on behalf of my fellow board members, and to present you with Injazzat Real Estate Development Company's annual report for the fiscal year ended on 31st December 2008, including an account of our activities during the period in question. This year, Injazzat has continued to implement its strategy and to reinforce its presence at various levels, through new acquisitions, sales and developments. In 2008 the company passed many milestones, most notably the celebration of its 10th anniversary.

In light of the current international financial turmoil, we have taken and will continue to take all the necessary measures to ensure that your company maintains its excellent performance record. We have raised our liquid assets from KD 14.7 million at the end of 2007 to KD 22.9 million at the end of 2008. We have also intensified our conservative policy, already rigorous, in evaluating our assets. So in spite of the serious shadows shed by the turmoil, we will remain safe from its implications in the year 2009. In fact, a company proves its strength when it survives the various cycles of the real estate market, and this is what we fully intend to do.

In line with its plan for this year, and as part of its ambitious achievements that have become an inherent part of the company's record, Injazzat has started construction work on Injazzat tower. This stylishly designed urban and structural landmark lies in the heart of Kuwait City, in Sharq behind the Dhow tower. The company has also started preparing designs for the development of a commercial complex in Shuwaikh Industrial Area, in response to the increasing demand for commercial spaces in the area. Additionally, the company has enhanced its investments in the GCC countries. In the UAE, land has been acquired at Al Jaddaf, and design work has started for several labor accommodation projects in Jabal Ali. In Bahrain, the company has signed a contract with Bahrain Wharf Co. to participate in the development of and investment in wharf labor accommodation projects. Furthermore, it has started the design work for the development of three commercial towers in Seef, two of which are residential towers and one for offices. Lastly, in Qatar, to cope with the country's economic boom, the company has established Amwaj Real Estate Development Co. to participate in the Lusail project.

At the international level, the company has entered the UK market by taking equity in Threadneedle Portfolio, a real estate portfolio specializing in commercial projects and warehousing. The company has also reinforced its presence in the Republic of Bulgaria through participating in the acquisition of two plots of land in Bistritsa and Lake View South Sofia.

This outstanding activity at all levels, international, regional and local, has manifested itself in the company's balance sheet, with assets rising from KD 167.0 million in 2007 to KD 203 million in 2008, an increase of 21.6%. Shareholders equity grew from KD 63.9 million in 2007 to KD 85.3 million in 2008, up by 33.5%.

In addition, revenues went up to KD 25.2 million at the end of 2008 from KD 23.3 million in 2007, marking an increase of 7.8%. Meantime, total expenses rose to KD 8.9 million at the end of 2008 against KD 6.2 million in 2007, up by 43%, consequently bringing net profit up to KD 15.4 million at the end of 2008 against KD 16.4 million in 2007, down by 6.2%.

The company's aspirations do not stop here. It still has many plans and projects for the forthcoming year. It will be keen to develop its local, regional and international property investments. In the meantime, it will continue pursuing promising investment opportunities in new markets, driven by strategic alliances to achieve its objectives and maintain its leadership in the real estate arena.

To conclude, I would like to extend, personally and on behalf of my fellow members of the board and staff, our sincere gratitude and appreciation to the company's shareholders, for their continued support and trust which underpin our joint success. Moreover, I would like to take this opportunity to state that the upcoming decade, will be a successful one and a true realization of achievement. I would also like to express my sincere appreciation to the management and staff for their efforts in delivering the company's objectives and enhancing its leadership position.

Sincerely,



Hamad Abdul-Aziz Alshaya
Chairman of the Board



THE COMPANY'S PROJECTS

INTRODUCTION

Injazzat Real Estate Development Company continues to build on its privileged image and distinguished reputation towards more recognition in the real estate development and investment industry. As Injazzat celebrates its tenth anniversary, it goes forward with steady progress towards consolidating credibility and high reputation through diligently and effectively employing the assets and resources of clients and shareholders in the best real estate investment opportunities, while achieving added value at all local, regional and international levels. All this was possible only

with the existence of a committed and highly qualified team of professionals, who have been working out well-studied plans and employing deep expertise and high standards of personal and professional integrity.

Since inception, Injazzat set for itself an unwavering goal that underlined its business strategy, which is to achieve geographical and qualitative diversification by creating a balance between income-generating assets, project development, and trading in land. A closer look at the company's activities would give a true picture of its strategy and achievements.

Local Level

Locally, Injazzat continues to implement its multifaceted strategy to ensure the desired diversification of its assets, which includes trading in land and development of real estate projects to capitalize on the growth of their value and earn lucrative returns from income generating real estates.

Dhow Tower

The Dhow Tower, which consists of 33 floors, was completed in 2006 and officially inaugurated in November 2007. It is strategically situated in Sharq area, with a total land area of approximately 2,000 sqm and a total built-up area of 24,000 sqm. The tower serves as an investment opportunity that provides commercial office floors for ownership in the state of Kuwait. It also satisfies the company's need for a permanent headquarter and accommodates for any future expansion.



Injazzat Tower

Over the past few years, Kuwait has adapted a new form of urban structure characterized by stylishly and creatively designed buildings, high-rise towers and luxurious hotels. The capital city is obviously the urban facade that gives an epitome of all the aspects of development. Consistent with this concept, Injazzat tower, which comprises of 28 floors and covers a total building area of about 15,000 sqm, embodies the company's keen interest in creating a consistent matrix in the area around the Dhow tower to attract banks and various investment companies. Construction works commenced in late 2007 and are due for completion in late 2009.

Al Mal & Aqar Joint Projects

In cooperation with Aqar Real Estate Investment Company, "Al Mal & Aqar Joint Projects Company" was established in the 3rd. quarter of 2005, aiming to own and develop a plot of 3,000 sqm into an office tower with a total built up area of 35,000 sqm. Injazzat holds 66.6% of equity in the new company while Aqar holds 33.3%. The project is anticipated to make a significant addition to the area enhancing its stature as an area of commercial focus. The concept design of the tower was awarded to W.S. Atkins, after conducting design competition between a few top selected architectural offices in the region. The design gained W.S. Atkins the prestigious "Future Projects Award for Offices" at the MIPIM 2007 exhibition in Cannes, France.



Al Dajeej Building

Al-Dajeej Building is located in Al Farwaniya area and was purchased by the company in the year 2003 to be one of the Company's income generating assets. It reinforces the Company's strategy for local expansion, specifically in rental properties owned and operated by the Company. The total leasable area of the building is approximately 10,634 sqm which is currently fully leased by government entities on long-term contracts.

Shuwaikh Project

In 2007, the company acquired land covering an area of 25,300 sqm at Shuwaikh Industrial Area, to be developed as a multi-use complex, including commercial shops and offices with a total built up area of approximately 96,900 sqm. All the necessary arrangements have been already taken to start execution of the project, which is due for completion by late 2010.



Injaz Mabanee Real Estate Co.

In association with Mabanee Company and Al Shaya United Company, Injaz Mabanee Real Estate Company was established in September 2007 with a capital of KD 25 million. Injazzat holds 40% of the shares in the company. Confirming to its goal of investing in real estate opportunities in GCC countries, the company has acquired several lands in KSA and UAE for development or resale purposes.



Lands for trading and development

The Company's agenda is filled with remarkable projects and developmental ideas, which form an integral part of the company's plan that aims to explore and pursue real estate and investment opportunities, particularly at the local level. To this effect, the company has acquired several strategic plots of lands in several areas including Sharq, Shuwaikh and Maidan Hawalli. The company is now focusing in preparing the drawings and obtaining the required licenses to develop or trade these lands and to realize the targeted returns.

GCC Countries

To meet the Company's strategy that aims to achieve geographical diversification to maximize capitalization on all investment opportunities outside the local market, the Company extended its activities to several Gulf countries, which so far include the Kingdom of Bahrain, Qatar, United Arab Emirates and the Kingdom of Saudi Arabia. The Company is continuously seeking to acquire promising real estate opportunities that ensure added value for the company and its shareholders.

Kingdom of Bahrain

Bahrain is one of the most promising markets in the Arabian Gulf. It is witnessing an active boom and continuous prosperity, driven by the efforts exerted by the government to improve and develop the infrastructure and transportation network, and to ease laws that ensure transformation of this strategically situated country into an economic and financial center to attract foreign investments. In light of these developments, Injazat, since inception, has been actively contributing to Bahrain's promising economy through many real estate development projects and the construction sector.

Dhow Real Estate Company

Established in 1999 and fully owned by Injazat, Dhow Real Estate Company invests, develops and trades in Bahrain's real estate sector. It has realized fine results from a number of sales and buys deals. This year, it has increased its investments in the Bahrain Investment Wharf by acquiring a piece of land with a total area of approximately 22,530 sqm to be developed into warehouses. Also, in partnership with First Real Estate, it signed a contract with Bahrain Investment Wharf for the construction of 4 labor accommodation buildings. In addition to that, the company owns various strategically located plots in the areas of Al Seef, Sar and Ras Zuwaid, which the Company aims to either develop or trade to generate rewarding profits.



First Real Estate Company



Established by Injazzat in 2002, and shared equally with a qualified Bahraini investor whose an expert in both the construction and real estate fields, First Real Estate Company focuses on the construction and development of residential complexes.

In 2005, the Company underwent restructuring through the addition of new assets and allowing the entry of new investors, which resulted in a capital increase to BD 30 million. The Company continues to expand its activities while maintaining the quality and performance of its current income-generating assets that retain high occupancy rates. In parallel, it works to continuously invest in new promising projects through the development of its land and assets situated in strategic locations. This year, the company sold a number of plots strategically located in the Seef District realizing good returns. Furthermore, the company prepared the initial drawings for the development of one commercial and two residential towers in the same area. Also, it acquired 50% holding in four labor accommodation complexes located in the Bahrain Investment Wharf Project. Finally, it bought shares in Marsa Al Seef Investment Ltd. located in Manama.

United Arab Emirates

As part of its well-planned strategy focusing on diversity of income resources and spread of risks, the Company made an advantageous entry into the region's major markets such as the United Arab of Emirates. It recently purchased several lands in Al Qouz, Al Barshaa Al Oula, Al Jaddaf and Jebel Ali areas of Dubai in addition to lands in Umm Al Quwain and Abu Dhabi, taking advantage of the increasing growth in these areas and the facilities provided to Arab and foreign investors.

Al Qouz Residential Project (I)

Al Qouz Residential Project is located in Dubai, covering a land area of 100,000 sqm and a total built-up area of approximately 224,000 sqm. The project consists of two labor accommodations providing 620 rooms along with offices and commercial shops. In June 2007, subsequent to the completion and full leasing of the project, the company sold 50% of its share in the project to one of the Kuwaiti companies.



Al Qouz Residential Project (II)

In December 2007, the Company successfully completed the construction of the second labor accommodation project in Al Qouz area and managed to fully lease it. The project covers a land area of 50,000 sqm and a total built-up area of approximately 114,000 sqm. It provides 310 rooms in addition to offices and commercial shops. The project is the company's second project in Al Qouz, given the significance of this area and the increasing demand of this type of projects.

Al Muhaisna Project (Labor Accommodation)

In September 2007, the company acquired Al Muhaisna Project in equal shares with First Real Estate Company – Bahrain, in line with the company's strategy for holding income-generating projects. This project covers a total land area of about 57,000 sqf, and comprises of a two storey labor accommodation building containing 401 rooms situated at Al Muhaisna area in the UAE. The labor accommodation has been leased for five years.



Al Barsha'a Real Estate Co.

In alliance with Aqar Real Estate Company and Project Analysis Systems Company (Projacs), the Company commenced with the development of a six storey office building, in addition to a commercial ground floor with a total built-up area of 305,000 square feet. The project is due for completion during the third quarter of 2009.

Umm Al Quwain Lands

In 2006 and 2007 the company acquired a group of lands in Umm Al Quwain Emirate. The first group is situated at Umm Al Sho'oub covering a total area of about 56,700 sqm. The second group is situated at Al Maidan covering a total area of 6,272 sqm. The company intends to keep these lands and then sell them within the upcoming years to capitalize on expected rise of prices.



Jebel Ali Project (I)

In February 2008, the company acquired a piece of land in Jebel Ali Industrial area covering a total area of 20,000 sqm to be developed into a labor accommodation complex. The project will comprise of a four storey building providing 248 rooms, in addition to a ground floor with a total built-up area of 77,869 sqm. Construction is expected to commence during the first quarter of 2009 and is due for completion early 2010.

Jebel Ali Project (II)

In July 2008, and in association with strategic local investors, the company acquired 4 plots of land in Jebel Ali - Dubai covering a total area of 83,960 sqm. The plots are to be developed into a multi-storey labor accommodation building providing a total of 1,120 rooms with a total built-up area of 390,000 sqm. Construction is expected to commence during the first quarter of 2009 and is due for completion in the third quarter of 2010.



Qatar



Over the past few years, Qatar has witnessed considerable growth in the economic performance due to the economic openness policy adopted by the country. Driven by its leading position as one of the world's top liquefied gas exporters and initiating effective economic reforms, Qatar turned into a major attraction for foreign investments. In December 2005, and in line with the company's strategy to take advantage of investment opportunities, the Company acquired a commercial land in Lusail with a total area of 5,846 sqm, the Company has also acquired two plots of land through equal share with Al Shall Economic Consultations Company in January 2006 and March 2008. The first one is a multi-use land covering an area of 14,230 sqm, and the other one is a residential land acquired with an area of 4,751 sqm. The two companies and in association with new investors, have recently established Amwaj Real Estate Co. – a Qatari company with limited liability to undertake the development of the Lusail commercial land. Currently, this company is working on reviewing the final drawings for the development of these lands, which is expected to commence in construction during the third quarter of 2009. In August 2006, the Company acquired shares in a Qatari company which owns a land in a strategic promising area for development.

Kingdom of Saudi Arabia

Dammam Land

The company's regional expansion would only be complete by entering the Saudi market, which enjoys enormity, diversification and continuous development which is further driven by an accelerating movement in real estate sector and enactment of new legislations, which recently culminated with the Saudi Shura Council's approval to grant housing loans in 2008. This step will certainly encourage the Saudi citizens to possess houses, the fact which gains more significance knowing that 60% of Saudis do not own private houses. Dammam province, which witnesses an increasing real estate development, is becoming an optimal destination for real estate investors.

In December 2007, Injazzat acquired, in partnership with other parties, a multi-use plot of land in the Eastern Province of Dammam covering an area of 223,372 sqm. The land will be subdivided into parcels for both development and sale purposes. The initial design has already been submitted by the main developer for obtaining the licenses necessary and to carry on with the infrastructure works which are expected to be granted during the first quarter of 2009.

International Level

At the international level, Injazzat targeted some attractive real estate opportunities in several countries in Europe and North America. These include direct investments in land and projects under development and indirect investments through real estate funds that provide investors with fixed income and capital growth. These investments are administered by experienced partners who are well positioned to manage property assets to ensure proper management and achievement of the targeted revenues.

France

Alpha Investment Fund

During the last quarter of 2003, the company established a new fund in compliance with the Islamic Shari'ah principles known as the Alpha Investment Fund. Its investment strategy targets office buildings and warehouses across the North and South eastern French cities between Paris and Marseilles.



Bulgaria



Over the past six years, Bulgaria has witnessed an increasingly remarkable economic growth represented in realizing the highest growth rates in Europe. The year 2007 culminated with Bulgaria joining the European Union, where it will start receiving about Euro 9.36 billions in subsidies between the years 2007 and 2013. This enhanced the investor's confidence in the country and contributed to the spending and consumption boom. One of the main drivers for this economic growth was the Foreign Direct Investments, which grew to record levels over the past three years up to 26% per annum. The real estate

sector counted for about 27.5% of the total Foreign Direct Investments. In order to avail of this increasing growth, Injazzat, in partnership with ARC Global Partners and Euro Capital, invested in three acquisition programs in Sofia city since the beginning of 2007. The first one is located in Lionel which is the western side of Sofia City. The second one is located in Bistritsa Hills on the southwestern side of the city. Finally, the third one is located at Lake View, which is only 1.5 kilometers away from the second one. The company aims to merge the lands in Lionel after they have been recovered by owners after fifty years of socialist rein, trade in them and sell them out. As for the land located in Bistritsa and Lake View, the company aims to develop them into residential units and then sell them as undeveloped plots or in phases throughout the development stage. It is worth noting that Bistritsa and Lake View are located about 6 kilometers away from the city center and feature a breathtaking scenery along Vitosha mountains and overlooking wonderful sceneries across Bansherivo Lake.

United Kingdom

In June 2008, in partnership with the international partners ARC Global Limited & Citicourt Investment Partners, Injazzat invested in Thread Needle Real Estate Portfolio, which consists of 19 industrial and commercial buildings situated in various areas of the UK. The aim of this investment is to generate fixed semi-stable returns for a maximum period of 4 years and then sell and liquidate the portfolio.



United States of America

Eldorado

In January 2004, the Company acquired a major share in a piece of land located in McKinney City, Texas that was intended to be subdivided and sold. The land is strategically located in a newly developing area near main roads and freeways. This land is expected to yield rewarding profits for the Company. Some of the plots have already been sold in line with the investment's strategy.



Shmael U.S. Real Estate Fund

During the second half of 2004, and in partnership with Al-Shall Investment (Fund Managers) and Grosvenor Investment Management US Inc. (Fund Asset Manager), Injazzat invested in Shmael U.S. Real Estate Fund, which is in compliance with the Islamic Shari'ah guidelines. The fund invests in the office building sector in major US areas to achieve a stable operational income, to benefit from the future increased value, and to reduce the investment risks through geographical diversification.

Preston Creek

In January 2005, Injazzat acquired a major share of a strategic land in Plano, Texas, which are intends to develop it into a commercial complex for future sale or lease. The plot is strategically located between the cities of Plano and Frisco, both of which are in the midst of an economic boom. The project has been developed in two stages. The first stage has commenced in February 2006 and was completed in April 2007. The second stage started in August 2007 and was completed in August 2008.

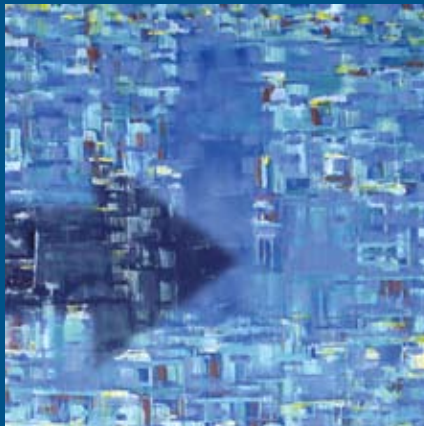


Monterrey Village - San Antonio

In October 2006, Injazzat has invested in a 232 hectares mixed-use development project known as Monterrey Village, which is located in a growing area of San Antonio, Texas in the USA. The project includes a blend of family residential units, retail stores, offices, and a hospitality component. The project will be developed by ARC Communities along with Trammel Crow Company, a well known national real estate development and services group.

Santa Ynez – California

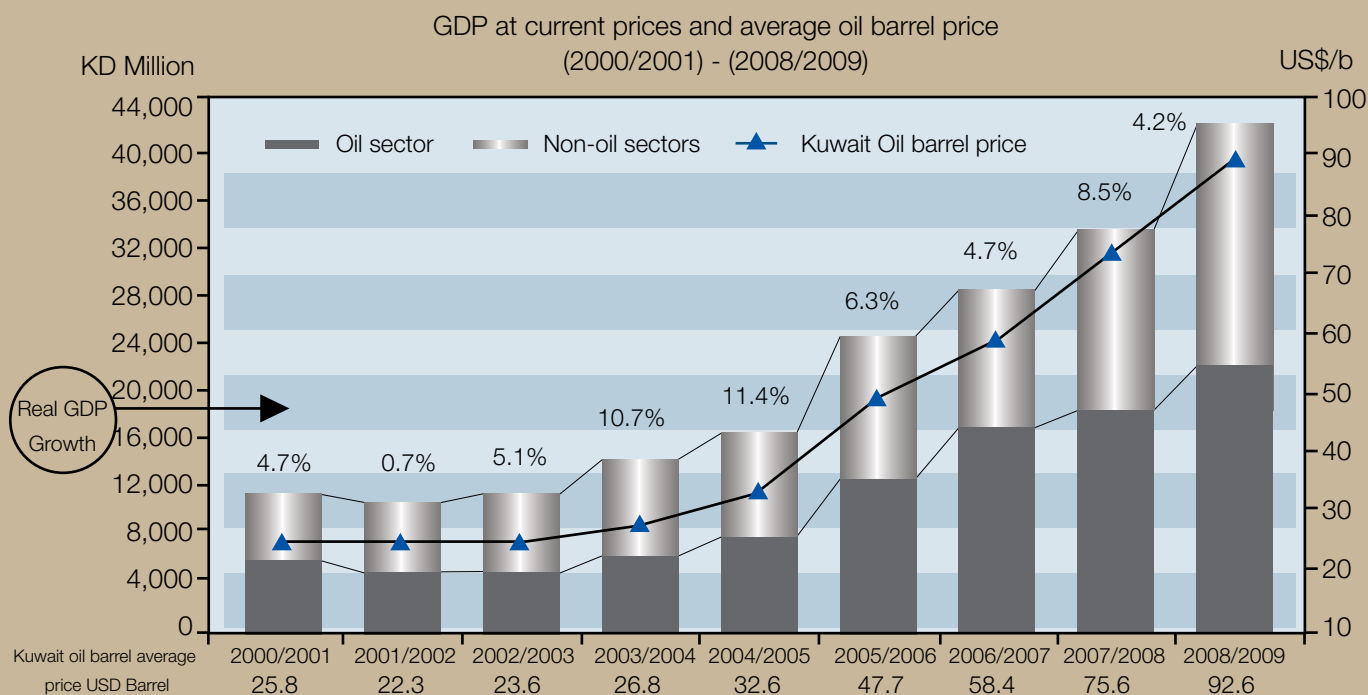
In 2007, in partnership with ARC Global Partners and Fonterra Partners, Injazzat purchased a land known as "The Ranches at Figueroa Canyon" at Santa Ynez, California which is situated about 25 miles north of Santa Barbara. The land contains 18 plots covering an area of 3,286 hectares. The investment plan aims to complete the infrastructure works which include roads and well digging. Once completed, the land will be subdivided merging them into 6 plots for sale.



First - Performance of the Local Economy

The Gross Domestic Product (GDP) real growth of 2008 outperformed the initial forecasts at the beginning of the year. According to the EIU - November 2008 - the GDP real growth reached 8.5% against an expected rate of 5.7%. This considerable increase was a direct result of the significant rise in oil prices which continued until July, 2008. However, in light of the oil market developments, the same publication expects the real growth rate to decrease to 4.2% in 2009. This rate remains higher than the growth rate in most parts of the world, which is expected to go through rigid times. However, it is expected to rise again to 5.5% in 2010, which is considered comparatively a high rate due to the expectations that the world's economy real growth will reach about 3.8% in 2008, 2.6% in 2009 and 3.4% in 2010. The situation is worse for the advanced economies, where economy is expected to grow by about 1.5% in 2008, 0.3% in 2009 and 1.5% in 2010.

In early July 2008, oil prices rose to as high as US\$147 per barrel but declined back to US\$40 per barrel in December 2008, as a result of the international financial crisis. However, the American light oil price per barrel was US\$72.3 in 2007 compared to \$103.5 in 2008. This means the variance between the annual rates remained to be in favor of 2008. Nevertheless, oil prices are expected to rise once again closely matching the rates observed in 2007, after the decline of the panic spread worldwide where major financial and industrial institutions went bankrupt. During 2008, the Kuwaiti oil average price per barrel amounted to approximately US\$92.6 compared to the average price of US\$75.6 in the fiscal year 2007/2008.



However, in December 2008 it declined to below US\$40 per barrel, which will serve as a benchmark start for the year 2009. Even though the real growth will remain positive, the public spending levels are not expected to be influenced except by the allocations exceptionally made to pay the debt of the Public Institution for Social Security, which is best to be reduced. Conversely, what happened in the world has negatively impacted and will continue to impact the prices of assets and liquidity, including the real estate assets. Therefore, it is expected that the real estate companies will go through a healthy and natural filtration based on their compliance with their objectives and soundness of their financial structure.

Assuming that the international financial turmoil will continue to impact the performance of the international economy throughout the year 2009, and the oil prices will remain to be as low as US\$40 per barrel, the budget of the current fiscal year 2008/2009 which expires on 31st March 2009 will end with a surplus of about KD 2 Billion even though the spending will reach about KD 18.9 Billion. Oil revenues are expected to achieve about KD 20 Billion and total aggregate revenues about KD 21 Billion. The reduction in some spending items will cover the loss in oil production resulting from reduction in OPEC's production quotas. The final account of the fiscal year 2007/2008 has realized a record surplus of KD 9.325 Billion and with the expected surplus of the fiscal year 2008/2009, Kuwait would be realizing its tenth consecutive financial surplus in its budget. At the level of US\$40 per barrel of oil over the fiscal year April 2009-March 2010, with the production level of 2.4 million barrel per day, and with consistent non-oil revenues, the budget is supposed to balance at spending level of about KD 8.3 Billion, about half of the spending level of the fiscal year 2008/2009, which will be a difficult approach but a necessary step towards reform that should to be taken.

At the end of the third quarter of the year, the central banks around the world changed their monetary policies from deflationary policies dictated by fears of inflation, to expansionist policies driven by concerns over growth and recession of economies. The Central Bank of Kuwait followed the same path with an aggressive strategy when it reduced the discount rate by 125 basis points or 1.25% on October 8, 2008, followed by another 25 basis points or 0.25% to 4.25% on October 30, 2008, and finally the discount rate was reduced by half basis points on December 12, 2008 to reach 3.75%. It also freed banks from some restrictions and rigorous ratios to encourage lending. This monetary expansionist policy is expected to continue over most part of 2009, and the reduction in the lending cost for well performing institutions and companies working in the real estate field is supposed to compensate for some loss of income resulting from the economic slowdown and depreciation in assets value.

Despite the sharp downfall in oil prices and the level of production in the fourth quarter of 2008, a new record surplus in Kuwait's trade balance will be achieved in the first three quarters following a surplus in its current account. The trade surplus figures up to the end of September 2008 reached KD 15.09 Billion against KD 11.685 Billion for the entire year of 2007. EIU estimates indicate that Kuwait trade balance in 2008 would realize a surplus of about KD 18.47 Billion and a surplus in its current account of about KD 17.48 Billion against KD 13.49 Billion in 2007.

Kuwait Stock Exchange performance in 2008 was contradictory when comparing the first half with the second half of the year. The price index realized 23.1% as at the end of June, but lost all its gains and decreased by about 42.6% as at the end of November 2008. Even though most of the losses are attributed to the international financial crisis and its deep psychological impact, the considerable downfall in prices does not match with the positive macro economic indicators and with the good results realized by most of the listed companies.

Overall, the local economy has realized its highest real growth rates in 2008, growth is expected to continue in 2009, but at a slower pace despite the significant downfall in oil prices. Also, it is unlikely for the oil prices to keep at such low level for thus it is expected to start rising during the second half of 2009, with the subsidence of the negative impact of the international financial crisis on real economy.

Second - Performance of the Local Real Estate Sector

The real estate market liquidity deteriorated during 2008. As of the end of December 2008, it declined to about KD 2.759 Billion, marking the fourth highest record figure between 1995 and 2008, and less by about 38% compared to the highest record figure in 2007 when its liquidity amounted to about KD 4.447 Billion up by about 1.1% over 2006 level, which recorded about KD 2.729 Billion. During the first half of the year 2008, the liquidity was about KD 1.716 Billion compared to KD 1.042 Billion in the second half. This decline in the second half is consistent with the negative reflections of the international financial crisis on the economy and prices of financial assets.

Private Housing

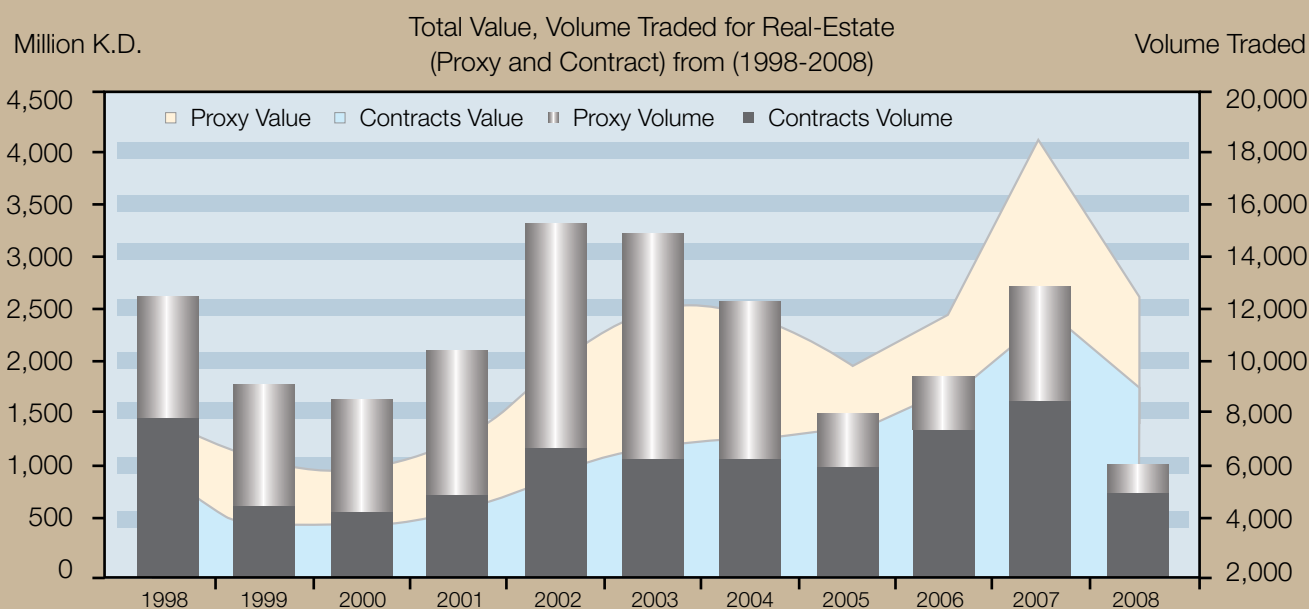
The private housing share continued to drop with a downfall in its absolute transactions value compared to 2007. The private housing counted for about 40.3% of the sector transactions value -liquidity- down from 52.8% in 2007. Its transactions value reached about KD 1.112 Billion down from the record level of about KD 2.347 Billion in 2007. In 2008, total transaction number reached 5317 transactions compared to 11496 transactions in 2007. The average transaction value continued to rise, indicating the focus on areas with limited supply and high price. The increase in private housing prices is an unhealthy phenomenon as its means weaker purchasing power for people with limited income and younger segments (with basic needs for housing), resulted in the enactment of two laws in the beginning of the year restricting commercial dealing or mortgage of this sort of housing. This increase in the private housing prices is attributed to scarcity of supply as the government monopolizes about 90% of Kuwait's land and the wide demand, especially that most Kuwaiti population is below 21 years of age. In the long run, the government needs to take an action to solve the imbalance between the scarcity of supply and abundance of demand, which is not by restricting laws that provide only short term and exceptional solution. The continuity of this situation will create a long term obstacle in light of the citizens need to mortgage loans.

Investment Housing

In 2008, the investment housing liquidity dropped to reach about KD 1.104 Billion, down by about 36.1% compared to 2007 record level which was about KD 1.729 Billion. However, the decline in liquidity was coupled with a rise in relative contribution to the overall real estate market liquidity from 38.9% in 2007 to about 40.0% in 2008. This indicates that the real estate market transactions are skewed towards the investment sector at the account of the private sector. The private and the investment housing sectors both represent the largest part of the real estate liquidity, sharing of about 80.3%. Nevertheless, the investment housing average transaction value declined to about KD 570.8 thousand, down by about 21.1% compared to the highest record rate of KD 782.9 thousand in 2007, marking the commencement of a price correction phase in this activity.

Commercial Real Estate

The liquidity of the commercial housing, which covers all the other real estate usage such as offices, commercial complexes and warehouses, counted for about 19.5% of the total real estate liquidity, up from 8.3% share in 2007. Sales amounted to KD 527.7 Million compared to about KD 367 Million in 2007. In 2008, the sector realized record liquidity up by 43.8% over 2007, which confirms that this sector continues to be an attraction for investors. The average transaction value rose from about KD 2.25 Million in 2007 to about KD 2.76 Million in 2008, which is a record figure. Continuous high liquidity indicates that the balance between supply and demand has not been attained, particularly in the office sector. However, the gap between supply and demand has become smaller compared to the past years. Yet, with the recession in the general economy and the lack of incorporation of companies with some probably getting out of business, this activity may reach the balance phase faster than expected, most probably in 2009.



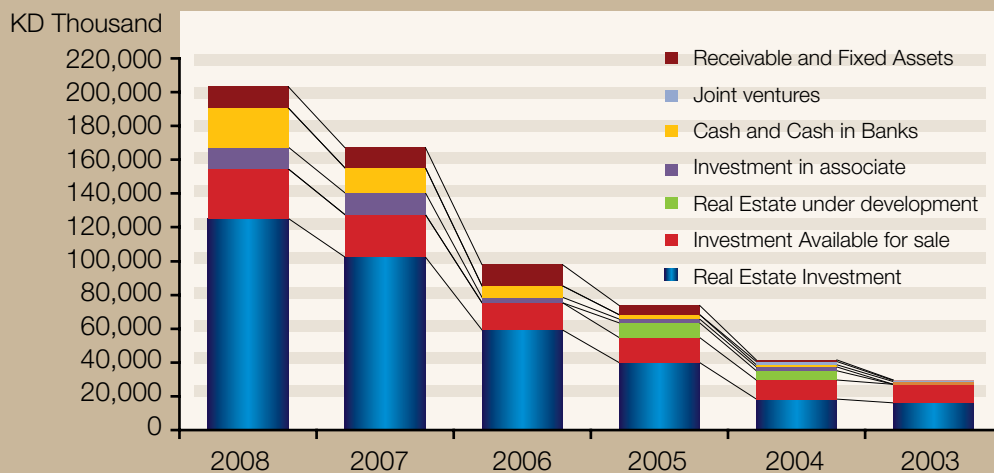
First - The Financial Position

For the tenth year since inception, the company has managed to grow its assets despite the considerable slump in the international, regional and local real estate markets since the beginning of 2008. In line with the company's long term strategy, the company has continued to expand its investments in the markets where it is present and has also entered new markets.

For the first time ever, the company's total assets have exceeded KD 200 million, to about KD 203 million at the end of 2008 from KD 167 million in 2007, marking a considerable growth of 21.6% over the previous year. It is worth noting that the company's total assets were below KD 100 million at the end of 2006. This means that they have doubled in two years time, thanks to the management's efforts and its consistent commitment to the company's objectives. The growth in assets has to do mostly with assets of investment and real estate nature, where the value rose by 20% to about KD 168.7 million from about KD 140.6 million in 2007. These assets counted for about 83% of the company's assets in 2008 against 84.2% in 2007. This ratio dropped minimally due to the increase in the value of cash with the company by 55.6%: KD 22.9 million against KD 14.7 million in 2007 due to the increase in liquidity and in order to maintain its ability in 2008 to pay its liabilities without problems.

The investment properties have contributed the most to the company's assets, counting for 61.6% in 2008 compared to about 61.3% in 2007 rising from KD 102 million to about KD 125 million. The available for sale investments rose by 23% to about KD 28.1 million in 2008 against KD 22.8 million in 2007. Moreover, its contribution to the company's assets rose to about 13.9% in 2008 from about 13.7% in 2007.

Injazzat Asset development 2003 -2008

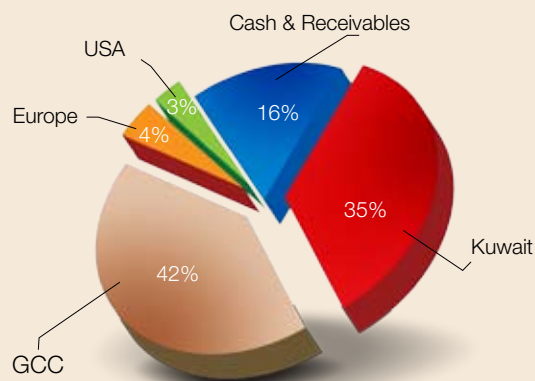


The geographical distribution of the company's assets in 2008 posted 42.1% at the local level and 57.9% at the regional and international levels against 54.8% and 45.2% regionally and internationally respectively in 2007.

Despite the international financial turmoil and restrictions on the international and regional credit resources, the company managed to secure its financing needs. Contractual liabilities (including loans and leasing bonds) at the end of 2008 amounted to about 98.5 million against 76.9 million in 2007. These liabilities counted for about 87.5% of the total liabilities which reached about KD 112.6 million at the end of 2008.

Total liabilities to total assets in 2008 amounted to about 55.4%, which is less than the ratio recorded in 2007 amounting to 58.8%. Total liabilities to shareholders equity fell to about 124% against 142.5% in 2007. This clearly indicates the strength of the company's financial position and its low risk profile in foreign financing and also the company's ability to seek additional credit if needed.

Geographical distributions of Assets for FY2008



Cash value and debtors were not taken into consideration in the geographical distribution of the company's assets at the end of 2008

Second - The Financial Performance

All GCC markets, including the local market, witnessed a decline in performance during the last four months of 2008; this affected real estate investments negatively. Nevertheless, the company managed to realize net profits of about KD 15.4 million, marking the second highest figure realized by the company since inception. However, in 2007, the company made record profits of about KD 16.4 million, therefore net profits in 2008 fell by about KD 1 million or by about 6% despite the rise of about 7.8% in the operating revenues. The 4.3% increase in expenses contributed largely to the decline in the net profit. The average total profit margin fell at the end of 2008 to about 61.1% from about 70.3% in 2007 and about 75.7% in 2006.

Total revenues rose to about KD 25.2 million at the end of 2008 compared to about KD 23.4 million at the end of 2007. The revenues analysis for 2008 shows diversification of income, which covered four major resources. The profits generated from the sale of investment properties contributed around 36.4% of total revenues, amounting to about KD 9.2 million compared to about KD 7.6 million in 2007. Rent revenues rose to about KD 3.3 million in 2008 compared to about KD 1.1 million the previous year, marking a growth rate of about 193%. Meanwhile, profits from change in fair value of real estate investments fell minimally to about KD 10 million in 2008 from about KD 10.1 million in 2007. The company earned fees, from management of portfolios and foreign real estate funds, in the amount of about KD 3.8 million compared to about KD 450 thousand previously. All this confirms the diversification in the company's income resources and demonstrates the company's accumulated expertise in the management of third party property.

The company's expenses increased from about KD 6.3 million in 2007 to about KD 8.9 million in 2008. The main reason for this increase is the increase in the funding costs by about KD 1.9 million as a result of the increase in external financing by about 35% in 2008. The staff cost also increased by about 34% thus about KD 1.9 million compared to about KD 1.4 million in 2007.

The company realized a net profit of KD 15.4 million; earning per share of 45 fils after it was 50 fils in 2007. The return on asset (ROA) realized about 7.6% in 2008 compared to about 9.8% in 2007. Meanwhile, the return on equity (ROE) decreased to about 18.1% compared to 25.7% in 2007. The share book value rose by 16% amounting to 247 fils in 2008 after it was about 212.7 fils in 2007. This is due to the increase in shareholders' equity by about 34% and at a higher rate, with the increase in the number of shares after bonus shares of 15% were distributed in 2008.

Although the company's net profits decreased in 2008 in comparison to 2007, most indices posted better rates than other real estate companies listed on KSE. The company was well-ranked on the list of real estate companies enlisted on KSE at the end of 2008 in terms of P/E, and occupying the twelfth position in terms of profitability compared to the market price. Also it occupied a good position in terms of return on equity (9th position).

Financial indicators	Injazzat Co.	Average Real estate companies enlisted on KSE*
P/E	5.5	5.5
P/B	1.0	0.7
ROE	18.1%	12.5%
ROA	7.6%	7.2%
Turnover	267.1%	98.1%

* Average of 35 listed companies, based on available financial statements as on 30/9/2008 on annualized basis.

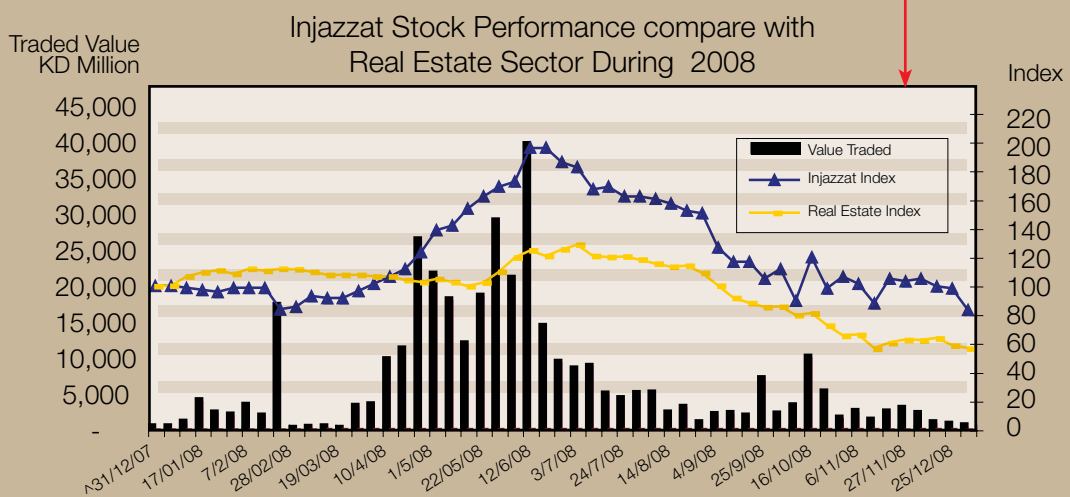
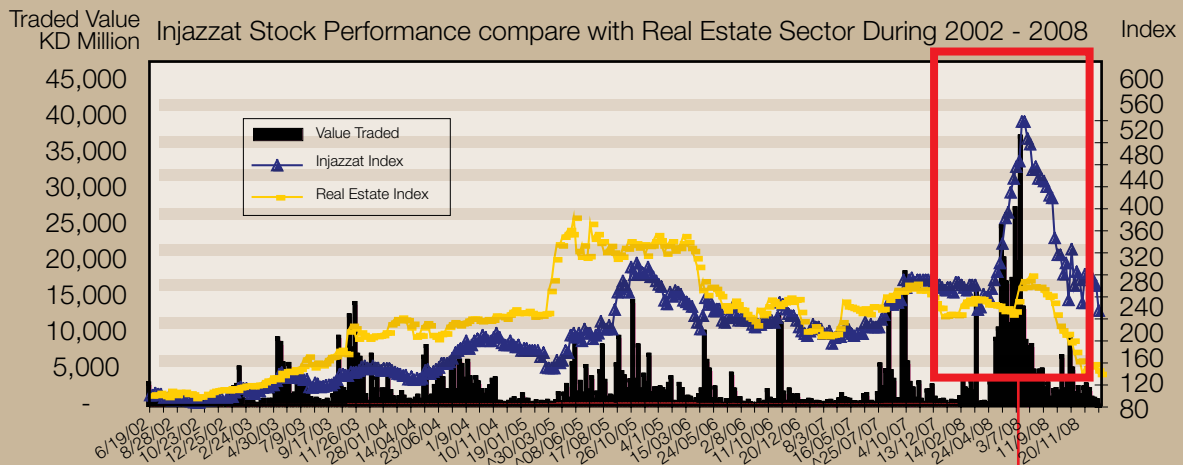
* Earning per share, calculated on the total number of issued and fully paid up shares

The board of directors recommended the distribution of cash dividends of about 25% for 2008 in order to enhance shareholders confidence in the company's steady and first-rate performance. Consequently, the cash yield amounted to about 10.1% which is higher than the cash yield in 2007 where it amounted to about 4.4% and also higher than the average cash yield of the real state sector in 2008 which amounted to about 5.7%.

Third - Analysis of Share Performance

The performance of the local stock exchange market fell considerably with all sectors dropping by different ratios. But the real estate sector's drop was less than that of the market performance in 2008. The company managed to reduce the impact of the plunge, in the local economy and the real estate sector, on its shares through good performance. However, the company's share price dropped by 27.4% in 2008 and by 16.8% with the bonus share considered. In comparison, the sector's index declined by 43.5% in the same year.

The following chart shows the development of the company's shares since enlisting on the local stock market in 2002. The performance of the shares shows an upward swinging curve till the mid of the year at a higher rate than the sector's index. It is worth noting that the company distributed 15% in dividends and 15% in bonus shares (on 2007 profits) and the new shares were put into dealing on the 22/2/2008



The company's share closed by the end of the year at 246 fils, marking a decrease of 27.6% compared to 340 fils in 2007. Taking into consideration the impact of the bonus shares distributed in 2008, the capital losses realized over the 12 month period amounted to about 16.8%. The highest market price in 2008 was attained on 15/6/2008 marking 590 fils, while the lowest price attained on 17/11/2008 was 244 fils.

The P/E ratio improved by the end of 2008 making 5.5 times against about 6.1 times in 2007, because the decline in the earning per share was less than the decline in its price.

But this index remains at a good level compared to the average index of the market and the real estate sector. Meanwhile, the P/B ratio amounted to about 0.94 times against about 1.5 times at the end of 2007 due to the decline in the share price coupled with a rise in the shareholder equity.

2008	Value of traded shares KD million	No. of deals Thousand deals	Quantity of traded shares Million shares	Capital market value KD million
No. of trading days	243			
Injazzat Co.	376.7	0.02	923.4	85.0
Total real estate sector	5,095.1	0.4	16,488.8	2,319.7
Total market	35,750.5	2.0	80,866.7	33,440.4
Ratio of total real estate sector	7.4%	5.4%	5.6%	3.7%
Ratio of total market	1.1%	1.0%	1.1%	0.3%
Share turnover rate (on an annualized basis)	267.1%			

The total value of traded shares during 2008 amounted to about KD 376.7 million, with an average daily trading of KD 1.55 million, marking a growth rate of 211.3% compared to 2007. The traded shares' value counted for about 7.4% of the total dealings in the real estate sector in 2008. The volume of traded shares amounted to about 923.4 million shares with an average daily trading of 3.8 million shares marking a growth of about 237.5% compared to 2007. Accordingly, the share turnover was about 267.1% compared to the previous year where it amounted to about 119.3% indicating high liquidity of the company's share. The total market value dropped to about KD 85 million, counting for about 3.7% of the real estate sector market value. This was lower by about KD 17.2 million than the market value realized at the end of 2007.



AUDITOR'S REPORT
AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st. DECEMBER 2008



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To the shareholders of
Injazzat Real Estate Development Company – KSC (Closed)
Kuwait

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Injazzat Real Estate Development Company (A Kuwaiti Closed Shareholding Company) (“the parent company”) and Subsidiaries (collectively “the group”) which comprise the consolidated balance sheet as at 31 December 2008, and the related consolidated statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management’s Responsibility for the Consolidated Financial Statements

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

Auditors’ Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the consolidated

financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

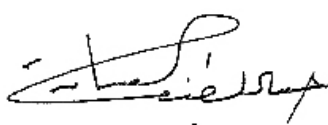
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

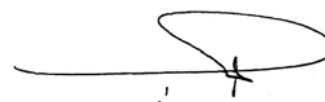
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the group as at 31 December 2008, and the results of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

In our opinion proper books of account have been kept by the parent company and the consolidated financial statements, together with the contents of the report of the parent company’s board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Commercial Companies Law of 1960, and by the parent company’s articles of association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of Commercial Companies Law or of the parent company’s articles of association, as amended, have occurred during the year ended 31 December 2008 that might have had a material effect on the business of the group or on its financial position.



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



Waleed A. Al Osaimi
(Licence No. 68-A) of Ernst & Young

Kuwait,
18 January 2009

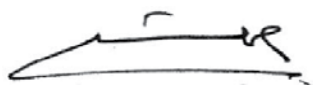
CONSOLIDATED STATEMENT OF INCOME

	Note	Year ended 31 Dec. 2008 KD	Year ended 31 Dec. 2007 KD
Income			
Rental income		3,263,504	1,112,419
Unrealised loss from investment at fair value through statement of income		-	(329,125)
Realised loss from investment at fair value through statement of income		(464,639)	-
Profit from sale of available for sale investments		-	163,831
Distribution income from available for sale investments		975,810	1,158,901
Profit from sale of investment properties		9,181,563	7,575,839
Change in fair value of investment properties	15	9,952,528	10,131,650
Management and placement fees		3,751,590	450,454
Share of results of associates		54,112	54,710
Other income	6	1,042,653	1,395,335
Foreign exchange (loss)/gain		(231,556)	2,058,371
Impairment in value of available for sale investments	14	(2,321,789)	-
Impairment in value of investment in associate		-	(400,000)
		25,203,776	23,372,385
Expenses & other charges			
Real estate operating costs		260,620	266,866
Staff costs		1,852,499	1,381,784
Depreciation		191,287	133,247
General and administrative expenses		410,926	331,980
Consultancy and professional fees		230,735	131,571
Finance costs	8	5,997,133	4,008,497
		8,943,200	6,253,945
Profit before KFAS, Zakat , NLST and directors' remuneration		16,260,576	17,118,440
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(153,950)	(154,563)
Zakat Provision	9	(196,014)	(10,758)
National Labour Support Tax (NLST)		(404,510)	(429,342)
Directors' remuneration		(100,000)	(100,000)
Profit for the year		15,406,102	16,423,777
Attributable to:			
Shareholders of the parent company		15,325,871	16,479,014
Minority interest		80,231	(55,237)
		15,406,102	16,423,777
BASIC & DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY	10	45 Fils	50 Fils

The notes set out on pages 29 to 52 form an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

	Note	Year ended 31 Dec. 2008 KD	Year ended 31 Dec. 2007 KD
Assets			
Cash and cash equivalents	11	22,882,098	14,704,585
Accounts receivable and other assets	12	9,587,827	9,720,618
Investment at fair value through statement of income	13	-	2,452,255
Available for sale investments	14	28,143,013	22,841,856
Investment properties	15	125,232,295	102,411,392
Investment in associates	16	15,291,669	12,854,284
Property and equipment	17	1,888,997	2,035,750
Total assets		203,025,899	167,020,740
Liabilities and equity			
Liabilities			
Due to banks	11	-	463,483
Accounts payable and other liabilities	18	14,067,570	20,768,421
Ijara sukuk payable	19	16,581,000	16,404,000
Bank loans	21	81,962,562	60,535,165
Total liabilities		112,611,132	98,171,069
Equity			
Equity attributable to shareholders of the parent company			
Share capital	22	34,564,860	30,056,400
Treasury shares	23	-	(4,734,000)
Share premium	22	2,869,130	2,869,130
Statutory reserve	24	7,209,059	5,591,024
Voluntary reserve	24	3,604,530	2,795,512
Gain on sale of treasury shares reserve		4,505,130	875,250
Foreign currency translation reserve		(191,382)	(642,594)
Cumulative changes in fair value		3,843,695	2,341,878
Retained earnings		28,900,308	24,767,865
		85,305,330	63,920,465
Minority interest		5,109,437	4,929,206
Total equity		90,414,767	68,849,671
Total liabilities and equity		203,025,899	167,020,740



Hamad Abdulaziz Al-Shaya
Chairman



Mohammad Ibrahim Al-Farhan
Managing Director

The notes set out on pages 29 to 52 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

	Equity attributable to shareholders of the parent company										Minority Interest	Total
	Share capital KD	Treasury shares KD	Share premium KD	Statutory reserve KD	Voluntary reserve KD	Gain on sale of treasury shares KD	Foreign currency translation reserve KD	Cumulative changes in fair value KD	Retained earnings KD	Sub-total KD		
Balance at 1 January 2008	30,056,400	(4,734,000)	2,869,130	5,591,024	2,795,512	875,250	(642,594)	2,341,878	24,767,865	63,920,465	4,929,206	68,849,671
Change in fair value of available for sale investments	-	-	-	-	-	-	-	1,501,817	-	1,501,817	-	1,501,817
Foreign currency translation adjustments	-	-	-	-	-	-	451,212	-	-	451,212	-	451,212
Net income recognised directly in equity	-	-	-	-	-	-	451,212	1,501,817	-	1,953,029	-	1,953,029
Profit for the year	-	-	-	-	-	-	-	-	15,325,871	15,325,871	80,231	15,406,102
Total recognised income for the year	-	-	-	-	-	-	451,212	1,501,817	15,325,871	17,278,900	80,231	17,359,131
Issue of bonus shares (Note 25)	4,508,460	-	-	-	-	-	-	-	(4,508,460)	-	-	-
Cash dividend (Note 25)	-	-	-	-	-	-	-	-	(4,257,915)	(4,257,915)	-	(4,257,915)
Purchase of treasury shares	-	(1,588,591)	-	-	-	-	-	-	(1,588,591)	(1,588,591)	-	(1,588,591)
Sale of treasury shares	-	6,322,591	-	-	-	3,629,880	-	-	-	9,952,471	-	9,952,471
On acquisition of new subsidiary	-	-	-	-	-	-	-	-	-	-	100,000	100,000
Transfer to reserves	-	-	-	1,618,035	809,018	-	-	-	(2,427,053)	-	-	-
	4,508,460	4,734,000	-	1,618,035	809,018	3,629,880	-	(11,193,428)	4,105,965	100,000	4,205,965	
Balance at 31 December 2008	34,564,860	-	2,869,130	7,209,059	3,604,530	4,505,130	(191,382)	3,843,695	28,900,308	85,305,330	5,109,437	90,414,767

The notes set out on pages 29 to 52 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY (CONTINUED)

	Equity attributable to shareholders of the parent company											Minority interest	Total
	Share capital KD	Treasury shares KD	Share premium KD	Statutory reserve KD	Voluntary reserve KD	Gain on sale of treasury shares KD	Foreign currency translation reserve KD	Cumulative changes in fair value KD	Retained earnings KD	Sub-total KD	KD		
Balance at 1 January 2007	27,324,000	(943,605)	2,869,130	3,873,656	1,936,828	261,468	(2,023)	672,875	17,639,543	53,631,872	4,984,443	58,616,315	
Change in fair value of available for sale investments	-	-	-	-	-	-	-	1,669,003	-	1,669,003	-	1,669,003	
Foreign currency translation adjustments	-	-	-	-	-	-	(640,571)	-	-	(640,571)	-	(640,571)	
Net (expense)/income recognised directly in equity	-	-	-	-	-	-	(640,571)	1,669,003	-	1,028,432	-	1,028,432	
Profit/(loss) for the year	-	-	-	-	-	-	-	16,479,014	16,479,014	16,479,014	(55,237)	16,423,777	
Total recognised (expense)/income for the year	-	-	-	-	-	-	(640,571)	1,669,003	16,479,014	17,507,446	(55,237)	17,452,209	
Issue of bonus shares (Note 25)	2,732,400	-	-	-	-	-	-	(2,732,400)	-	-	-	-	
Cash dividend (Note 25)	-	-	-	-	-	-	-	(4,042,240)	(4,042,240)	(4,042,240)	-	(4,042,240)	
Purchase of treasury shares	-	(6,708,991)	-	-	-	-	-	-	(6,708,991)	(6,708,991)	-	(6,708,991)	
Sale of treasury shares	-	2,918,596	-	-	-	613,782	-	-	3,532,378	3,532,378	-	3,532,378	
Transfer to reserves	2,732,400	(3,790,395)	-	1,717,368	858,684	613,782	-	(2,576,052)	(7,218,853)	(7,218,853)	-	(7,218,853)	
Balance at 31 December 2007	30,056,400	(4,734,000)	2,869,130	5,591,024	2,795,512	875,250	(642,594)	2,341,878	24,767,865	63,920,465	4,929,206	68,849,671	

The notes set out on pages 29 to 52 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 Dec. 2008 KD	Year ended 31 Dec. 2007 KD
OPERATING ACTIVITIES			
Profit before KFAS, Zakat, NLST and Directors' remuneration		16,260,576	17,118,440
Adjustments for:			
Depreciation		191,287	133,247
Unrealised loss from investment at fair value through statement of income		-	329,125
Realised loss on sale of investment at fair value through statement of income		464,639	-
Profit from sale of available for sale investments		-	(163,831)
Distribution income from available for sale investments		(975,810)	(1,158,901)
Profit from sale of investment properties		(9,181,563)	(7,575,839)
Change in fair value of investment properties		(9,952,528)	(10,131,650)
Foreign exchange (loss)/gain on non operating assets and liabilities		259,169	(2,042,947)
Share of result of associates		(54,112)	(54,710)
Impairment in value of available for sale investments		2,321,789	-
Impairment in value of investment in associate		-	400,000
Interest income		(837,564)	(600,703)
Finance costs		5,997,133	4,008,497
		4,493,016	260,728
Changes in operating assets and liabilities:			
Accounts receivable and other assets		645,439	5,614,067
Accounts payable and other liabilities		(10,642,687)	8,859,371
Cash (used in)/from operations		(5,504,232)	14,734,166
KFAS paid		(154,563)	(95,843)
NLST paid		(429,342)	(266,230)
Directors' remuneration paid		(100,000)	(75,000)
Net cash (used in)/from operating activities		(6,188,137)	14,297,093
INVESTING ACTIVITIES			
Net additions to property and equipment		(44,534)	(199,950)
Additions to investment at fair value through statement of income		(350,888)	(1,288,128)
Additions to available for sale investments		(6,121,128)	(7,407,684)
Proceeds from disposal of investment at fair value through statement of income		2,252,350	-
Proceeds from redemption/sale of available for sale investments		-	824,995
Additions to investment properties		(14,380,684)	(42,041,846)
Proceeds from sale of investment properties		14,269,693	12,430,990
Investment in associates		(21,790,604)	(9,894,898)
Return of capital by an associate		19,407,331	-
Distribution income received from available for sale investments		975,810	518,901
Interest income received		837,564	600,703
Net cash used in investing activities		(4,945,090)	(46,456,917)
FINANCING ACTIVITIES			
Dividend paid		(4,251,665)	(3,998,227)
Purchase of treasury shares		(1,588,591)	(6,708,991)
Sale of treasury shares		9,952,471	3,532,378
Issue of Ijara Sukuk		-	17,289,000
Murabaha obtained		6,000,000	-
Murabaha settlement		(6,000,000)	-
Bank loans obtained		28,345,228	40,693,113
Bank loans repaid		(7,000,000)	(6,953,564)
Change in minority interest		100,000	-
Finance costs paid		(5,783,220)	(3,486,578)
Net cash from financing activities		19,774,223	40,367,131
Net increase in cash and cash equivalents		8,640,996	8,207,307
Cash and cash equivalents at beginning of the year		14,241,102	6,033,795
Cash and cash equivalents at end of the year	11	22,882,098	14,241,102

The notes set out on pages 29 to 52 form an integral part of these consolidated financial statements.

1- Incorporation and Activities

Injazzat Real Estate Development Company – KSC (Closed) (the parent company) was established in August 1998 and listed on the Kuwait Stock Exchange on 17 June 2002. The parent company and subsidiaries (the group) are primarily engaged in real estate development and investment activities. Details of subsidiaries are set out in note 5.

The address of the parent company's registered office is PO Box 970, Safat 13010, State of Kuwait.

The board of directors of the parent company approved these consolidated financial statements for issuance on 18 January 2009. The general assembly of the parent company's shareholders has the power to amend these consolidated financial statements after issuance.

2- New and revised International Financial Reporting Standards (“IFRS”) and interpretations (“IFRIC”)

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

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

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

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

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

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

IAS 23 Borrowing Costs been amended resulting in elimination of the previously available option to expense all borrowing costs when incurred. Under the revised standard, all borrowing costs that are directly attributable to qualifying assets are to be capitalised. The application of the revised

standard is not expected to have a material impact on the financial statements in the period of initial application because it has always been group's accounting policy to capitalise borrowing costs incurred on qualifying assets.

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

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

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

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

- Annual Improvements 2008

The IASB has issued Improvements for International Financial Reporting Standards in May 2008. Most of these amendments will become effective in annual period beginning on or after 1 January 2009. The group expects the following amendments to be relevant to the group's accounting policies:

- Amendments to IAS 40, 'Investment property' (and consequential amendments to IAS 16). According to the amendment property that is under construction or development for future use as investment property is within the scope of IAS 40. Where the fair value model is applied, such property is, therefore, measured at fair value. However, where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable. Presently the group's property under development which are to be used as investment property are stated at cost less impairment, and the above amendment may have a significant impact in future as this would require the group to fair value such properties under development, where such fair values can be reliably measurable.

- Amendments to IAS 23 Borrowing Costs

The amendment clarifies the definition of borrowing costs by

reference to the effective interest method. This definition will be applied for reporting periods beginning on or after 1 January 2009, however the group does not expect the effect to have a significant impact on the group's financial statements.

Further minor amendments are made to several other standards; however, these amendments are not expected to have a material impact on the Group's financial statements. Those standards are as follows:

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

- IFRIC 15 Agreements for construction of real estate (effective for annual 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. IFRIC 15 is not relevant to the group's current and previous year's operations as all revenue transactions during these years were accounted for under IAS 18 and not IAS 11.

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

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

- Amendments to IFRS 2 Share-based Payments (effective for annual periods beginning on or after 1 January 2009)
- IAS 32 Financial Instruments: Presentation and IAS1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation (effective for annual periods beginning on or after 1 January 2009)
- IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items (effective for annual periods beginning on or after 1 January 2009)
- Amendments that are part of the annual improvements project published in May 2008 (not addressed above):

- IAS 19 Employee Benefits
- IAS 20 Accounting for Government Grants and Disclosures of Government Assistance
- IAS 29 Financial Reporting in Hyperinflationary Economies
- IAS 31 Interest in Joint ventures
- IAS 38 Intangible Assets
- IAS 41 Agriculture

- IFRIC 13 Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008)
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008)

- IFRIC 17 Distribution of Non Cash Asset to owner (effective for annual periods beginning on or after 11 July 2009)

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

- Amendments to IAS 39 – Financial Instruments: Recognition and Measurement and IFRS 7 – Financial Instruments: Disclosures, relating to reclassification of financial assets (effective from 1 July 2008)

- IFRIC 11 IFRS 2 Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007)

- IFRIC 12 Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008)

- IFRIC 14 IAS 19 – The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2008)

3- Significant accounting policies

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2007 except for the new accounting policy adopted in respect of "murabaha payable", discussed below. The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below:

Basis of preparation

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

The consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of investments at fair value through statement of income, available for sale investments and investment properties, and have been presented in Kuwaiti Dinars which is the parent company's functional and presentation currency.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the parent company for the year ended 31 December 2008, and the financial statements of its subsidiaries prepared to that date, or to a date not earlier than three months of the parent company's year end using consistent accounting policies.

Subsidiaries are those enterprises controlled by the group and are fully consolidated from the date on which control is transferred to the group. Control is achieved where the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

The financial statements of the subsidiary are consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Any significant intra-group balances and transactions, and any unrealised gains or losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Adjustments are made for non-uniform accounting policies where practicable.

Minority interest represents the portion of profit or loss and a net asset not held by the group and is presented separately in the consolidated statement of income and within equity in the consolidated balance sheet, separately from the equity attributable to the shareholders of the parent company.

Business combinations

Acquisition of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, plus any costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed are recognised at their fair values at the acquisition date. Goodwill recognised represents the excess of acquisition cost over the fair value of the group's share of the identifiable net assets of the acquiree at the date of the acquisition.

Goodwill arising on the acquisition of a subsidiary is recognised as a separate asset in the balance sheet. Goodwill arising on the acquisition of an associate is included within the carrying amount of the investment. Any excess, at the date of acquisition, of the group's share in the fair value of the net identifiable assets acquired over the cost of the acquisition is recognised as negative goodwill.

Goodwill is stated at cost less impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment. Negative goodwill arising on an acquisition is recognised directly in the consolidated statement of income.

Recognition of revenue

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.

Interest income

Interest income is recognised using the effective interest method.

Rental income

Rental income is recognised on accrual basis.

Fee income

Placement and advisory fees are recognised when related services are rendered. Management fees relating to portfolios, fund management and custody services are recognised when earned. Other fees are recognised when earned.

Dividend income

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

Finance costs

Finance costs are recognised on a time proportion basis taking into account the outstanding balance payable and applicable interest rate.

Finance costs that are directly attributable to the acquisition and construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete. Other finance costs are recognised as an expense in the period in which they are incurred.

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 statement of income.

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

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

Property under development

Property under development is stated at cost less impairment, if any.

Property and equipment

Property 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 property and equipment at rates calculated to write off the cost of each asset on a straight line basis over its estimated useful life as follows:

- Buildings	20 years
-Furniture, fixtures and other equipment	3-5 years

The useful economic lives of property and equipment are reviewed at each year end and revised where necessary.

Financial instruments

Classification

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

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

Financial liabilities are classified as “non trading financial liabilities”. The group’s non-trading financial liabilities are

classified under “due to banks”, “accounts payable and other liabilities”, “ljara sukuk payable” and “bank loans”.

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

The group classifies investments as trading if they are acquired principally for the purpose of selling or are a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking.

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The group’s loans and receivables are classified under “accounts receivable and other assets” and “cash and cash equivalents” in the balance sheet.

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

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

Measurement

Investments at fair value through statement of income

Investments at fair value through statement of income are initially recognised at cost, being the fair value of the consideration given. Associated transaction costs are expensed as incurred.

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

Loans and receivables

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

Available for sale investments

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

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

Available for sale investments (continued)

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

Financial liabilities

Non-trading financial liabilities are stated at amortised cost using the effective interest method.

Fair values

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

For investments where there is no quoted market price, a reasonable estimate of fair value is determined by using valuation techniques. The group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Valuation techniques used include the use of comparable recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants.

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

Trade and settlement date accounting

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

Recognition and derecognition of financial assets and liabilities

A financial asset or a financial liability is recognised when the group becomes a party to the contractual provisions of the instrument.

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

- the rights to receive cash flows from the asset have expired;
- or

- the group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the group has transferred substantially all the risks and rewards of the asset, or (b) the group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Investment in jointly controlled assets

Investment in jointly controlled assets are accounted for under the method of proportionate consolidation whereby the group recognises its interest in assets, liabilities, income and expenses relating to the assets on a line-by-line basis.

Investment in associates

An associate is a company over which the group has significant influence usually evidenced by holding of 20% to 50% of the voting power of the investee company. Investments in associates are accounted for 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. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. The group recognises in the consolidated statement of income its share of the total recognised profit or loss of the associate from the date the influence or ownership effectively commenced until the date that it effectively ceases. Distributions received from an associate reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the group's share in the associate, arising from changes in the associates' equity that have not been recognised in the associate's statement of income. The group's share of those changes is recognised directly in equity. The financial statements of the associates are prepared either to the reporting date of the parent company or to a date not earlier than three months of the parent company's reporting date, using consistent accounting policies.

Unrealised gains on transactions with associates are eliminated to the extent of the group's share in the associate. Unrealised losses are also eliminated unless the transaction

provides evidence of impairment in the asset transferred. An assessment for impairment of investments in associates is performed when there is an indication that the asset has been impaired, or that impairment losses recognised in prior years no longer exist.

Impairment of financial assets

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

- (a) For assets carried at fair value, impairment is the difference between cost and fair value;
- (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; and
- (c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

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

Impairment of non-financial assets

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

loss in the consolidated statement of income. 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.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the group makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount.

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.

Provisions

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

Provision for end of service indemnity

Provision for end of service indemnity is calculated on the employees' accumulated periods of service at the balance sheet date in accordance with the Kuwait labour law for the private sector.

Ijara sukuk payable

The trust certificates (Ijara Sukuk) are carried on the balance sheet at their principal amount, net of directly related costs of issuing the certificates to the extent that such costs have not been amortised. These costs are amortised through the consolidated statement of income over the life of the certificates using the effective cost rate method.

The profit payable to the certificate holders is charged as an expense as it accrues, with unpaid amounts included in other liabilities.

Murabaha payable

Murabaha payable represents amounts payable on a deferred settlement basis. Murabaha payable is stated at the gross amount of the payable, net of deferred profit payable. Profit payable is expensed on a time apportionment basis taking account of the profit rate attributable and the balance outstanding.

Cash and cash equivalents

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

Foreign currencies

Functional and presentation currency

The consolidated financial statements are presented in Kuwaiti Dinar, 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 and balances

Transactions in foreign currencies are initially recorded in the functional currency rate of exchange ruling at the date of the transaction.

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation difference on non-monetary asset classified as "fair value through statement of income" and "investment properties" are reported as part of the fair value gain or loss in the consolidated statement of income and "available for sale" are reported as part of the cumulative change in fair value reserve, within equity.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as

assets and liabilities of the foreign operations and translated at closing rate.

Group companies

As at the reporting date, the assets and liabilities of foreign subsidiaries are translated into the parent company's presentation currency (the Kuwaiti Dinar) at the rate of exchange ruling at the balance sheet date, and their statements of income are translated at the average exchange rates for the year. Exchange differences arising on translation are taken directly to foreign exchange translation reserve within equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to the particular foreign operation is recognised in the consolidated statement of income.

Fiduciary assets

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

4- Critical accounting judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, which are described in note 3, management is required to make judgements, estimates and assumption about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements

In the process of applying the group's accounting policies, management has 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 property

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

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

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 at fair value through statement of income or available for sale. In making that judgement the group considers the primary purpose for which it is acquired and how it intends to manage and report its performance. Such judgement determines whether it is subsequently measured at cost, amortised cost or at fair value and if the changes in fair value of instruments are reported in the consolidated statement of income or directly in equity.

Impairment of available for sale 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.

During the year ended 31 December 2008 impairment losses of KD 2,321,789 was recognised for available for sale investments (2007: Nil).

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

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

5- Subsidiary companies

The group's consolidated subsidiaries are as follows:

	Country of incorporation	Percentage ownership	Percentage ownership
		2008	2007
Injazzat Entertainment Enterprises – KSC (Closed) [Formerly: Al Mal Entertainment Enterprises – KSC (Closed)]	Kuwait	100%	100%
Al-Mal Real Estate – France	France	100%	100%
Dhow Real Estate Company - BSC (Closed)	Bahrain	100%	100%
Al-Dhow International Real Estate Company – KSC (Closed)	Kuwait	100%	100%
Al Mal and Aqar Joint Project Company – WLL	Kuwait	67%	67%
Al Mal Real Estate Company – KSC (Closed)	Kuwait	100%	100%
Al Qouz International General Trading and Contracting Company – WLL	Kuwait	60%	60%
Injazzat Lusail Company – WLL	Kuwait	100%	-
Amwaj Real Estate Development Company – KSC (Closed)	Kuwait	100%	-
Al Bateel Real Estate Company – LLC	UAE	100%	-

The financial year end of all the above subsidiaries is 31 December except for Al Mal Real Estate – France which has a year end of 30 September.

During the year the parent company established two GCC based subsidiaries Injazzat Lusail Company – WLL and Al Bateel Real Estate Company – LLC and acquired Amwaj Real Estate Development Company – KSC (Closed) whose primary objectives are to engage in real estate development and leasing, and investment activity. These subsidiaries have not commenced operations as at the balance sheet date.

6- Other income

	2008	2007
	KD	KD
Interest income from cash and cash equivalents	477,627	474,890
Interest income from accounts receivable	359,937	125,813
Other income	205,089	794,632
	1,042,653	1,395,335

Previous year's other income includes reversal of contingent costs/accruals of KD736,457 during the year 2007 on settlement of the final amounts with the contractors, by the parent company in relation to a property which was developed and sold during the year ended 31 December 2006.

7- Net gain or loss on financial assets and financial liabilities

Net gain or loss on financial assets and financial liabilities, analysed by category, is as follows:

	2008 KD	2007 KD
Loans and receivables		
- Cash and cash equivalents and accounts receivable	837,564	600,703
Investment designated as investment at fair value through statement of income	(464,639)	(329,125)
Available for sale investments		
- Recognised directly in consolidated equity	1,501,817	1,669,003
- Recognised directly in consolidated statement of income	(1,345,979)	1,322,732
	528,763	3,263,313
Financial liabilities at amortised cost (refer note 7a)		
- Due to banks, Ijara sukuk payable, murabaha payable and bank loans	(6,256,302)	(1,965,550)
	(5,727,539)	1,297,763
Net loss recognised in the consolidated statement of income	(7,229,356)	(371,240)
Net gain recognised directly in the consolidated statement of changes in equity	1,501,817	1,669,003
	(5,727,539)	1,297,763

7 a) Net loss on financial liabilities at amortised cost is arrived at after adjusting exchange losses of KD259,169 (2007: exchange gain of KD2,042,947).

8- Finance costs

Finance costs relate to due to banks, bank loans, Ijara Sukuk payable and murabaha payable which are financial liabilities stated at amortised cost.

9- Zakat Provision

During the pervious year in accordance with the requirements of the Zakat Law No: 46 of 2006, the group provided for Zakat only for 21 days (effective from 10 December 2007) whereas in the current year a full years provision has been made.

10- Basic and diluted earnings per share

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

	2008 KD	2007 KD
Profit for the year attributable to the shareholders of the parent company (KD)	15,325,871	16,479,014
Weighted average number of shares outstanding during the year (excluding treasury shares)	338,927,106	331,488,208
Basic and diluted earnings per share	45 Fils	50 Fils

The weighted average number of shares outstanding during the year ended 31 December 2007 has been restated due to the issue of 15% bonus shares during the year ended 31 December 2008 (refer note 22).

11- Cash and cash equivalents

	Effective yield rate (per annum)	2008 KD	2007 KD
Cash and bank balances	1%	2,095,610	869,163
Short term deposits	5%	20,786,488	9,176,147
Investment in money market fund managed by a local financial institution	8%	-	4,659,275
Cash and cash equivalents		22,882,098	14,704,585
Less: due to banks	7.75%	-	(463,483)
Cash and cash equivalents for the purpose of cash flow statement		22,882,098	14,241,102

Cash and bank balances include call accounts which yield interest.

12- Accounts receivable and other assets

	2008 KD	2007 KD
Financial assets		
Due from associate company	2,258,546	-
Due from other related parties	475,378	129,500
Due on sale of investment property	4,242,856	3,816,362
Other financial assets	1,454,671	1,530,724
	8,431,451	5,476,586
Non-financial assets		
Payments towards property purchases	81,367	3,403,928
Advances to contractors	850,888	562,798
Prepayment and other assets	224,121	277,306
	1,156,376	4,244,032
	9,587,827	9,720,618

Financial assets include receivables of KD 5,832,351 (2007: KD7,220,290) which earns interest at an average rate 8% per annum.

13- Investment at fair value through statement of income

	2008 KD	2007 KD
Designated on initial recognition:		
Investment in mutual fund (investing in foreign quoted "Real Estate Investment Trusts")	-	2,452,255

During the year ended 31 December 2008, the group disposed of its investments at fair value through statement of income realising a loss of KD464,639.

14- Available for sale investments

Available for sale investments primarily represent investments in real estate development projects and portfolios through specialised real estate investment managers. Due to the nature of these investments, the unpredictability of their cash flows and the absence of an active market for these investments, fair value is not reliably measurable. As a result, such investments are carried at cost less impairment, if any.

Available for sale investments include a number of investments where their fair values cannot be reliably determined and as a result investments with a carrying amount of KD4,661,369 (2007: KD10,266,143) are carried at cost.

Available for sale investments include, investments with a carrying value of KD2,000,187 (2007: KD2,391,009) which represent investments in real estate entities in which the group has an equity interest exceeding 20% and 50%. These entities represent temporary special purpose entities established to facilitate the group's investments in certain foreign real estate projects. The group does not exercise control or significant influence over these entities as they are managed by independent specialist property development managers. As a result investments in these entities have been classified as available for sale investments.

During the year, the parent company recognised an impairment loss of KD2,321,789 against certain investments with exposure to the US real estate market based on recent information provided by investment managers. The carrying value of these investments before recognising the impairment losses and subsequently at 31 December 2008 amounted to KD7,310,838 and KD4,989,049 respectively.

15- Investment properties

	2008 KD	2007 KD
Carrying value at 1 January	102,411,392	59,422,105
Additions during the year	18,294,503	42,041,846
Disposals during the year	(5,514,534)	(8,671,513)
Change in fair value	9,952,528	10,131,650
Foreign currency translation adjustment	88,406	(512,696)
Carrying value at 31 December	125,232,295	102,411,392

Investment properties with a carrying value of KD4,405,479 (2007: KD4,128,294) are held in the name of nominees.

During the previous year investment properties with a carrying value KD17,700,000 were secured against bank guarantees. Investment properties include jointly controlled investment properties with a carrying value of KD24,013,221 (2007: KD7,948,363).

Investment properties also include properties with a carrying value of KD28,760,606 (2007: KD12,035,921) representing properties under development for future use as investment property.

The group's investment properties are located as follows:

	2008 KD	2007 KD
Kuwait	68,457,127	64,726,590
Other GCC countries	56,775,168	37,684,802
	125,232,295	102,411,392

16- Investment in associates

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

	Country of incorporation	Percentage ownership 2008 KD	Percentage ownership 2007 KD
Ikaros Real Estate Company – KSC (Closed)	Kuwait	45%	45%
Al Bersha Real Estate Company – KSC (Closed)	Kuwait	35%	35%
Al Bersha Real Estate Company – WLL	Bahrain	35%	35%
Injaz Mabanee Real Estate Company – WLL	Kuwait	40%	40%
Al Boom Real Estate Company – WLL	KSA	15%	-
Injazzat Business Management Company – LLC	UAE	15%	-

The principal activity of the associates is real estate development.

During the nine months 30 September 2008, the parent company made a payment of KD19,407,331 towards a capital call from the 40% associate, Injaz Mabanee Real Estate Company – WLL and subsequently during the fourth quarter the associate cancelled the capital call and returned the total amount.

During the year, the parent company established Al Boom Real Estate Company – WLL, a KSA registered company, along with strategic investors. The parent company initially contributed 35% of the equity amounting to KD1,740,358 and subsequently sold 20% of its 35% interest to a strategic investor. The parent company has classified its residual 15% interest (KD 745,868) as investment in associate as it has the power to exercise significant influence over the investee company through an agreement with the strategic investor.

During the year, the parent company established Injazzat Business Management Company – LLC, a UAE registered company, along with strategic partners and retained a 15% equity interest. The parent company has classified its 15% equity interest as investment in associate as it has the power to exercise significant influence over the established entity based on an arrangement agreed with the strategic investors. The carrying value of investment at the balance sheet date is KD 1,410,354.

Aggregate share of associates' assets and liabilities:

	2008 KD	2007 KD
Assets	28,898,590	13,796,533
Liabilities	13,606,921	942,249

Aggregate share of associates' revenue and profit:

	Year ended 31 Dec. 2008 KD	Year ended 31 Dec. 2007 KD
Revenue	224,396	111,690
Profit	54,112	54,710

The fair value of the associates cannot be reliably measured since they are unquoted.

17- Property and equipment

	Buildings KD	Furniture and fixtures KD	Office equipment and computers KD	Total KD
Year ended 31 December 2008				
Balance at 1 January, net of accumulated depreciation	1,676,172	302,215	57,363	2,035,750
Additions during the year	-	3,370	41,164	44,534
Depreciation charge for the year	(86,668)	(71,046)	(33,573)	(191,287)
Balance at 31 December, net of accumulated depreciation	1,589,504	234,539	64,954	1,888,997

At 31 December 2008				
At cost	1,733,358	354,530	125,643	2,213,531
Accumulated depreciation	(143,854)	(119,991)	(60,689)	(324,534)
Net carrying amount at 31 December 2008	1,589,504	234,539	64,954	1,888,997

Year ended 31 December 2007				
Balance at 1 January, net of accumulated depreciation	1,853,834	88,978	26,235	1,969,047
Additions during the year	113,485	163,628	66,034	343,147
Disposals during the year	-	(10,531)	(7,790)	(18,321)
Transfers during the year	(233,961)	109,085	-	(124,876)
Depreciation charge for the year	(57,186)	(48,945)	(27,116)	(133,247)
Balance at 31 December, net of accumulated depreciation	1,676,172	302,215	57,363	2,035,750

At 31 December 2007				
At cost	1,733,358	351,160	84,479	2,168,997
Accumulated depreciation	(57,186)	(48,945)	(27,116)	(133,247)
Net carrying amount at 31 December 2007	1,676,172	302,215	57,363	2,035,750

18- Accounts payable and other liabilities

	2008 KD	2007 KD
Financial liabilities		
Accounts payable	3,104,427	2,605,350
Due on purchase of investment properties (refer note 18 a)	7,002,270	3,088,451
Accrued expenses	2,272,092	2,262,508
Due to associate company	-	9,165,503
Due to other related parties	251,625	-
Other liabilities	1,437,156	3,646,609
	14,067,570	20,768,421

18 a) Included within "due on purchase of investment properties" is an amount of KD1,452,797 (2007: KD1,715,806) which is due after more than one year.

19- Ijara Sukuk payable

On 25 July 2007 the parent company issued 5-year trust certificates (Ijara Sukuk) amounting to US Dollars 60,000,000 at par through a special purpose vehicle. The certificate holders are entitled to a quarterly profit distribution at 3-months LIBOR plus 1.25% per annum. The carrying value of these certificates as at the balance sheet date was equivalent to KD16,581,000 (2007: KD16,404,000).

20- Murabaha payable

During the three month period ended 30 June 2008, the parent company obtained finance amounting to KD6,000,000 under a murabaha arrangement from a local Islamic financial institution. The murabaha which carried an effective profit rate of 9.125 % per annum was fully settled during the three months period ended 30 September 2008.

21- Bank loans

	Effective interest rate	Security	2008 KD	2007 KD
Local banks – Kuwaiti Dinar	CBK discount rate + 1.25%	Unsecured	12,000,000	12,000,000
Local banks – Kuwaiti Dinar	CBK discount rate + 1.25% - 2.25%	Unsecured	42,000,000	27,000,000
Local banks – U.S. Dollars	LIBOR + 1.4% - 2.25%	Unsecured	27,962,562	21,535,165
			81,962,562	60,535,165

The loans are due for repayment as follows:

	2008 KD	2007 KD
Within one year	52,722,005	11,000,000
One to five years	29,240,557	49,535,165
	81,962,562	60,535,165

22- Share capital and share premium

The general assembly meeting of the shareholders of the parent company held on 20 February 2008 approved an increase in the authorised and paid up share capital from KD30,056,400 to KD34,564,860 by way of issuance of 15% bonus shares amounting to KD4,508,460.

At 31 December 2008, the authorised, issued and paid up capital of the parent company comprised 345,648,600 shares of 100 fils each (2007: 300,564,000 shares).

Share premium is not available for distribution.

23- Treasury shares

	2008	2007
Number of shares	-	18,173,052
Percentage of issued shares	-	6%
Market value (KD)	-	5,906,242
Cost (KD)	-	4,734,000

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

24- Statutory and voluntary reserves

As required by the Commercial Companies Law and the parent company's articles of association, 10% of the profit for the year attributable to the shareholders of the parent company before KFAS, Zakat, NLST and Directors' remuneration is transferred to the statutory reserve until the balance reaches 50% of the parent company's issued and paid-up capital. Any transfer to the statutory reserve thereafter is subject to approval of the general assembly. No transfer is required in a year when losses are made.

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 distribution of a dividend of that amount.

Subject to the approval of the general assembly, the parent company's board of directors propose to transfer 5% of the profit for the year attributable to the shareholders of the parent company before KFAS, Zakat, NLST and Directors' remuneration to the voluntary reserve. There are no restrictions on distribution of voluntary reserve.

25- Dividend distribution

Subject to the requisite consent of the relevant authorities and approval from the general assembly, the parent company's board of directors propose a cash dividend of 25 Fils (2007: 15 Fils) per share.

Following approval of the annual general assembly of the shareholders on 20 February 2008 the parent company distributed a cash dividend of 15 Fils (2006: 15 Fils) per share amounting to KD4,257,915 (2006: KD4,042,240) and issued 15% bonus shares amounting to KD4,508,460 for the year ended 31 December 2007 (2006: KD2,732,400).

26- Employees share purchase scheme

At the annual general assembly held on 23 February 2004, the shareholders approved an employees' share purchase scheme. Under this scheme, which has duration of 9 years, the company may issue shares for cash to eligible employees by increasing its share capital. The total capital increase during the 9 year period to meet the requirements of the scheme may not exceed 9% of the share capital as at 31 December 2006.

During the current and previous year, no shares were granted or issued.

27- Segmental analysis

The group primarily operates in one business segment: real estate investments.

Although management of the group is based primarily on one business segment, the group operates in two geographical segments: Domestic and International (Kingdom of Bahrain, United Arab Emirates, Qatar, Europe and U.S.A.). The geographical analysis of segment information is as follows:

	Domestic KD	International KD	Total KD
2008			
Income	3,474,913	21,728,863	25,203,776
(Loss)/profit before KFAS, Zakat, NLST and Directors' remuneration	(5,298,492)	21,559,068	16,260,576
Total assets	92,740,943	110,284,956	203,025,899
Total liabilities	(107,382,562)	(5,228,570)	(112,611,132)
Net (liabilities)/assets	(14,641,619)	105,056,386	90,414,767
Impairment in value of available for sale investments	-	2,321,789	2,321,789
Capital expenditure	2,273,667	16,065,370	18,339,037
Depreciation	191,287	-	191,287
2007			
Income	8,755,098	14,617,287	23,372,385
Profit before KFAS, Zakat, NLST and Directors' remuneration	2,549,806	14,568,634	17,118,440
Total assets	94,434,506	72,586,234	167,020,740
Total liabilities	(92,919,797)	(5,251,272)	(98,171,069)
Net assets	1,514,709	67,334,962	68,849,671
Impairment in value of investment in associate	400,000	-	400,000
Capital expenditure	27,077,999	15,306,994	42,384,993
Depreciation	133,247	-	133,247

28- Capital commitments and contingent liabilities

At the balance sheet date the group had capital commitments of KD4,577,575 in respect of investment properties (2007: KD15,035,480).

At the balance sheet date, the group had contingent liabilities in respect of outstanding bank guarantees amounting to KD900,000 (2007: KD600,000). Further the group's share of associated companies bank guarantees amounted to KD963,450 (2007: KD963,450).

29- Related party transactions

Related parties represent associates, directors and key management personnel of the group, and other related parties such as major shareholders and companies in which directors and key management personnel of the group are principal owners or over which they are able to exercise significant influence or joint control. Pricing policies and terms of these transactions are approved by the group's management.

Details of significant related party transactions and balances are as follows:

	2008 KD	2007 KD
Consolidated balance sheet:		
Due from associate company (refer note 12)	2,258,546	-
Due from other related parties (refer Note 12)	475,378	129,500
Due to associate company (refer Note 18)	-	9,165,503
Due to other related parties (refer note 18)	251,625	-
Consolidated statement of income		
Profit from sale of investment properties	3,920,458	-
Management and placement fees	3,418,444	-
Compensation of key management personnel of the group:		
Short-term benefits	1,028,180	1,042,445
Employees' end of service benefits	22,750	15,862
	1,050,930	1,058,307

30- Fiduciary assets

Fiduciary assets comprise investments managed on behalf of clients amounting to KD166,225 (2007: KD172,235) and cash held on behalf of an associate company which amounted to KD 4,658,775 (2007: Nil).

31- Fair value summary of financial assets and liabilities by category

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

	2008 KD	2007 KD
Loans and receivables:		
• Cash and cash equivalents	22,882,098	14,704,585
• Accounts receivable and other assets (refer note 12)	8,431,451	5,476,586
Investments at fair value through statement of income:		
• Designated on initial recognition	-	2,452,255
Available for sale investments	28,143,013	22,841,856
	59,456,562	45,475,282
Other Financial Liabilities		
• Due to banks	-	463,483
• Accounts payable and other liabilities	14,067,570	20,768,421
• Ijara Sukuk payable	16,581,000	16,404,000
• Bank loans	81,962,562	60,535,165
	112,611,132	98,171,069

Fair value represents amounts at which an asset could be exchanged or a liability settled on an arm's length basis. In the opinion of the parent company's management, except for certain available for sale investments which are carried at cost less impairment for reasons specified in Note 14, the carrying amounts of financial assets and liabilities as at 31 December 2008 and 2007 approximate their fair values.

32- Risk management objectives and policies

The group's principal financial liabilities comprise bank loans, ijarah sukuk payable, overdrafts and accounts payable. The main purpose of these financial liabilities is to raise finance for group operations. The group has various financial assets such as accounts receivable and other assets, cash and cash equivalents, investment securities which arise directly from operations.

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

The parent company's board of directors sets out policies for reducing each of the risks discussed below.

The group does not use derivative financial instruments.

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

32.1 Market risks

a) Foreign currency risk

The group mainly operates in the Gulf Cooperation Council (GCC) and the United States of America (USA) and as a result is exposed to changes in exchange rates of the US Dollar, UAE Dirhams and Qatari Riyals. The group's balance sheet can be significantly affected by the movement in these currencies. To mitigate the group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored.

Foreign currency risk is managed on the basis of limits determined by the parent company's board of directors and a continuous assessment of the groups' open positions. The group, where possible, matches currency exposures inherent in certain assets with liabilities in the same currency or correlated currency.

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

	2008 KD	2007 KD
US Dollar	(44,219,424)	(37,824,632)
UAE Dirham	19,432,823	3,442,851
Qatari Riyal	(3,577,684)	(3,075,530)

Based on the average market volatility in exchange rates in the previous twelve months, the parent company's management estimates that a reasonable possible change in the above exchange rate would be 1%(2007: 5.43%).

If the Kuwaiti Dinar had strengthened against the foreign currencies assuming the above sensitivity 1% (2007: 5.43%), then this would have the following impact on the profit for the year. There is no impact on the group's equity.

	Profit for the year	
	2008 KD	2007 KD
US Dollar	(442,194)	(2,053,878)
UAE Dirham	194,328	186,947
Qatari Riyal	(35,777)	(167,001)
	(283,643)	(2,033,932)

If the Kuwaiti Dinar had weakened against the foreign currencies assuming the above sensitivity 1% (2007: 5.43%), then there would be an equal and opposite impact on the profit for the year, and the balances shown above would be negative for UAE Dirhams and positive for the other currencies.

Exposures to foreign exchange rates vary during the year depending on the volume and nature of the transactions. Nonetheless, the analysis above is considered to be representative of the group's exposure to the foreign currency risk.

b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The group is exposed to interest rate risk on its cash & cash equivalents (refer note 11), due to banks (refer note 11), Ijara Sukuk payable (refer note 19) and bank loans (refer note 21), which are primarily at floating interest rates.

Positions are monitored on a regular basis to ensure positions are maintained within established limits.

The following table illustrates the sensitivity of the profit for the year to a reasonably possible change in interest rates with effect from the beginning of the year. Based on observation of current market conditions the parent company's management estimates that a reasonable possible change in the interest rates would be +75 and -25 (2007: +25 and -75) basis points for LIBOR and +25 and -125 (2007: +25 and -50) basis points for Kuwaiti Dinar and +25 and -200 basis points for UAE Dirhams interest rates for the year 2008. The calculation is based on the group's financial instruments held at each balance sheet date. All other variables are held constant. There is no impact on group's equity.

	Increase in interest rates		Decrease in interest rates	
	2008 KD	2007 KD	2008 KD	2007 KD
Profit for the year	(428,757)	(158,918)	493,889	412,684

c) Equity price risk

The group is not significantly exposed to equity price risk as its equity investments are unquoted.

32.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The group credit policy and exposure to credit risk is monitored on an ongoing basis. The group seeks to avoid undue concentrations of risks with individuals or groups of customers in specific locations or business through diversification of its activities.

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

	2008 KD	2007 KD
Cash and cash equivalents	22,882,098	14,704,585
Accounts receivable and other assets (refer note 12)	8,431,451	5,476,586
Investments at fair value through statement of income	-	2,452,255
Available for sale investments – monetary financial assets	2,945,394	4,180,596
	34,258,943	26,814,022

None of the above financial assets are past due nor impaired except for certain available for sale investments as described in note 14. The group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The group's policy is to deal only with creditworthy counterparties. The group's management considers that all the above financial assets that are neither past due nor impaired for each of the reporting dates under review are of good credit quality.

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

The credit risk for cash and cash equivalent is considered negligible, since the counterparties are reputable banks and financial institution with high credit quality.

Information on other significant concentrations of credit risk is set out in note 32.3

32.3 Concentration of assets

The distribution of financial assets by geographic region was as follows:

	GCC KD	Europe KD	USA KD	Total KD
At 31 December 2008				
Cash and cash equivalents	22,844,604	37,494	-	22,882,098
Accounts receivable and other assets (refer note 12)	7,943,965	139,516	347,970	8,431,451
Available for sale investments	13,402,074	6,364,417	8,376,522	28,143,013
	44,190,643	6,541,427	8,724,492	59,456,562
At 31 December 2007				
Cash and cash equivalents	14,611,056	93,529	-	14,704,585
Accounts receivable and other assets (refer note 12)	5,382,895	93,691	-	5,476,586
Investments at fair value through statement of income	-	-	2,452,255	2,452,255
Available for sale investments	10,177,002	3,985,480	8,679,374	22,841,856
	30,170,953	4,172,700	11,131,629	45,475,282

32.4 Liquidity risk

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

The table below summarises the maturity profile of the group's financial assets and liabilities. Except for investments carried at fair value through statement of income and available for sale investments, the maturities of assets and liabilities have been determined on the basis of the remaining period from the balance sheet date to the contractual maturity date. The maturity profile for investments carried at fair value through statement of income and available for sale investments is determined based on management's planned exit dates.

The maturity profile of financial assets and financial liabilities at 31 December 2008:

	Up to 1 month KD	1-3 months KD	3-12 months KD	1-5 years KD	Total KD
Assets					
Cash & cash equivalents	22,882,098	-	-	-	22,882,098
Accounts receivable and other assets (refer note 12)	-	-	8,431,451	-	8,431,451
Available for sale investments	-	3,441,891	-	24,701,122	28,143,013
	22,882,098	3,441,891	8,431,451	24,701,122	59,456,562
Liabilities					
Accounts payable and other liabilities	626,573	929,685	11,058,515	1,452,797	14,067,570
Ijara Sukuk payable	-	-	-	16,581,000	16,581,000
Bank loans	-	2,000,000	50,722,005	29,240,557	81,962,562
	626,573	2,929,685	61,780,520	47,274,354	112,611,132

The maturity profile of financial assets and financial liabilities at 31 December 2007:

	Up to 1 month KD	1-3 months KD	3-12 months KD	1-5 years KD	Total KD
Assets					
Cash & cash equivalents	14,704,585	-	-	-	14,704,585
Accounts receivable and other assets (refer note 12)	-	-	5,476,586	-	5,476,586
Investments at fair value through statement of income	-	-	2,452,255	-	2,452,255
Available for sale investments	-	-	4,559,806	18,282,050	22,841,856
	14,704,585	-	12,488,647	18,282,050	45,475,282
Liabilities					
Due to banks	463,483	-	-	-	463,483
Accounts payable and other liabilities	-	-	19,052,615	1,715,806	20,768,421
Ijara Sukuk payable	-	-	-	16,404,000	16,404,000
Bank loans	-	2,000,000	9,000,000	49,535,165	60,535,165
	463,483	2,000,000	28,052,615	67,654,971	98,171,069

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

	Up to 1 month KD	1-3 months KD	3-12 months KD	1-5 years KD	Total KD
31 December 2008					
Liabilities					
Accounts payable and other liabilities	626,573	929,685	11,058,515	1,452,797	14,067,570
Ijara Sukuk payable	203,023	-	602,448	18,690,672	19,496,143
Bank loans	505,167	2,565,724	67,673,256	30,043,945	100,788,092
	1,334,763	3,495,409	79,334,219	50,187,414	134,351,805

31 December 2007

Liabilities

Due to banks	463,483	-	-	-	463,483
Accounts payable and other liabilities	-	-	19,052,615	1,715,806	20,768,421
Ijara Sukuk payable	259,644	-	520,871	18,601,561	19,382,076
Bank loans	-	712,217	3,498,784	80,127,548	84,338,549
	723,127	712,217	23,072,270	100,444,915	124,952,529

33- Capital management objectives

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

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

The capital structure of the group consists of the following:

	2008 KD	2007 KD
Ijara Sukuk (refer note 19)	16,581,000	16,404,000
Bank loans (refer note 21)	81,962,562	60,353,165
Due to banks (refer note 11)	-	463,483
Less: Cash and cash equivalents (refer note 11)	(22,882,098)	(14,704,585)
Net debt	75,661,464	62,698,063
Equity attributable to the shareholders of the parent company	85,305,330	63,920,465
Total capital	160,966,794	126,618,528

Consistent with others in the industry the group monitors capital on the basis of the gearing ratio. The group's policy is to keep the gearing ratio within 100%.

This ratio is calculated as net debt divided by total capital as follows:

	2008 KD	2007 KD
Net debt	75,661,464	62,698,063
Capital	160,966,794	126,618,528
Net debt total capital ratio	47%	50%