الصفاة
AL SAFAT
شركة الصفاة للاستثمار
AL SAFAT INVESTMENT COMPANY

الصفاة للطاقة
SAFAT ENERGY

شركة دانة الصفاة الغذائية
Danah AlSafat Foodstuff Co.

الصفاة
AL SAFAT
العقارية REAL ESTATE
شركة الصفاة العقارية
AL SAFAT REAL ESTATE CO.

شركة مجموعة الصفوة القابضة
AL SAFWA HOLDING

الصفاة للتكافل
AL SAFAT TAKAFUL

شركة الشعيبة الصناعية
SHUAIBA INDUSTRIAL CO.

صفتك
saftec

KMCH
شركة المركز الطبي الكويتي القابضة
Kuwait Medical Center Holding Co.

مستشفى الصفاة الأمريكي
Al Safat American Hospital

الصفاة
AL SAFAT
للسياحة TRAVEL
شركة الصفاة للسياحة والسفر
AL SAFAT TOURISM & TRAVEL CO.

شركة صناعات الصفاة القابضة
Safat Industries Holding Company

شركة الصفاة للضيافة
Al- Safat Dhiafa Co.

Orimix
Technology of the future ...

الشركة الكويتية البريطانية للخدمات التعليمية
Kuwaiti-British Educational Services Co.

دار الهدى
شركة دار الهدى القابضة
Dar Al-Houda Holding co.

شركة آسيا القابضة
Asia Holding Company
ASIA Holding

الصفاة ميديا
AL SAFAT Media

بسم الله الرحمن الرحيم

Our Mission

We strive to uphold on shareholders interest sustain their equity and achieve high long term and stable returns. We also endeavor to provide professional and distinctive services to meet our clientele needs and surpass their expectations.

In doing so we alaways consider our obligations towards the society by contributing to the economic growth and development of our beloved Kuwait.

AL SAFAT

شركة الصفاة للاستثمار

AL SAFAT INVESTMENT COMPANY

(+965) 2232 3600
(+965) 2232 3620
www.alsafatinvest.com
info@alsafatinvest.com
Al-Qiblah, Al Khorafi- Floor 12,13.
Al Safat 13062, Al Kuwait

H.H. SHEIKH

SABAH AL-AHMAD AL-JABER AL-SABAH
Amir of the state of Kuwait

H.H. SHEIKH

NAWAF AL-AHMAD AL-JABER AL-SABAH
Crown Prince of the state of Kuwait

Contents

Board of Directors

Waleed Ahmad Al-Sharhan
Chairman and Managing Director

Mishary Ziad Al Khalid
Director

Mohamed Ali Al Naki
Vice Chairman

Waleed Mohamed Al Issa
Director

Adel Yousef Al Saqabi
Director

Yousef Sultan Al Majed
Director

Azam Abdul Aziz Al Fulaij
Director

In the name of god most gracious most merciful

Dear Shareholders
I have the honor to welcome you on the occasion of the General Assembly Meeting of AL-Safat Investment Company, and present the annual report of the Board of Directors and the Financial Statements of the Company for the year ended 31.12.2008.

Dear Shareholders
The last quarter of 2008 was marked by several financial and economic developments which left behind obvious negative impacts on the Financial and economic structure and consequently affected the business environment of the Investment companies.

You are aware of the size of the Financial and Economic crisis and its negative effects on all sectors including Investment, for which the year 2009 should be considered a year of abundant challenges and hardships which require more care and alertness; therefore we have taken several precaution measures.

In this regard, the company evaluated all its investments , and did not book or record any profits even though the valuation was higher that the book value; on the contrary, the company reserved 10-15% on the book value. Although most of these investments are still registered at their initial value, which helped the Company to save evaluation without suffering gross losses as it didn't evaluate any of these investments in the previous years of 2008 nor it scored any profits except in one investment.

The Company took full provisions in the balance sheet of 31.12.2008 for two investments as a precaution in case there is decline in value of investment; when it occurs it shall not have any negative impacts on the coming years , because the company took full provisions for these investments in the balance sheet of 31.12.2008.

The Company took other provisions of KD 8 Million to face certain decreases and obligations which may be suffered by the Company in the coming years. In order to decrease the future dept service, the Company has settled KD 31.24 Million from its credit agencies during the fourth quarter of 2008 which fell down from KD 103 Million as on 30.9.2008 to KD 71.77 Million as on 31.12.2008 which caused the falling of expenses of debts about KD 2.22 Million, at 22% of the annual total dept service.

Also the Company decreased the salaries of it's employees, and cancelled all the benefits and merits previously granted, in order to minimize the expenses. However, the Company did not terminate any of it's Kuwaiti Staff.

The Company also decreased several other expenses, which can be avoided during the coming years so that the total decrease of expenses except the Debts reached KD 1.7 Million.

Dear Shareholders
With the help and bless of God Almighty, the Company, till the end of the 3rd quarter of 2008 achieved KD 25.7 Million as net profit, but the collapse of the International and Local Financial markets caused losses to the Company at the end of the 4th quarter of 2008 at KD 51.8 Million. Therefore the Company announced a net loss of KD 24.8 Million and loss of share value at 35.9 Fils in the year 2008. But despite the said losses the Company still holds assets which exceeds the Company's liabilities by 247% reflecting good financial position of the Company in which the shareholders equity on 31.12.2008 was KD 124 Million and the book value of the share was 161 Fils.

Dear Shareholders :
During the year, and as a continuous effort of the policy of AL-Safat Investment Company , the Company achieved expansion in and out of the State of Kuwait through acquiring main shares in Companies which shall have positive impact in supporting the future activities.

The main activities during 2008:

Inside the State of Kuwait
First: During the first quarter of 2008 the company finalized the re-structuring of AL-Safat Energy Company (Previously Computer Holding Co.), the Company's capital was successfully increased and implemented the set aim of changing the Company's activity to work in the oil sector. Currently the Company owns several operational companies under its entity, also in September 2008 the company was re-listed for dealings in Kuwait stock Market, the Company has its operational activity through its affiliated companies which qualifies it to support this sector and the operational activity of AL-Safat investment Company.

Second: the Company ended a very advanced stages in the completion of the "Waterfalls" Project, a Commercial Mall annexed to an office Tower of 17 Floors under BOT system which is expected to be completed in July 2009, after that the offices of AL-Safat Group shall be re-located to the said building, which shall have significant impact in the support of the operational activity of the Company, and shall secure an additional liquidity to the Company and a positive effect on the total expenses.

Third: Through the Kuwaiti Medical Center Holding Company, the Company is about to complete 90% of AL-Safat American Hospital which shall be opened to the Public in the 4th quarter of 2009.

This is a full hospital equipped with the latest medical appliances and most prestigious services which may be provided in this Field to be an operational stream for the Company's activates.

Outside state of Kuwait
First: the Company acquired 60% in Orimix Company for Ready Concrete in the UAE- Fujairah. The Company is specialized in the production and selling of ready mix concrete, quarries works and Transport which shall reflect positively on the Company's profits in 2009 keeping in mind that the Company acquired, during the year 2008, approximately 25% profit of its capital investment.

Second: During 2008 the Company established, with 50% share, Dejlah Import & Export Company in Egypt . The objectives of the said company, the investment in the Cement sector, buy, own, manage and operate the existed industrial plants in addition to providing all Technical and engineering Services.

Third: In order to versify the investment chances, the company acquired a major share in the Roots Company For financial Stock in Egypt which is currently classified as one of the best 20 Egyptian Companies in the Egyptian market in this Field. AL-Safat Company currently received a profit of 100% of the Capital in 2008.

Dear Shareholders
Without doubt, the situation we faced at the end of 2008 and still facing it at the start of 2009 is challenging for the Management which require working on different fields to face the effects of the severe crisis, and maintain the company's assets at the best level, planning for re-structuring the company and the Group in general, decrease the expenses and debts, continue in the service of debts, at the same time work on the developing of the Company's resources, which all requires patience, diligence and prudent action, which may God help us to achieve in order to continue in our progress and success.

Finally, I extend my thanks to the Controlling Authorities in the State of Kuwait for their support to the activity of the Financial institutions, my thanks to my colleagues of the Board of Directors, the Accounts Auditors and the Company Staff for their good efforts.

In conclusion I extend my thanks to the Shareholders for their support and contribution in the support of the Company's activity, and I and the colleagues of the Members of the Board of Directors shall continue to exert more efforts to support the Company's progress.

Waleed Ahmad Al Sharhan
Chairman & Managing Director

In the name of Allah the merciful,

We, Al Raya Int'l Consulting & Training, confirm that we have verified all applied principles and relevant contracts pertaining to all transactions carried out by Al Safat Investment Company for the financial year ending in 31/12/2008. We have performed all relevant assessments and given the appropriate guidance to ensure whether or not the company's activities comply with the Sharia principles, and which also eliminate the Company from participating in all Non-Sharia activities and profits.
Through our Sharia Management, we have revised the Company's transactions in General, by reviewing both the contracts and the procedures being implemented.

Al Raya Int's Consulting & Training concludes the following:

All transactions and business matters executed by the company during the financial year ending in 31/12/2008 have been conducted in accordance with the Sharia principles.
Profit distributions and sustained losses in investment accounts adhere to the Sharia Principles.
We would like to indicated that the Company does not implement Zakat payments on its shares, the Zakat is to be borne by the shareholders and the owners.

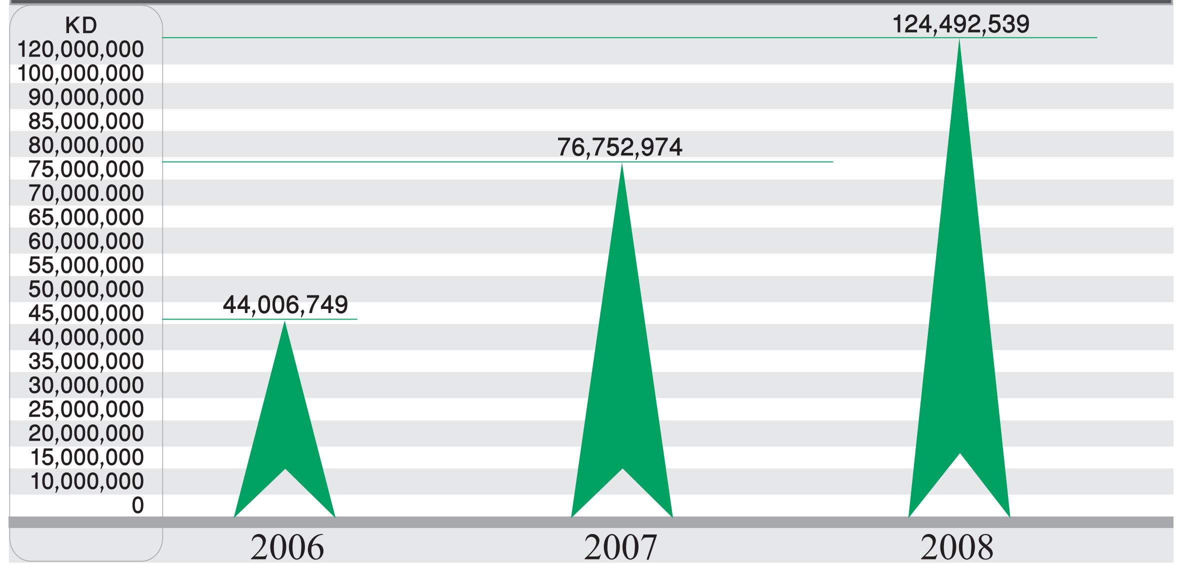
We seize this opportunity to express our gratitude and appreciation to the Company's, Management for its collaboration and compliance with Al Raya Int'l Consulting and Training and it Sharia Management, and also, we would like to express our high regards to all the Company's shareholders and clientele.
Regards,

Dr. Abdul Aziz Khalifa Al Qassar
Chairman of the Sharia Committee

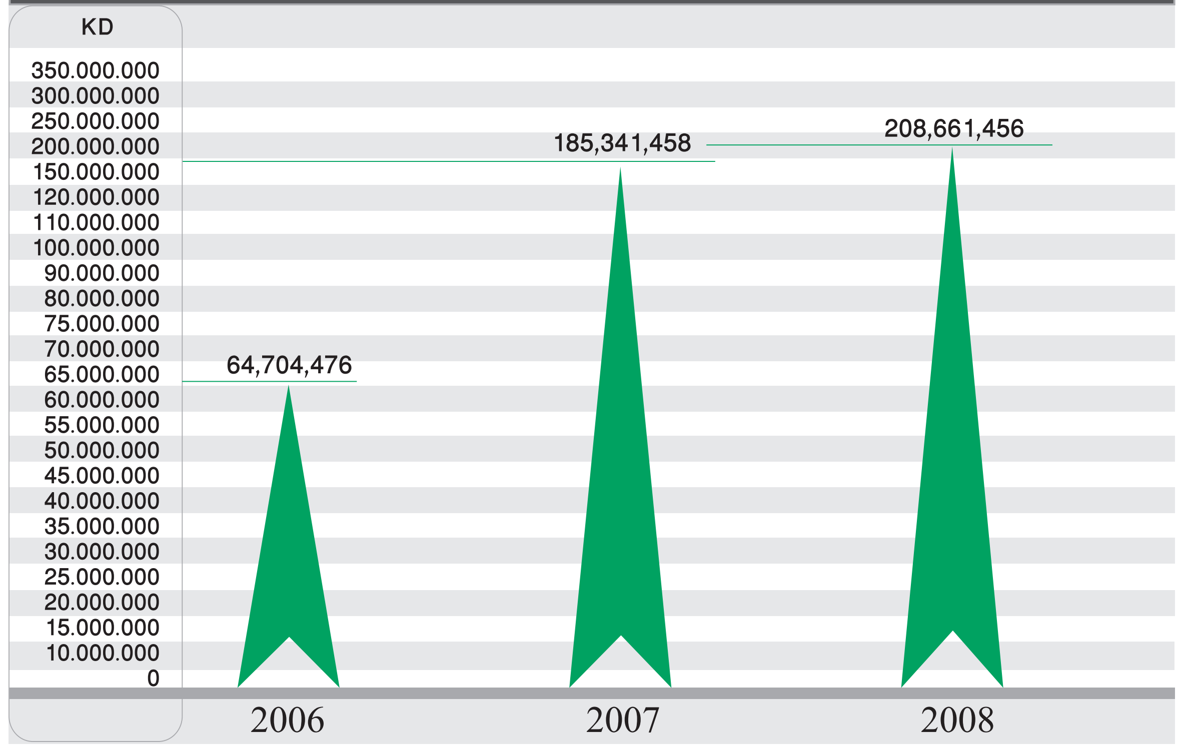
Dr. Issa Zaki Issa
Shaira Committee Member

Dr. Ali Ibrahim Al Rashed
Shaira Committee Member

Growth in Shareholder's Equity

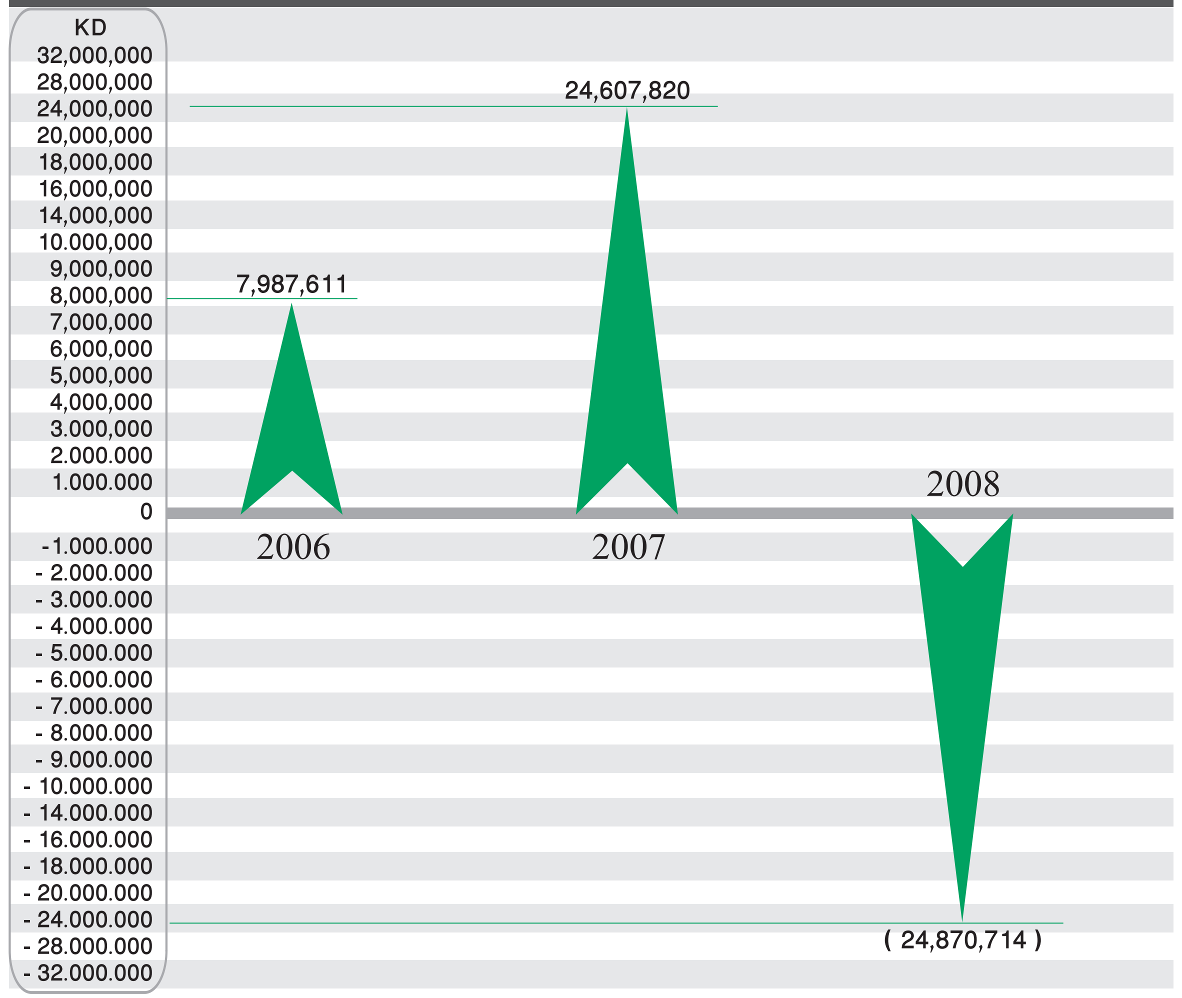


Growth is Assets (loss)

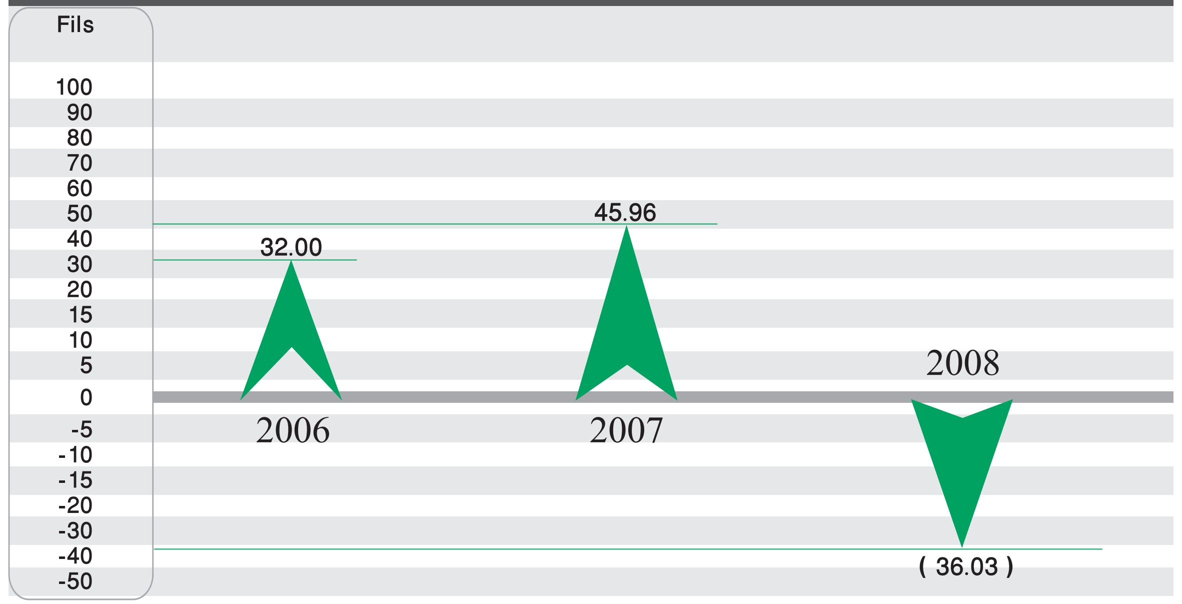


* Total Liabilities 84,168,917

Growth in Profit (loss)



Earning Per Share



Al Safat Investment Company is proud of having successfully established and reconstructed a group of its subsidiaries and sister companies, which contribute to different shares and represent its investment arms in private sectors which are:

Company Name	Capital (K.D.)	Year of Foundation	Activity
Al Safat Investment Co.	77. 298 million	1983	Investment in various Sectors
Al Safwa Group Holding Co.	130 million	1966	Ownership of stocks and stakes in different companies
Al Safat Holding Co.	11.5 million	2003	Ownership of stocks and stakes in different companies
Asia Holding Co.	30 million	2002	Direct Investments in Asia
Al Safat Energy Holding Co.	60 million	1983	Investment in the energy sector (oil & gas)
Eastern Group for Energy Services Co.	15 million	2004	Energy Services
Eatern National Oilfield Services Co.	3.500 million	2004	oil well services
Al Safat Real Estate Co.	24 million	2003	Real Estate Investment
Al Safat Real Estate Development	6 million	2005	Real Estate Activities
Dar Al -Houda Holding Co.	16.8 million	2002	Real Estate Investment in Saudi Arabia
Al Dana Village Real Estate Co.	55 million	2005	Real Estate Investment in Kuwait
Kuwait Medical Center Holding Co.	20 million	1984	Hospitals. health clinic. and services
Al Safat TEC Holding Co.	40 million	1994	IT Solutions and information Technology
Kuwait British Company for Educational Services	4 million	2003	Educational Services
AL Marifa Al namothageya for Educayion	5 million	1997	Educational Services for special needs
Shuaiba paper products Co.	5 million	1978	Focus on technology. education and communications sectors
Al Safat Industrial Holding Co.	10 million	2002	Ownership of stocks and stakes in different companies
ORIMIX	2.260 million	1989	Ready mix concrete provider
Danat Al Safat Foodstuff Co.	23.100 million	1972	Servicing the food services industry
Al Safat Tourism and travel	1 million	2003	Travel & tourism Services
Al Safat Takaful Insurance Co.	5 million	2005	Islamic Insurance (cooperative)
Al Safat Media	0.5 Thousand	2008	Marketing & Advertising Services

Companies listed in the KSE (Kuwait Stock Exchange)

Al Safat Investment Company also owns 10% of Al Qudra Holding company in Abu Dhabi and 45% of Al Dhaen Group in the Kingdom of Bahrain

Al Safat Investment Company k.s.c. (closed)

Legal Entity : Kuwait Shareholding Company (closed)

Capital : 77,298,334 KD seventy seven million two hundred and ninety eight thousand and three hundred and thirty four Kuwaiti Dinars. Approximately two hundred and sixty seven million US Dollars.

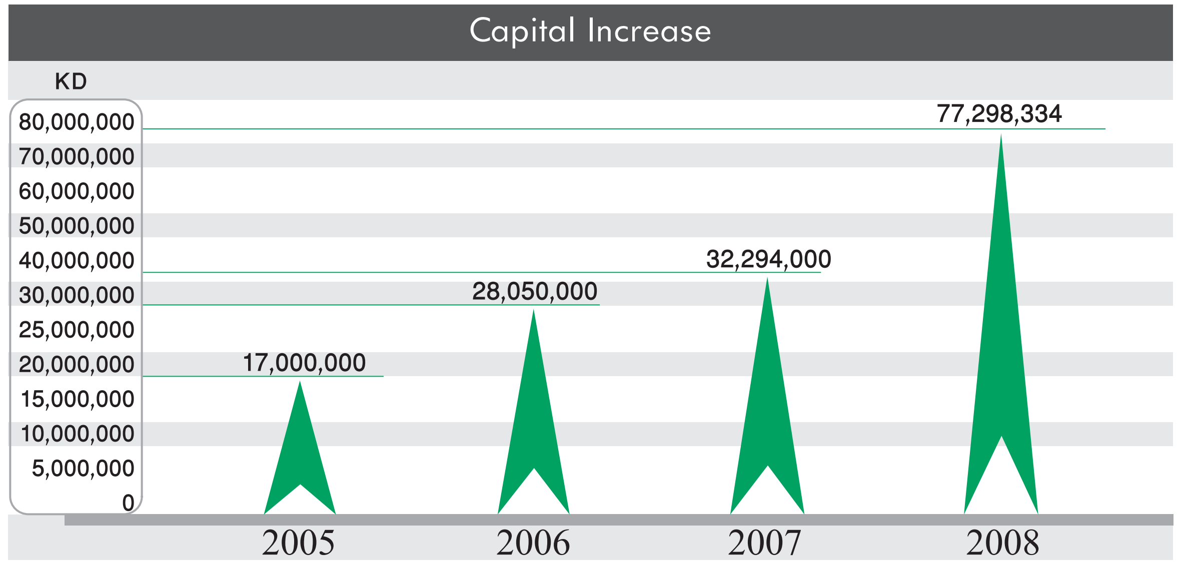
Shareholders : Group of institutional and individual investors.

Establishment : 15/9/1983

KSE Listing Date: 21/11/2005

Activities :

- Investments in various sectors such as real estate, industrial,agriculture ,and services .
- To contribute in the establishment of specialized companies or ownership of the companies or buying shared or bonds of these companies in different sectors,as well as in the restructuring of companies asset management investment funds and portfolios, lending, mediation and business pertaining to the consultation inside and outside the state of Kuwait.
- Feasibility and market studies as well as financial modeling for the institutions and companies. Mediation in borrowing and lending.
- To carry out the functions of managers issuances of bonds issued by companies, organization and the functions of investment Trustees.



Brief introduction of Al Safat Group of Companies Annual Report 2008

1 Al Safwa Group Holding Company k.s.c. (closed)

Legal Entity : Kuwait shareholding Company (closed) Laws
The Company is operating according to the provisions and conditions of the Islamic

Capital : 130 million Kuwaiti Dinars Paid up in full. Approximately 450 million US Dollars.

Establishment: 1966

Activities :

- Being a holding company and according to the law, it can work in the majority of permitted economic activities through the incorporation ,ownership or acquisition of new or existing companies.
- It emphasizes on the oil and gas industry and the energy filed in general through incorporation, acquisition and management of independent companies each of which practices its independent business investing in the privatization programs in Kuwait and the oil Gulf countries. It also will invest the surplus of its funs in promising future projects.

2 Al Safat Holding Company k.s.c. (closed)

Legal Entity : Kuwaiti shareholding Company (closed)

Capital : 11.5 million Kuwait Dinars paid up in full approximately 40 million US Dollars.

Establishment: 2003

Activities :

- Ownership of shares of joint stock companies, ownership of shares in companies with limited liabilities or participating in the incorporation of these companies, managing them, lending to then and guaranteeing the before third parties.
- Ownership industrial properties rights including patents or trade marks.
- Ownership of the required moveable and immovable properties required for undertaking its activities .
- Utilizing financial surpluses by investing them in financial portfolios managed my specialized companies and authorities inside and out side the state of Kuwait.

3 Asia Holding Company k.s.c. (closed)

Legal Entity : Kuwaiti Shareholding Company (closed)
The Company is operating according to the provisions and conditions of the Islamic laws.

Capital : 30 million Kuwaiti Dinars Paid in full approximately 103 Millilon US Dollars.

Establishment: 2002

Activities :

- Direct investments in Asia.
- Ownership of shares of joint stock companies,ownership of shares in companies with limited liabilities or participating in the incorporation of these companies, managing them, lending to then and guaranteeing the before third parties.
- Ownership industrial properties rights including patents or trade marks.
- Ownership of the required moveable and immovable properties required for undertaking its activities.
- Utilizing financial surpluses by investing them in financial portfolios managed my specialized companies and authorities inside and out side the state of Kuwait.

4 Al Safat Energy Holding Company k.s.c. (closed)

Legal Entity : Kuwaiti Shareholding Company (closed)
The Company is operating according to the provisions and conditions of the Islamic laws.

Capital : 60 million Kuwaiti Dinars Paid in full approximately 207 million US Dollars.

Establishment: 1983

Activities:

- Investments in the energy sector which includes oil and gas.
- Ownership of shares of joint stock companies, ownership of shares in companies with limited liabilities or participating in the incorporation of these companies, managing them, lending to then and guaranteeing the before third parties.
- Ownership industrial properties rights including patents or trade marks.
- Ownership of the required moveable and immovable properties required for undertaking its activities
- Utilizing financial surpluses by investing them in financial portfolios managed my specialized companies and authorities inside and out side the state of Kuwait.

5 Eastern Group For Energy Services Holding Company k.s.c. (closed)

Legal Entity : Kuwaiti Shareholding Company (closed)
The Company is operating according to the provisions and conditions of the Islamic laws.
Capital : 15 million Kuwaiti Dinars Paid in full approximately 51.7 million US Dollars.
Establishment: 2004

Activities:
Maintenance and general services to all Petroleum related jobs. In addition to working as intermediaries to all other operations needed by other companies in all oil related services in the petroleum sector.

6 Eastern National oilfield services Company k.s.c. (closed)

Legal Entity : Kuwaiti Shareholding Company (closed)
The Company of operating according to the provisions and conditions of the Islamic laws.
Capital : 3.5 million Kuwaiti Dinars Paid in full approximately 12 million US Dollars.
Establishment: 2003

Activities :
- Performing support services to oil well drilling operations, exploration and repair of oil wells and preparing them for production.
- Performing maintenance works and general various services.
- Establishing industrial installations related to its business.
- Import and ownership of various industrial equipments for the company objectives.

7 Al Safat Real Estate Company k.s.c. (closed)

Legal Entity : Kuwaiti Shareholding Company (closed)
The company is operating according to the provisions and conditions of the Islamic laws.
Capital : 24 million Kuwaiti Dinars Paid in full approximately 82.7 million US Dollars.
Establishment: 2003

Activities :
Ownership, selling and buying real estate, lands and developing them for the companies account. inside and outside Kuwait, managing third parties properties, properties, selling and buying shares and bond of real estate companies for the companies account preparing, studies and consultations in the real estate field and performing maintenance works.

8 Al Safat Real Estate development Company k.s.c. (closed)

Legal Entity : Kuwaiti Shareholding Company (closed)
The Company is operating according to the provisions and conditions of the Islamic laws.
Capital : 6 million Kuwaiti Dinars Paid in full approximately 20.7 million US Dollars.
Establishment: 2004

Activities :
- Real Estate investments in Lebanon.
- Ownership and management of apartment building and hotels.
- Building, selling and renting apartments.

9 Dar Al Huda Company k.s.c. (closed)

Legal Entity : Kuwaiti Shareholding Company (closed)
The Company is operating according to the provisions and conditions of the Islamic laws.

Capital : 16.8 million Kuwaiti Dinars Paid in full approximately 58 million US Dollars.

Establishment: 2002

Activities :

- Real Estate Investments in Saudi Arabia , The company owns several 4 star hotels in Mecca and is in the process to aquire a few more in Medina.
- Ownership of shares of joint stock companies ownership of shares in companies, managing them, lending to them and guaranteeing the third parties.
- Utilizing financial surpluses by investing them in financial portfolios managed my specialized companies and authorities inside the state of Kuwait.

10 Dana Al Safat Real Estate.k.s.c. (closed)

Legal Entity : Kuwaiti Shareholding Company (closed)
The Company is operating according to the provisions and conditions of the Islamic laws.

Capital : 55 million Kuwaiti Dinars Paid in full approximately 189 million US Dollars.

Establishment: 2004

Activities :

Real estate investment in Kuwait City.

11 Kuwait Medical Centre Holding Company.k.s.c. (closed)

Legal Entity : Kuwaiti Shareholding Company (closed)
The Company is operating according to the provisions and conditions of the Islamic laws.

Capital : 20 million Kuwaiti Dinars Paid in full approximately 69 million US Dollars.

Establishment : 1984

Activities :
Building and managing hospitals and medical centers, building and managing sanitariums and recovery houses, trading in medical materials and equipments in addition to establishing medical labs of the first class equipped with the latest medical technologies and participating in health projects inside and outside the state of Kuwait.

12 Al Safat TEC Holding Company k.s.c. (closed)

Legal Entity : Kuwaiti Shareholding Company (closed)
The Company is operating according to the provisions and conditions of the Islamic laws.

Capital : 40 million Kuwaiti Dinars Paid in full approximately 134 million US Dollars.

Establishment : 1991

Listing Date in KSE : 5/8/2006

Activities :

- Marketing and promoting technological solutions and equipment to go hand to hand with modern technological requirements for information systems, office equipment and consumer electronics with special certificates which are accredited from international companies.
- The company is also specialized in education through its subsidiary companies.

13 Kuwait British Company for Education Services k.s.c. (closed)

Legal Entity : Kuwaiti Shareholding Company (closed)
The Company is operating according to the provisions and conditions of the Islamic laws.
Capital : 4 million Kuwaiti Dinars Paid in full approximately 13.8 million US Dollars.
Establishment: 2003

Activities :
Establishing and managing schools, training, facilities, colleges and universities.

14 Al Marifa Al Namothageya for Education W.L.L

Legal Entity : With Limited Liability (W.L.L)
The Company is operating according to the provisions and conditions of the Islamic laws.
Capital : 5 million Kuwaiti Dinars Paid in full approximately 17.2 million US Dollars.
Establishment :1997

Activities :
Establishing and managing schools and training Facilities.

15 Shuaiba Paper Products Co. k.s.c. (closed)

Legal Entity : Kuwaiti Shareholding Company (closed)
The Company is operating according to the provisions and conditions of the Islamic laws.
Capital : 5 million Kuwaiti Dinars Paid in full approximately 17.2 million US Dollars.
Establishment: 1978

Activities :
Manufacturing paper materials & trading in the same. Import and export of materials necessary for the companies activities. Trading in equipment and accessories relating to paper works. Participating in researches connected to the above activities. Investing the companies surplus funds in portfolios managed by specialized companies.

16 Al-Safat Industrial Holding Company k.s.c. (closed)

Legal Entity : Kuwaiti Shareholding Company (closed)
The Company is operating according to the provisions and conditions of the Islamic laws.
Capital :10 million Kuwaiti Dinars Paid in full approximately 34.48 million US Dollars.
Establishment:2002

Activities :
- The Company owns several factories, one of which is the carpet manufacturing Co. which is the first Kuwaiti Factory that engages in the production of local carpets with international technical standers.
- Al Assriya printing press engages in all types of publishing including books and magazines amongst other things.
- Owns Middle East Chemical Manufacturing Co.
- Owns Gulf Business Forms Co.

17 ORIMIX Company W.L.L K.S.C. (closed)

Legal Entity : With Limited Liability (W.L.L)
Capital : 2.260 million KD Paid in full approximately 7.8 million US Dollars.
Establishment : 1/1/ 1989

Activities :

- A leading ready mix concrete provider in UAE.
- Operates 5 plants of concrete.
- In the process of commissioning three new plants at 2 more locations and also owns a license for ready mix business in Bahrain.

18 Danat Al Safat Foodstuff Company k.s.c. (closed)

Legal Entity : Kuwaiti Shareholding Company (closed)
The Company is operating according to the provisions and conditions of the Islamic laws.
Capital : 23.100 million Kuwaiti Dinars Paid in full approximately 79.6 million US Dollars.
Establishment:1972

Activities :

- Fishing import and export, and local marketing.
- Establishing local points of sale for fresh fish and investing in other food stuff companies.
- Owns real estate related to fishing activities.
- Participates in all activities related to fishing.
- Invest access funds in financial portfolios managed by specialized institutions.
- Stabling operating, and managing restaurants.

19 Al Safat Tourism &Travel Company K.S.C. (closed)

Legal Entity : Kuwaiti Shareholding Company (closed)
The Company is operating according to the provisions and conditions of the Islamic laws.
Capital : one million Kuwaiti Dinars Paid in full approximately 3.4 million US Dollars.
Establishment: 2003

Activities :

- Performing all tourism, travel and airfreight activities.
- Commercial agencies related to travel and tourism activity.
- Exercising the business related to reservation for treatment, sanitariums and hospitals insides and outside of Kuwait.
- Participating in the formation of companies related to travel, tourism and airfreight activity inside and outside Kuwait.
- Successful opened new locations namely Sanbouk travel and tourism and Al Sanbouk air freight located in Kuwait City.

20 Al Safat Takaful Insurance Company k.s.c. (closed)

Legal Entity : Kuwaiti Shareholding Company (closed)
The Company is operating according to the provisions and conditions of the Islamic laws.
Capital : 5 million Kuwaiti Dinars 50% Paid. Approximately 17.2 million US Dollars.
Establishment: 2005

Activities :

The Company carries out all types Takaful (Cooperative) insurance works and Takaful re-insurance as per the provisions of Islamic laws to cover all types of insurance works such as maritime insurance motor insurance, theft insurance, fire insurance, insurance of various kinds of general accidents, airplane insurance, oil tankers insurance, family insurance, and health insurance.

21 Al Safat Media Company k.s.c. (closed)

Legal Entity : Kuwaiti Shareholding Company (closed)
Capital : 500 thousand Paid in full approximately 1.7 million US Dollars.
Establishment : 2008

Activities :

- Develop Marketing and Advertising Strategies
- Design all sorts of art work.
- Plan & Execute PR activities.
- Plan and organize exhibitions and conferences.
- Design and maintain websites.
- Develop and produce TVC.

Al Safat Investment Company K.S.C. (Closed) and its subsidiaries Kuwait

Consolidated financial statements and independent auditors' report
For the year ended 31 December 2008

مـــور ستيـفــنـــس
العـــالـمية
النصف وشركاه

Al Jawhara Tower, 6th Floor
Khaled Ben Al-Waleed Street, Sharq
P. O. Box 25578, Safat 13116, Kuwait
Tel +965 22426 999
Fax +965 22401 666

العتيـقـي
محـاسبـون
قـانـونيـون

P O Box 636, Safat 13007 Kuwait
Tel : + 965 – 22412880 / 22410885
Fax : + 965 – 22454248
Ali Al-Salem Str., Thuwaini Bldg. 3rd Flr.
E-Mail : alateeqi@ateeqicpas.com
Website : www.ateeqicpas.com

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL SAFAT INVESTMENT COMPANY K.S.C. (CLOSED)

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Al Safat Investment Company K.S.C. (Closed) ("the parent company") and its subsidiaries (together referred to as "the group") which comprise the consolidated balance sheet as at 31 December 2008, and the related consolidated statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

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

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

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

Opinion

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

Report on other Legal and Regulatory Requirements

We further report that we have obtained the information and explanations that we required for the purpose of our audit and the consolidated financial statements include the information required by the Kuwait Commercial Companies Law of 1960, and the parent company's articles and memorandum of association, as amended. In addition, proper books of account have been kept, a physical stock take was carried out in accordance with recognized procedures, and the accounting information given in the board of directors' report agrees with the books of account.

Except for what has been disclosed in note 26 we have not become aware of any contravention, during the year ended 31 December 2008, of the Kuwait Commercial Companies Law of 1960 or of the parent company's articles and memorandum of association, or of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organization of banking business and its related regulations, that would materially affect the group's activities or its financial position.

Emphasis of matter

Without qualifying our opinion we draw attention to note 2.30 of the consolidated financial statements which highlights that the group has short and medium term wakala payables of KD 71,773,172. The matters set out in note 2.30 provide additional disclosure as to the group's ability to continue as a going concern.

Qais M. Al Nisf
Licence No. 38 "A"
Moore Stephens Al Nisf & Partners
Member firm of Moore Stephens International

Barrak Al-Ateeqi
Licence No. 69 "A"
Al-Ateeqi Certified Accountants
Member firm of B.K.R. International

Date: 7 April 2009

Consolidated balance sheet as at 31 December 2008

Assets	Notes	2008 KD	(Restated) 2007 KD
Cash and cash equivalents	3	12,962,366	11,655,658
Investments at fair value through statement of income	4	5,128,713	69,359,439
Wakala receivables	5	7,766,500	-
Accounts receivable and other assets	6	9,684,002	5,503,619
Available for sale investments	7	82,121,729	58,638,759
Non-current assets held for sale	8	17,603,998	2,880,000
Investment in unconsolidated subsidiaries	9	1,628,396	1,004,915
Investment in associates	10	59,245,449	28,972,863
Property and equipment	11	12,520,303	7,326,205
Total assets		**208,661,456**	**185,341,458**
Liabilities and equity			
Liabilities			
Wakala payables	12	71,773,172	97,837,530
Due to related parties	13	714,827	808,899
Accounts payable and other liabilities	14	4,377,178	9,805,403
Provision for corporate guarantee	15	7,000,000	-
Provision for staff indemnity		303,740	136,652
Total liabilities		**84,168,917**	**108,588,484**
Equity			
Share capital	16	77,298,334	30,294,000
Share premium	17	78,009,919	3,784,500
Statutory reserve	18	4,352,245	4,352,245
Voluntary reserve	19	4,346,553	4,346,553
Treasury shares	20	(188,849)	(43,248)
Treasury shares reserve	21	615,002	615,002
Fair value reserve		(18,498,441)	10,853,805
Foreign currency translation reserve		5,622	(4,341)
Employees share option reserve		529,430	-
Retained (losses) / earnings		(22,003,657)	22,554,458
Equity attributable to equity holders of the parent		124,466,158	76,752,974
Minority interest		26,381	-
Total equity		**124,492,539**	**76,752,974**
Total liabilities and equity		**208,661,456**	**185,341,458**

Waleed Ahmed Al-Sharhan
Chairman and Managing Director

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of income for the year ended 31 December 2008

	Notes	2008 KD	(Restated) 2007 KD
Revenue			
Income from Islamic deposits		2,219,953	244,698
Dividend income		3,839,129	1,659,947
Income from portfolio and asset management		2,063,652	2,944,179
Profit on sale of investments at fair value through statement of income		9,753,124	10,096,032
Unrealized gain on investments at fair value through statement of income before reclassification		5,384,337	-
Unrealised (loss) / gain on investments at fair value through statement of income	4	(5,109,431)	5,173,258
Profit on sale of available for sale investments		4,060,386	256,239
Profit on sale of non current asset held for sale	8	7,778,577	-
Profit on sale of investment properties	23	1,348,284	-
Share of results of associates	10	(6,230,285)	1,942,833
Share of results of unconsolidated subsidiaries		(11,343)	257,029
Fee income		4,379,348	3,838,513
Gain on sale of investment in associates and subsidiaries		75,696	5,657,253
Provision for wakala and accounts receivable	5,6	(583,527)	-
Provision for corporate guarantees	15	(7,000,000)	-
Impairment losses	24	(33,071,025)	-
Foreign exchange loss		(88,261)	(479,947)
Other income	25	526,283	570,908
		(10,665,103)	**32,160,942**
Expenses			
General and administrative expenses	26	(4,456,027)	(2,721,335)
Finance cost	12	(9,749,584)	(3,890,887)
(Loss) / profit before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST), Zakat and Directors' fees		**(24,870,714)**	**25,548,720**
Contribution to KFAS	27	-	(220,581)
NLST		-	(601,282)
Zakat		-	(14,037)
Directors' fees		-	(105,000)
(Loss) / profit for the year		**(24,870,714)**	**24,607,820**
Attributable to:			
Equity holders of the parent		(24,867,095)	24,607,820
Minority interest		(3,619)	-
		(24,870,714)	24,607,820
Basic (loss)/earnings per share (fils)	28	(36.03)	45.96
Diluted (loss)/earnings per share (fils)	28	**(35.91)**	**45.96**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2008

	Share capital	Share premium	Statutory reserve	Voluntary reserve	Treasury shares	Treasury Shares reserve	Fair value reserve	Foreign currency translation reserve	Employee share option reserve	Retained (losses) / earnings	Equity attributable to owners of the parent	Minority interest	Total equity
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
Balance at 1 January 2007	28,050,000	3,784,500	1,781,122	1,775,430	(926,134)	33,940	(1,383,793)	-	-	10,891,684	44,006,749	-	44,006,749
Net change in fair value of available for sale investments	-	-	-	-	-	-	16,401,577	-	-	-	16,401,577	-	16,401,577
Transfer to investment in associates (see note 22)	-	-	-	-	-	-	(4,442,000)	-	-	-	(4,442,000)	-	(4,442,000)
Transfer to statement of income on sale of available for sale investments	-	-	-	-	-	-	278,021	-	-	-	278,021	-	278,021
Change in foreign currency translation	-	-	-	-	-	-	-	(4,341)	-	-	(4,341)	-	(4,341)
Total income and (expense) recognised directly in equity	-	-	-	-	-	-	12,237,598	(4,341)	-	-	12,233,257	-	12,233,257
Profit for the year	-	-	-	-	-	-	-	-	-	24,607,820	24,607,820	-	24,607,820
Total recognised income and (expense) for the year	-	-	-	-	-	-	12,237,598	(4,341)	-	24,607,820	36,841,077	-	36,841,077
Bonus issue	2,244,000	-	-	-	-	-	-	-	-	(2,244,000)	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	(5,558,800)	(5,558,800)	-	(5,558,800)
Sale of treasury shares	-	-	-	-	1,639,377	581,062	-	-	-	-	2,220,439	-	2,220,439
Transfer to reserves	-	-	2,571,123	2,571,123	-	-	-	-	-	(5,142,246)	-	-	-
Purchase of treasury shares	-	-	-	-	(756,491)	-	-	-	-	-	(756,491)	-	(756,491)
Balance at 31 December 2007	**30,294,000**	**3,784,500**	**4,352,245**	**4,346,553**	**(43,248)**	**615,002**	**10,853,805**	**(4,341)**	**-**	**22,554,458**	**76,752,974**	**-**	**76,752,974**
Balance at 1 January 2008	**30,294,000**	**3,784,500**	**4,352,245**	**4,346,553**	**(43,248)**	**615,002**	**10,853,805**	**(4,341)**	**-**	**22,554,458**	**76,752,974**	**-**	**76,752,974**
Net change in fair value of available for sale investments	-	-	-	-	-	-	(43,645,879)	-	-	-	(43,645,879)	-	(43,645,879)
Net change in fair value of investments reclassified	-	-	-	-	-	-	(15,075,885)	-	-	-	(15,075,885)	-	(15,075,885)
Transfer to statement of income on sale of available for sale investments	-	-	-	-	-	-	(1,211,374)	-	-	-	(1,211,374)	-	(1,211,374)
Impairment of available for sale investments	-	-	-	-	-	-	30,580,892	-	-	-	30,580,892	-	30,580,892
Change in foreign currency translation	-	-	-	-	-	-	-	9,963	-	-	9,963	-	9,963
Total (expense) and income recognised directly in equity	-	-	-	-	-	-	(29,352,246)	9,963	-	-	(29,342,283)	-	(29,342,283)
Loss for the year	-	-	-	-	-	-	-	-	-	(24,867,095)	(24,867,095)	(3,619)	(24,870,714)
Total recognised (expense) and income for the year	-	-	-	-	-	-	(29,352,246)	9,963	-	(24,867,095)	(54,209,378)	(3,619)	(54,212,997)
Bonus issue	13,632,300	-	-	-	-	-	-	-	-	(13,632,300)	-	-	-
Issue of shares	33,372,034	74,225,419	-	-	-	-	-	-	-	-	107,597,453	-	107,597,453
Equity share options granted	-	-	-	-	-	-	-	-	529,430	-	529,430	-	529,430
Dividend paid	-	-	-	-	-	-	-	-	-	(6,058,720)	(6,058,720)	-	(6,058,720)
Purchase of treasury shares	-	-	-	-	(145,601)	-	-	-	-	-	(145,601)	-	(145,601)
Minority interest	-	-	-	-	-	-	-	-	-	-	-	30,000	30,000
Balance at 31 December 2008	**77,298,334**	**78,009,919**	**4,352,245**	**4,346,553**	**(188,849)**	**615,002**	**(18,498,441)**	**5,622**	**529,430**	**(22,003,657)**	**124,466,158**	**26,381**	**124,492,539**

The accompanying notes form an integral part of these consolidated financial statements.

الصفاة
AL SAFAT
شركة الصفاة للاستثمار
AL SAFAT INVESTMENT COMPANY

Consolidated statement of cash flows for the year ended 31 December 2008

	Note	2008	(Restated) 2007
		KD	KD
OPERATING ACTIVITIES			
(Loss) / profit for the year before KFAS, NLST, Zakat and Directors' fees		(24,867,095)	25,548,720
Adjustments for:			
Depreciation		82,309	64,388
Employee share option granted		529,430	-
Income from Islamic deposits		(2,219,953)	(244,698)
Finance cost		9,749,584	3,890,887
Profit on sale of available for sale investments		(4,060,386)	(256,239)
Unrealized loss / (gain) from investments at fair value through statement of income		5,109,431	(5,173,258)
Profit on sale of non-current asset held for sale		(7,778,577)	-
Profit on sale of land		(1,348,284)	-
Gain on sale of investment in associates and subsidiaries		(75,696)	(3,838,513)
Share of results of associates and unconsolidated subsidiaries		6,241,628	(2,199,862)
Impairment of available for sale investments		30,580,892	-
Impairment of non current asset held for sale		720,000	-
Impairment of investment in associates		1,293,131	-
Provision for wakala and accounts receivables		1,060,529	-
Provision for corporate guarantee		7,000,000	-
Provision for staff indemnity		184,517	63,603
		22,201,460	**17,855,028**
Changes in operating assets and liabilities			
Increase in investments at fair value through statement of income		(14,061,805)	(44,469,567)
Increase in non current asset held for sale		(7,665,421)	(2,880,000)
Increase in accounts receivable and other assets		(4,552,105)	(2,072,698)
Wakala receivables		(8,350,000)	-
(Decrease) / increase in accounts payable and other liabilities		(5,328,498)	7,229,184
Decrease in due to related parties		(94,072)	(816,101)
Cash utilised for operations		(17,850,441)	(25,154,154)
Payment to KFAS		(220,581)	(70,397)
NLST paid		(601,282)	(204,315)
Zakat paid		(14,037)	-
Indemnity paid		(17,429)	(27,274)
Net cash used in operating activities		**(18,703,770)**	**(25,456,140)**
Cash flows from investing activities			
Purchase of available for sale investments		(39,483,150)	(32,206,974)
Proceeds from disposal of available for sale investments		33,310,528	2,164,494
Investment in unconsolidated subsidiaries		(634,824)	-
Net purchase of property and equipment		(5,276,407)	(4,234,751)
Proceeds from disposal of associates		-	7,560,000
Increase in investment in associates		(37,710,343)	(18,925,279)
Purchase of land		(30,396,041)	-
Proceeds on disposal of land		31,744,325	-
Net proceeds from disposal of unconsolidated subsidiary		-	1,536,326
Income from Islamic deposits received		2,114,646	238,944
Net cash used in investing activities		**(46,331,266)**	**(43,867,240)**
Cash flows from financing activities			
Increase in capital from right issue		33,372,034	-
Increase in share premium		74,225,419	-
(Decrease) / increase in wakala payables		(26,064,358)	80,352,530
Cash dividend paid		(6,058,720)	(5,558,800)
Purchase of treasury shares		(145,601)	(756,491)
Sale of treasury shares		-	2,220,439
Finance cost paid		(9,013,411)	(3,468,260)
Net cash from financing activities		**66,315,363**	**72,789,418**
Change in minority interest		26,381	-
Increase in cash and cash equivalents		1,306,708	3,466,038
Cash and cash equivalents at beginning of the year		11,655,658	8,189,620
Cash and cash equivalents at end of the year	3	**12,962,366**	**11,655,658**
Non cash transaction			
Transfer from investments at fair value through statement of income to available for sale		73,183,100	-

The accompanying notes form an integral part of these consolidated financial statements.

الصفاة
AL SAFAT
شركة الصفاة للاستثمار
AL SAFAT INVESTMENT COMPANY

1. Incorporation and activities

Al Safat Investment Company ("the parent company") is a closed shareholding company incorporated on 15 September 1983 in the name of Middle East Chemical Manufacturing Company K.S.C. (Closed). Its name was changed to Al Safat Investment Company K.S.C. (Closed) in accordance with the resolutions of the extraordinary general assembly of the parent company held on 22 June 2003. The parent company is listed on Kuwait Stock Exchange on 21 November 2005 and is governed under the directives of the Central Bank of Kuwait.
The group comprises the parent company and its subsidiaries. Details of the subsidiaries are set out in Note 8.
The parent company is engaged in carrying out investment activities for its own account and for clients, investing in various sectors through interests in companies, portfolio and fund management activities, lending, brokerage and related activities.
The shareholders of the parent company have decided in their general meeting held on 11 February 2007 to carry out the parent company's objectives in accordance with Islamic Sharia.
The address of the parent company's registered office is Al-Kharafi Tower, Al-Qebla, Floor 12/13, P.O. Box 20133, Safat 13062, Kuwait.
The consolidated financial statements of Al Safat Investment Company K.S.C. (Closed) and its subsidiaries (the group) for the year ended 31 December 2008 were authorized for issue by the parent company's board of directors on 7 April 2009 and are subject to the approval of the Annual General Assembly of the shareholders. The shareholders of the parent company have the power to amend these financial statements at the Annual General Assembly.

2.Basis of preparation and significant accounting policies.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with the regulations of the State of Kuwait for financial services institutions regulated by the Central Bank of Kuwait. These regulations require adoption of International Financial Reporting Standards ("IFRS") except for the IAS 39: "Financial Instruments: Recognition and Measurement" requirement for an impairment provision on loans and advances, which has been replaced by the Central Bank of Kuwait's requirement for a minimum general provision for impairment established at 1% for cash facilities and 0.5% for non cash facilities.
The consolidated financial statements are prepared on the historical cost basis except for measurement at fair value of investments at fair value through statement of income and available for sale investments.
The consolidated financial statements have been presented in Kuwaiti Dinars (KD) which is the functional currency of the parent company.
The principal accounting policies are set out below.

2.2 Adoption of new and revised standards

Implementation of amendments to IAS 39 Financial Instruments; Recognition and measurement and IFRS 7 Financial Instruments; Disclosures.
On 13 October 2008, the International Accounting Standard Board (IASB) published amendments to IAS 39 "Financial Instruments; Recognition and Measurement and IFRS 7 "Financial Instruments; Disclosure". The changes to IAS 39 permit an entry to reclassify non-derivative financial assets out of the "fair value through statement of income" and "available for sale" categories in limited circumstances.
These amendments were effective from 1 July 2008. Any reclassification of a financial asset made in periods beginning on or after 1 November 2008 will take effect only from the date when the reclassification is made. Any reclassification of a financial asset in accordance with the amendments should not be applied retrospectively to reporting periods ended before the effective date.
The parent company has adopted the amendments to IAS 39 and the related amendments to IFRS 7. As a result, the company has reclassified part of its held for trading investments amounting to KD 73,183,100 from the "fair value through statement of income" category to the "available for sale" category with effect from 1 July 2008 as these investments are no longer held for the purpose of selling or repurchasing in the near term due to the impact of the global financial crisis on the local and regional equity markets.

Standards and Interpretations effective in the current period

Three Interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. These are: IFRIC 11 IFRS 2: Group and Treasury Share Transactions; IFRIC 12: Service Concession Arrangements; and IFRIC 14 IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.
The adoption of these Interpretations has not led to any changes in the group's accounting policies.

Standards and Interpretations in issue but not yet adopted

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective.

IAS 1 (Revised) Presentation of Financial Statements	Effective for annual periods beginning on or after 1 January 2009
IAS 16 (Revised) Property, Plant and Equipment	Effective for annual periods beginning on or after 1 January 2009
IAS 19 (Revised) Employee Benefits	Effective for annual periods beginning on or after 1 January 2009
IAS 20 (Revised) Government Grants and Disclosure of Government Assistance	Effective for annual periods beginning on or after 1 January 2009
IAS 23 (Revised) Borrowing Costs	Effective for annual periods beginning on or after 1 January 2009
IAS 27 (Revised) Consolidated and Separate Financial Statements	Effective for annual periods beginning on or after 1 July 2009
IAS 28 (Revised) Investments in Associates	Effective for annual periods beginning on or after 1 July 2009
IAS 29 (Revised) Financial Reporting in Hyperinflationary Economies	Effective for annual periods beginning on or after 1 January 2009
IAS 31 (Revised) Interests in Joint Ventures	Effective for annual periods beginning on or after 1 July 2009
IAS 32 (Revised) Financial Instruments: Presentation	Effective for annual periods beginning on or after 1 January 2009
IAS 36 (Revised) Impairment of Assets	Effective for annual periods beginning on or after 1 January 2009
IAS 38 (Revised) Intangible Assets	Effective for annual periods beginning on or after 1 January 2009

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Notes to the Consolidated financial statements for the year ended 31 December 2008

IAS 39 (Revised) Financial Instruments Recognition and Measurement	Effective for annual periods beginning on or after 1 January 2009 and July 2009
IAS 40 (Revised) Investment Property	Effective for annual periods beginning on or after 1 January 2009
IAS 41(Revised) Agriculture	Effective for annual periods beginning on or after 1 January 2009
IFRS 1 (Revised) First-time Adoption of International Financial Reporting Standards	Effective for annual periods beginning on or after 1 January 2009
IFRS 2 (Revised) Share-based Payments	Effective for annual periods beginning on or after 1 January 2009
IFRS 3 (Revised) Business Combinations	Effective for annual periods beginning on or after 1 July 2009
IFRS 5 (Revised) Non-current Assets Held for Sale and Discontinued Operations	Effective for annual periods beginning on or after 1 July 2009
IFRS 7 (Revised) Financial Instrument: Disclosures	Effective for annual periods beginning on or after 1 July 2008
IFRS 8 Operating Segments	Effective for annual periods beginning on or after 1 January 2009
IFRIC 13 Customer Loyalty Programmes	Effective for annual periods beginning on or after 1 July 2008
IFRIC 15 Agreements for the Construction of Real Estate	Effective for annual periods beginning on or after 1 January 2009
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 Assets to Owners	Effective for annual periods beginning on or after 1 July 2009

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the consolidated financial statements of the group in the period of initial application.

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the parent company and its subsidiaries (the group).

Subsidiaries are those enterprises controlled by the parent company. Control exists when the parent company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries, other than those which are held with a view to disposal within twelve months are included in the consolidated financial statements on a line by line basis from the date that control effectively commences until the date that control effectively ceases. Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Consolidated financial statements are prepared using uniform accounting practices for the transactions and events in similar circumstances.

Minority interests represent the portion of profit or loss and net assets not held by the group and are presented separately in the consolidated statement of income and within equity in the consolidated balance sheet, separately from parent shareholders' equity.

2.4 Business combinations

Acquisitions 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, and equity instruments issued by the group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the consolidated statement of income.v

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

2.5 Investments in associates

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

The group's investment in associate is accounted for under the equity method of accounting, i.e. on the balance sheet at cost plus post-acquisition changes in the group's share of the net assets of the associate, less any impairment in value. The consolidated statement of income reflects the group's share of the results of operations of the associate.

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

Distributions received from the 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 associate's equity. The group's share of those changes is recognised directly in equity.
When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or

made payments on behalf of the associate.
Unrealised gains on transactions with associate are eliminated to the extent of the group's share in the associate. Unrealised losses are also eliminated unless the transactions provide 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.
The associate's financial statements are prepared either to the parent company's reporting date or to a date not earlier than three months of the parent company's reporting date using consistent accounting policies. Where practicable, adjustments are made for the effect of significant transactions or other events that occurred between the reporting date of the associates and the parent company's reporting date.

2.6 Non-current asset held for sale

Assets (and disposal groups) are classified as non-current asset held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.
Assets (and disposal groups) classified as non-current asset held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

2.7 Investments

The group classifies investments as "investments at fair value through statement of income" and "available for sale investments"

2.7.1 Investments at fair value through statement of income

Investments at fair value through statement of income are initially recognised at fair value, excluding transaction costs. These investments are either "held for trading" or "designated".
Held for trading investments are acquired principally for the purpose of selling or repurchasing it in the near term 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.
Designated investments are investments which are designated as investments at fair value through statement of income on initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise or, if they are managed and their performance is evaluated and reported internally on a fair value basis in accordance with documented risk management or investment strategy.
After initial recognition, investments at fair value through statement of income are remeasured at fair value. Gain or loss arising either from the sale or changes in fair value of "investments at fair value through statement of income" are recognised in the consolidated statement of income.

2.7.2 Available for sale investments

Available for sale investments are financial assets that are not held as investments at fair value through statement of income and which may be sold in response to need from liquidity or changes in interest rate.
Available for sale investments are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition.
After initial recognition, available for sale investments are remeasured at fair value except for investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, which are measured at cost.
Unrealized gain or loss on remeasurement of available for sale investments to fair value is recognised directly in equity in "fair value reserve" account until the investment is derecognised or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the consolidated statement of income.

2.7.3 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 reference to the current market value of another instrument which is substantially the same, or is based on the valuation techniques commonly used by market participants.

2.7.4 Trade and settlement date accounting

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

2.8 Financial instruments

Financial assets and liabilities carried on the consolidated balance sheet include cash and cash equivalents, accounts receivable, wakala receivables, accounts payable, investments at fair value through statement of income, available for sale investments, wakala payables. Financial instruments are recognized in the balance sheet when the group becomes a party to the contractual provisions of the instrument.

2.9 Cash and cash equivalents

Cash and cash equivalents include cash on hand, current accounts with banks and short-term deposits with an original maturity of three months or less, net of overdrawn account.

2.10 Receivables

Receivables are initially recognized at cost and subsequently measured at cost less provision for impairment losses.

2.11 Wakala receivables

Wakala is an Islamic transaction involving the purchase and immediate sale of asset at cost plus an agreed profit. The amount due is settled on a deferred payment basis. Where the credit risk of the transaction is attributable to a bank, the amount due is classified as a Wakala investment. Where the credit risk is attributable to a party other than a bank, the amount due is classified as a wakala receivable.
Wakala investment which arise from the group's financing of long-term transactions on an Islamic basis are classified as wakala investment originated by the group and are carried at the principal amount less provision for credit risks to meet any decline in value. Third party expenses such as legal fees, incurred in granting a Wakala are treated as part of the cost of the transaction.
All wakala investment are recognized when the legal right to control the use of the underlying asset is transferred to the customer

2.12 Financial liabilities

All financial liabilities are initially measured at cost and are subsequently measured at amortised cost.

2.13 Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost.

2.14 Wakala payables

Wakala payables are recognised initially at fair value, net of transactions cost incurred. Wakala payables are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the payables using the effective cost of payables.

2.15 Derecognition of financial assets and financial liabilities

Financial assets

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

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

When the group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the group could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability.

2.16 Impairment of financial assets

Financial assets, other than those at fair value through statement of income, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For unlisted shares classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.
For wakala receivables and other receivables, objective evidence of impairment could include: (i) significant financial difficulty of the issuer or counterparty; or (ii) default or delinquency in wakala cost or principal payments; or (iii) it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective wakala cost.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of wakala receivables and other receivables, where the carrying amount is reduced through the use of an allowance account.

When a wakala receivables or other receivables is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the consolidated statement of income. With the exception of available for sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the consolidated statement of income to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

2.17 Provisions

A provision is recognized in the balance sheet when the group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

2.18 Provision for staff indemnity

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

2.19 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Properties in the course of construction are carried at cost, less any recognised impairment loss. Depreciation is calculated based on the estimated useful lives of the applicable assets on a straight-line basis commencing when the assets are ready for their intended use.
The estimated useful lives, residual values and depreciation methods are reviewed at each year end, with the effect of any changes in estimate accounted for on prospective basis. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred.

Significant improvements and replacements of assets are capitalised. The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in consolidated statement of income in the period in which they occur.

2.20 Impairment of tangible and intangible assets

At each balance sheet date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.
The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.
If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of income.
Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is

increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of income.

2.21 Foreign currency translation

Transactions in foreign currencies are recorded in KD at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Exchange differences arising on settlement or translation of monetary items are taken to the consolidated statement of income. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Translation differences on non-monetary items such as equity investments which are classified as investments at fair value through statement of income are reported as part of the fair value gain or loss. Translation differences on non-monetary items such as equity investments classified as available for sale investments are included in "fair valuation reserve" in the consolidated statement of changes in equity.
For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations are expressed in KD using exchange rates prevailing at the balance sheet date, income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period in which case the exchange rates at the dates of the transactions are used.
Exchange differences arising, if any, are classified as equity and recognised in the group's foreign currency translation reserve. Such exchange differences in the consolidated statement of income in the period in which the foreign operation is disposed off.

2.22 Revenue recognition

- Income from Islamic deposits is recognised based on estimation of expected income and it is distributed on accrual basis at the time of deposit.
- Murabaha income is recognised on a straight line basis over the period of murhaba based on expected income embedded in the transaction.
- Dividend income is recognised when the right to receive payment is established.
- Portfolio management fees and commission income is recognised when earned in accordance with related contract terms.
- Fee income is recognised when earned in accordance with related contract terms.

2.23 Wakala costs

Wakala costs are calculated on the accrual basis and are recognised in the consolidated statement of income in the period in which it is incurred.

2.24 Treasury shares

Treasury shares consist of the group's own shares that have been issued, subsequently reacquired by the group and not yet reissued, sold or cancelled. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the treasury shares. Consideration paid or received is directly recognized in equity. When the treasury shares are sold, gains are credited to a separate account in shareholders' equity (treasury shares reserve) which is not distributable. Any realized losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings and then to reserves.
Gains realized subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and treasury shares reserve account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

2.25 Fiduciary assets

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

2.26 Dividends

Dividends are recognised as a liability in the group's consolidated financial statements in the period in which the dividends are approved by the shareholders.

2.27 Segment reporting

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

2.28 Contingent liabilities and assets

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless there is a possibility of outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the consolidated financial statements, but disclosed when an inflow of economic benefit is possible.

2.29 Significant accounting judgements and estimation uncertainty

Accounting judgements

In the process of applying the group's accounting policies, management has used judgements and made estimates in determining the amounts recognised in the consolidated financial statements. The most significant use of judgements and estimates are as follows:

Impairment of investments
The group treats available for sale investments as impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is "significant" or "prolonged" requires significant judgement. In addition, the group also evaluates among other factors, normal volatility in the share price for quoted investments and the future discounted cash flows for unquoted investments.

Classification of investments
Management decides on acquisition of an investment whether it should be classified as held for trading, at fair value through statement of income, or available for sale.
The group classifies investments as trading if they are acquired primarily for the purpose of making a short term profit by the dealers.
When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of income statement in the management accounts, they are classified as at fair value through statement of income. All other investments are classified as available for sale.

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;
▲ 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.

2.30 Going concern

During the year ended 31 December 2008, the group made losses of KD 24,870,714 and has short and medium term wakala payables of KD 71,773,172 of which KD 23,457,236 is falling due within three months.

The group has taken the following actions to address the above.
1- On 18 February 2009 the group entered into a Memorandum of Understanding with a local bank to obtain an additional facility of KD 48,000,000. This facility will be repayable over a period of 5 years commencing from the end of the second year.

The money received from this financing will be used to pay the following short and medium term liabilities.

	Liability	Amount (KD)
a)	Short and medium term wakala payable	37,000,000
b)	Provision for corporate guarantee	7,000,000
c)	Accounts payables and other liabilities	4,000,000

The group would then be indebted to one local financial institution.

2- On 1 March 2009 the Company settled a wakala of KD 9,000,000 to a local bank in Kuwait resulting in a decrease in the parent company's wakala payables from KD 71,773,172 as at 31 December 2008 to KD 62,773,172.

3- The company appointed on 9 March 2009 an external consultant to assist the management to restructure the group's debts. As part of this restructuring, a valuation of all the group's investments will be undertaken.

3. Cash and cash equivalents

	2008	2007
	KD	KD
Cash in hand and at banks	2,264,941	10,759,497
Islamic deposits	10,697,425	1,852,720
	12,962,366	12,612,217
Overdrawn account	-	(956,559)
	12,962,366	11,655,658

The effective yield on Islamic deposits as at balance sheet date was between 3.25% and 4.5% (2007: 5.25% and 5.75%) per annum. These deposits mature within three months from the balance sheet date.
Islamic deposits in the amount of KD 10,187,671 (2007: nil) are pledged against wakala payables (refer note 12).

4. Investments at fair value through statement of income

	2008	(Restated) 2007
	KD	KD
Quoted investments		
Banking sector	536,000	1,152,000
Investment sector	1,275,610	2,560,100
Real Estate sector	-	5,382,885
Industrial sector	705,303	2,313,805
Services sector	128,039	18,200,467
Food sector	10,126	1,445,525
Non-Kuwaiti sector	213,595	702,708
	2,868,673	31,757,490
Managed funds	2,260,040	4,990,000
Unquoted investments	-	32,611,949
	5,128,713	69,359,439

Quoted investments are valued on the basis of the bid price as at 31 December 2008. Managed funds are valued using the net asset values provided by fund managers as at 31 December 2008.

Movements in investments at fair value through statement of income

	2008	2007
	KD	KD
Balance at the beginning of the year	69,359,439	19,716,614
Additions	141,712,006	138,971,782
Reclassification to available for sale investments	(73,183,100)	-
Reclassification to investment in associates	-	(660,000)
Unrealised (loss) / gain	(5,109,431)	5,173,258
Disposals	(127,650,201)	(93,842,215)
Balance at the end of the year	5,128,713	69,359,439

Investments at fair value through statement of income in the amount of KD nil (2007: KD 10,718,065) are pledged against wakala payables (refer note 12).

4. Investments at fair value through statement of income (continued)

Unrealised (loss)/gain on investments at fair value through statement of income are summarised below:

	2008	2007
	KD	KD
Quoted investments	(2,379,471)	(2,181,690)
Managed funds	(2,729,960)	(10,000)
Unquoted investments	-	7,364,948
	(5,109,431)	5,173,258

5. Wakala receivables

	2008	2007
	KD	KD
Wakala Receivable	8,350,000	-
Less 1% provision	(83,500)	-
Less provision for doubtful wakala receivables (see below)	(500,000)	-
	7,766,500	-

Wakala receivables includes KD 2,350,000 from individuals against which a specific provision of KD 500,000 has been made.

6. Accounts receivable and other assets

	2008	2007
	KD	KD
Staff receivables	2,659	3,122
Refundable deposits	19,740	14,790
Accrued income	261,614	2,346,635
Prepaid expenses	38,493	461,171
Project advances	7,834,969	619,027
Other receivables	1,526,527	2,058,874
	9,684,002	5,503,619

Project advances includes KD 3,434,969 invested in companies under formation and KD 4,400,000 advance paid towards purchase of right of utilisation of land by a subsidiary of the parent company. An impairment loss of KD 477,002 has been recognised in the statement of income relating to certain balances included within other receivables.

7. Available for sale investments

Available for sale investments are acquired with the intention of capital appreciation over a medium to long-term time frame and represent investments in quoted and unquoted shares as follows :

	2008	(Restated) 2007
	KD	KD
Quoted securities	15,979,889	16,673,040
Unquoted securities	66,141,840	41,965,719
	82,121,729	58,638,759

Quoted securities amounting to KD 15,979,889 (2007: KD 16,673,040) are valued on the basis of the bid price as at 31 December 2008.
Unquoted securities amounting to KD 66,141,840 (2007: KD 41,965,719) are valued using valuation techniques that are used by fund managers that are not based on observable market prices or rates. The group valued its investments by averaging the valuation based on discounted cash flow, using appropriate discount rates, and net asset values.
As at 31 December 2008 Management carried out a review of the carrying values of its quoted and unquoted available for sale investments and determined that an impairment had occurred on these assets totalling KD 30,580,892, and as a consequence recognised this in the statement of income.

Movements in available for sale investments

	2008	2007
	KD	KD
Balance at the beginning of the year	58,638,759	16,902,442
Additions	39,483,150	32,206,974
Reclassification from investments at fair value through statement of income	73,183,100	-
Reclassification to investment in associate	-	(800,000)
Impairment loss recognised in the statement of income	(30,580,892)	-
Change in fair value	(29,352,246)	12,237,598
Disposal	(29,250,142)	(1,908,255)
Balance at the end of the year	82,121,729	58,638,759

Available for sale investments having a carrying value of KD 42,614,705 as at 31 December 2008 (31 December 2007: 43,584,680) are pledged against wakala payables (refer to note 12).

8. Non-current assets held for sale

The group holds equity stakes greater than 50% in three companies. These "subsidiaries" were bought with the explicit intention to be disposed of within one year. They were classified, in accordance with IFRS, as Non-current assets held for sale.
Management is currently in negotiations with interested third parties to dispose of two of these assets at a price greater than the carrying value as at 31 December 2008.
The other company's fair value was considered to be lower than the carrying amount by KD 720,000 and this amount has been recognised in the statement of income as an impairment loss.
During the year the group bought investments in National Drilling Company-Egypt and Al Safat Transportation Company for KD 21,094,423 and sold for KD 28,873,000 realising a profit of KD 7,778,577.

9. Investment in subsidiaries

9.1 Consolidated subsidiaries

The subsidiaries of the parent company which have been consolidated in these financial statements together with the holdings at 31 December are set out below:

	2008 Ownership (%)	2007 Ownership (%)
Al Safat Holding Company K.S.C.(Closed)	100	100
Al Safat Holding Company B.S.C.(Closed)	100	100
Safat House for General Trading Company W.L.L	80	-

Safat House for General Trading Company W.L.L. was incorporated on 9 March 2008 for the purpose of general trading and contracting
All the subsidiaries financial statements were consolidated based on the financial statements prepared by the management as at 31 December 2008.

9.2 Unconsolidated subsidiaries

The parent company has investments in the following subsidiaries which have not been consolidated since they are considered by the management as immaterial to the consolidated financial statements:

Company name:	2008 Holding %	2007 Holding %	2008 KD	2007 KD
Al Safat Tourism and Travel Company K.S.C.(Closed)	65.5	65.5	740,282	833,915
First Future Real Estate Development Co. W.L.L.	75	75	75,000	75,000

9.2 Unconsolidated subsidiaries (continued)

Safat House for Consultancy K.S.C. (Closed)	96	96	112,790	96,000
Dar Al Safat General Trading and Contracting Company W.L.L	100	-	150,000	-
Egyptian company for financial leasing services – Fine Lease, Egypt	100	-	550,324	-
			1,628,396	1,004,915

Valuations and recognising of profits and losses are in accordance with the financial statements of unconsolidated susbsidiaries prepared by the management as at 31 December 2008.

The group applied equity accounting related to its investment in Al Safat Tourism and Travel Company K.S.C. (Closed) and Safat House for Consultancy K.S.C. (Closed) and recognised a loss of KD 11,343 during the year.
Dar Al Safat General Trading and Contracting Company W.L.L was incorporated on 15 July 2008 for the purpose of general trading and contracting.
Egyptian company for financial leasing services – Fine Lease, Egypt was acquired during the year 2008 for the purpose of providing leasing services.

10. Investment in associates

The Group's shareholding in associate companies is as follows:

Company name	Percentage of shareholding		Carrying value (Restated)	
	2008 (%)	2007 (%)	2008 KD	2007 KD
Direct holding				
Al Safat Real Estate Company K.S.C.(Closed)	25	25	6,878,687	8,174,998
Kuwait Medical Center Holding Company K.S.C. (Closed)	20	-	9,341,637	-
Safat Tech Holding Company K.S.C. (Closed)	25.8	26	10,406,573	13,048,287
Dana Al-Safat Real Estate Company K.S.C. (Closed)	24.9	-	14,128,051	-
Degla Economical Development Company	50	-	6,908,750	-
Al Dhaen Group for General Trading W.L.L.	45	45	6,807,285	7,749,578
Indirect holding through subsidiary				
Asia Holding Company K.S.C. (Closed)	21.03	-	4,774,466	-
			59,245,449	28,972,863

Valuations and recognising of profits and losses are in accordance with financial statements of associates prepared by the management as at 31 December 2008, except for Al Dhaen Group for General Trading W.L.L., which is prepared by management as at 30 November 2008.

During the year the parent company acquired 25% stake in Kuwait Medical Centre Holding Company K.S.C. (Closed), for an amount of KD 9,250,000 and recognised goodwill of KD 3,755,282. Subsequently the parent company sold 5% of its stake for KD 2,000,000 which resulted in a gain of KD 68,051 and reversal of goodwill amounting to KD 751,056.

During the year the parent company has acquired 24.9% holding in Dana Al-Safat Real Estate Company K.S.C. (Closed), 50% holding in Degla Economical Development Company and also acquired 21.03% holding in Asia

Holding Company K.S.C. (Closed) through subsidiary. Parent company has not recognised any goodwill for these investments based on the valuation done by the management. Degla Economical Development Company has not commenced its commercial operation.

The cost of investment in associates includes goodwill amounting to KD 8,381,824 (31 December 2007 KD 6,698,117).
A valuation of each associate was undertaken, using discounted cash flows together with a review of the underlying assets and liabilities and the current and future trading performance of the associate by Management as at 31 December 2008.

From this review it was identified that for the majority of the group's investment in associates, the carrying value equated to the group's share of the associates' net assets except for the following associates:

Associate	Carrying value	Share of net assets
	KD	KD
Kuwait Medical Center Holding Company K.S.C. (Closed)	9,341,637	6,337,412
Al Dhaen Group for General Trading W.L.L.	6,807,285	1,429,687

With regard to Kuwait Medical Center Holding Company K.S.C. (Closed) and Al Dhaen Group for General Trading W.L.L an impairment of the carrying value of Al Dhaen Group for General Trading W.L.L. has been taken amounting to KD 948,988 to reflect the recoverable amount of this associate and no impairment is considered necessary for Kuwait Medical Center Holding Company K.S.C. (Closed).

The carrying value of these two associates are based on Management's belief that the underlying assets and the future trading and confirmed order books over the next two to three years of these associates are so strong that it justifies carrying these investments in associates at a value greater than the share of the net assets of those associates.
Investment in associates with a carrying value of KD 11,381,628 (31 December 2007: KD 8,140,935) are pledged against wakala payables (refer to note 12).

Summarized financial information of the Group's associates is set out below:

10. Investment in associates (continued)

	2008	2007
	KD	KD
Total assets	235,887,881	122,715,238
Total liabilities	(84,223,798)	(38,016,140)
Net assets	151,664,083	84,699,098
Group's share of associates' net assets	50,863,625	22,274,746
Net revenue	(19,139,975)	15,016,228
(Loss) / profit for the year	(21,958,761)	7,414,436
Group's share of associates' (loss) / profit for the year	(6,230,285)	1,942,833

11. Property and equipment

	Furniture, fixtures and computers	Capital work in progress	Total
	KD	KD	KD
Cost			
Balance at 1 January 2007	239,481	3,009,519	3,249,000
Additions	213,037	4,021,714	4,234,751
Balance at 1 January 2008	452,518	7,031,233	7,483,751
Additions	129,428	5,146,979	5,276,407
Balance at 31 December 2008	581,946	12,178,212	12,760,158
Accumulated depreciation			
Balance at 1 January 2007	93,158	-	93,158
Charge for the year	64,388	-	64,388
Balance at 1 January 2008	157,546	-	157,546
Charge for the year	82,309	-	82,309
Balance at 31 December 2008	239,855	-	239,855
Carrying value			
31 December 2008	342,091	12,178,212	12,520,303
31 December 2007	294,972	7,031,233	7,326,205

Annual depreciation rates are furniture and fixtures 20% and computers 33%.

Capital work-in-progress as at 31 December 2008, includes payment made and expenses incurred on a Build, Operate and Transfer ("B.O.T") project awarded to the parent company during the year 2005.

12. Wakala payables

	2008	2007
	KD	KD
Current portion	29,457,236	55,795,000
Non-current portion	42,315,936	42,042,530
	71,773,172	97,837,530

The group has obtained wakala from local banks in the amount of KD 36,000,000 (31 December 2007: 54,990,000) carrying contracted costs of 2% to 2.75% (31 December 2007: 1.375% and 2%) over the Central Bank of Kuwait discount rate. The current portion of wakala is secured by the parent company's investments in associates and available for sale investments with a carrying value of KD 14,049,128 (31 December 2007: KD 22,250,935) and islamic deposits with a carrying value of KD 10,187,671 (31 December 2007: KD nil) (refer notes 3, 7 and 10)

The group has also obtained wakala from a foreign bank in the amount of KD 27,315,936 (31 December 2007: KD 27,042,530) carrying contracted costs of 12%. This wakala is secured by the parent company's investments in available for sale investments with a carrying value of KD 39,947,205 (31 December 2007: KD 40,192,745) (refer note 7).

Further, the group obtained an unsecured wakala from local investment companies in the amount of KD 8,457,236 (31 December 2007: KD 15,805,000) at a cost of 9% to 11.5% (31 December 2007: 10% and 11%) per annum.

13. Related party transactions

Related parties primarily comprise of directors, key management personnel, associates, subsidiaries, shareholders and companies of which the parent company is principal owner or over which they are able to exercise significant influence. All related party transactions are carried out on terms approved by the Group's management. Significant related party transactions other than disclosed elsewhere in the financial statements during the year are as follows:

	2008	2007
	KD	KD
Transactions during the year		
Managing director's salaries and benefits	208,840	551,102
Key management personnel's salaries and benefits	346,597	268,122
Associates and unconsolidated subsidiaries	609,056	1,763,877
Other related parties	365,119	343,431
	1,529,612	2,926,532
Due to :		
Directors	-	105,000
Associates and unconsolidated subsidiaries	714,827	703,899
	714,827	808,899
Off-balance sheet:		
Managed portfolios	65,885,316	103,473,285

14. Accounts payable and other liabilities

	2008	2007
	KD	KD
Trade payables	3,255,903	7,625,583
Staff payables	161,569	646,050
Accrued expenses	774,215	438,627
Provision for leave	132,497	89,835
Dividend payable	52,994	170,752
Payable to KFAS, National Labour Support Tax and Zakat	-	834,556
	4,377,178	9,805,403

15. Provision for corporate guarantee

The parent company had given a solidarity performance guarantee to one of the local banks as collateral to a loan granted to a third party for KD 20,000,000. As at 31 December 2008 the third party was in default of its loan covenants due to the reduction in value of the collateral provided against the loan and consequently the bank requested settlement of the loan. The third party has settled an amount of KD 6,000,000. Of the remaining unsettled balance of KD 14,000,000 the bank holds collateral securities valued as at 16 March 2009 amounting to KD 5,120,000 and the third party has KD 1,880,000 of cash and cash equivalents earmarked for future settlement of this loan in 2009. It is expected that the third party will be in default of KD 7,000,000 and the parent company has therefore established a provision of KD 7,000,000 as their exposure against the settlement of the loan.

16. Share capital

	2008	2007
	KD	KD
Authorised share capital	78,000,000	30,294,000
Issued and fully paid capital: 772,983,339 (31 December 2007: 302,940,000) shares of 100 fils each	77,298,334	30,294,000

The movement in ordinary shares in issue during the year was as follows:

	2008	2007
Number of shares in issue 1 January	302,940,000	280,500,000
Bonus issue	136,323,000	22,440,000
Rights issue	196,911,000	-
Shares issued to strategic investors	135,411,000	-
Shares issued to employees	1,398,339	-
Number of shares in issue 31 December	772,983,339	302,940,000

17. Share premium

The increase in share premium account is due to a rights issue and a strategic issue of shares at a premium during 2008. The share premium account is not available for distribution. (See note 32)

18. Statutory reserve

In accordance with the Commercial Companies Law of 1960, as amended, and the parent company's articles of association, 10% of the net profit for the year is required to be transferred to the statutory reserve until the reserve totals 50% of the paid-up share capital. Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of paid-up share capital to be made in years when retained earnings are not sufficient for the payment of a dividend of that amount.

19. Voluntary reserve

As required by the parent company's articles of association, 10% of the net profit for the year is required to be transferred to the voluntary reserve. Such annual transfers can be discontinued by a resolution of shareholders in the annual general assembly meeting upon recommendation by the Board of directors. There are no restrictions on the distribution of this reserve.

20. Treasury shares

	2008	2007
Number of shares (No's)	535,800	104,000
Percentage of issued shares (%)	0.07%	0.03%
Market value (KD)	53,580	73,840
Cost (KD)	188,849	43,248

These shares were acquired based on an authorization granted to the Board of Directors by the shareholders and in accordance with Ministerial Decrees No.10 of 1987 and No. 11 of 1988. Reserves equivalent to the cost of treasury shares held are not distributable.

21. Treasury shares reserve

During the year, the parent company bought 320,000 (2007: nil) treasury shares and no sale of treasury shares were made realising gain of KD nil (2007: KD 581,062).

22. Prior period adjustments

On 20 June 2007 the parent company acquired an additional 18.2% of the shares of Al-Safat Tec Holding Company K.S.C. (Closed) increasing the parent company's holding from 7.8% to 26%. Furthermore additional representation on the board of directors of Al-Safat Tec Holding Company K.S.C. (Closed) was also obtained at this date. This investment had been classified within the available for sale and investments at fair value categories and should have been accounted for as an investment in associate in the financial statements for the year ended 31 December 2007. Accordingly the comparative figures have been restated to reflect this as follows.

	2007
	KD
Increase in investment in associates	13,048,287
Decrease in investments at fair value through statement of income	4,460,800
Decrease in available for sale investments	13,192,000
Decrease in fair value reserve	4,442,000
Increase in share or results of associates	639,452
Increase in profit on sale of available for sale investments	110,588
Decrease in Unrealised gain on investments at fair value through statement of income	912,553

23. Investment properties

During the year the parent company acquired a land for KD 30,396,041 and disposed off for KD 31,744,325. This resulted in a gain of KD 1,348,284.

24. Impairment losses

During the year management has carried out impairment testing on a variety of assets to assess the recoverability of these assets. Summarised below are the impairment losses recognised as at 31 December 2008

	2008	2007
	KD	KD
Available for sale investments	30,580,892	-
Accounts receivable and other assets	477,002	-
Non current asset held for sale	720,000	-
Investment in associates	1,293,131	-
	33,071,025	-

25. Other income

	2008	2007
	KD	KD
Consultancy income	132,000	569,000
Other miscellaneous income	394,283	1,908
	526,283	570,908

26. General and administrative expenses

	2008	2007
	KD	KD
Staff costs	2,260,206	1,923,292
Legal and professional fees	795,119	243,913
Rent	260,047	187,557
Depreciation and amortisation	82,309	64,388
Employee share option expenses	529,430	-
Others	528,916	302,185
	4,456,027	2,721,335

Included within legal and professional fees is a penalty of KD 196,979 from Central Bank of Kuwait due to contravention of the provisions of item (1/b) of article 85 of Law No.32 of 1968 and of the provisions of article 21 of ministerial resolution.

27. Contribution to KFAS

	2008	2007
	KD	KD
Share of KFAS in net profit for the year of parent company	-	200,301
Share of KFAS in consolidated subsidiary	-	20,280
	-	220,581

28. Basic and diluted (loss) / earnings per share

Basic and diluted (loss) / earnings per share is computed by dividing profit attributable to equity holders of the parent company by the weighted average number of shares outstanding during the year. The following reflects profits and weighted average number of shares outstanding during the year used in computation of earnings per share:

	2008	2007
	KD	KD
Profit for the year	(24,867,095)	24,607,820
Weighted average number of shares (Nos)	690,239,944	535,368,726
Basic (loss)/ earnings per share (fils)	(36.03)	45.96

Weighted average number of shares issued – employee share option plan (Nos.)	2,293,714	-
Adjusted weighted average number of shares issued (Nos.)	692,533,658	535,368,726
Diluted (loss)/ earnings per share (fils)	(35.91)	45.96

During the year, the parent company issued 136,323,000 bonus shares (2007: 22,440,000) and 196,911,000 right shares (2007: Nil) at strike price lower than market price, having a corresponding impact on earnings per share of the prior year.

29. Employee share option plan

The annual general assembly meeting of the shareholders held on 26 March 2008 approved a share option plan for employees. In accordance with the plan, the Board of Directors of the parent company were authorized to grant up to 8,415,000 shares as share options to the employees. The options vest as follows:

First tranche – 4,628,250 vest on 1 May 2008 and employees can exercise up to 30 April 2009.

Second tranche – 3,786,750 vest on 1 February 2009 and employees can exercise up to 31 January 2010. Subsequently, the Board of Directors cancelled the second tranche of option.
The first tranche option price was fixed at 191 fils per share and was determined based on 20% above book value of 31 December 2006. The option holders will not be entitled to participate in any new issue or bonus issue of shares. The option holders have no rights or entitlements to participate in dividends declared by the parent company.

The parent company accounted for option expenses amounting to KD 529,430. These amounts have been recognised as an expense in the condensed consolidated statement of income with a corresponding credit to share options reserve in equity.

During the period employees exercised their rights and converted 1,398,339 shares from the first tranche at the option price of 191 fils per share.

30. Fiduciary assets

Third party funds managed by the parent company and assets held in trust or in a fiduciary capacity and related liabilities are not treated as the Group's assets or liabilities and accordingly are not included in these consolidated financial statements. Total fiduciary assets as at the balance sheet date amounted to KD 168,752,961 (2007: KD 284,139,000).

31. Commitments and contingencies

	2008	2007
	KD	KD
Bank guarantees	400,000	300,000

A provision of KD 7,000,000 has been recognised in the statement of income towards a bank guarantee of KD 20,000,000 given by the company (See note 15).

The group, jointly with a third party, and through one of its subsidiaries, has a commitment relating to purchase of right of utilisation of land amounting KD 22,000,000. During the year, the group paid an advance of KD 4,400,000 included in project advances, against this commitment (see note 6). The company shall pay its share of the balance of KD 13,200,000 upon the transfer of right of utilisation of land.

32. Proposed dividends

The board of directors proposed no dividends for the year ended 31 December 2008. This proposal is subject to the approval of the shareholder's General Assembly.
On 26 March 2008, cash dividends of 20 Fils per share and bonus shares of 45% for the year ended 31 December 2007 were approved by the general assembly and were paid following that approval. Further, the board of directors proposed increase in share capital and the shares were issued as follows:

a) Right issue of 196,911,000 shares for nominal value of 100 fils and share premium of 170 fils per share.
b) Issue of 135,411,000 shares to strategic investors for nominal value of 100 fils and share premium of 300 fil per share.
c) Issue of 8,415,000 shares under employee stock option plan.

33. Financial risk and capital management

(a) Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.
The group sets the amount of capital in proportion to risk. The group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

(b) 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 are monitored on an ongoing basis. The group seeks to avoid undue concentration of risks with individuals or group of customers in specific locations or business through diversification of lending activities. It also obtains security when appropriate.
The maximum credit risk exposure arising from default of the counter-party is limited to the carrying amount of cash and cash equivalents, accounts receivable, investments at fair value through statement of income and available for sale investments.

(c) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. There is a risk of losses due to exchange rate fluctuations and the group does not hedge foreign currency exposure.

At 31 December 2008, the group had the following significant exposures denominated in foreign currencies:

	2008 Equivalent	2007 Equivalent
	KD	KD
US Dollars	14,259,787	2,394,533
Qatari Riyal	(26,770,338)	(27,105,959)
UAE Dirhams	57,597,101	59,418,500
Egyptian Pounds	3,035,273	231,603
Saudi Riyal	1,584,981	-
Bahraini Dinar	6,696,980	6,204,180
Jordanian Dinar	487,562	-
Net assets denominated in foreign currency	56,891,346	41,142,857

The table in the next page analyzes the effect of a 5% strengthening in value of the currency rate against the Kuwaiti Dinar from levels applicable at 31 December 2008, with all other variables held constant on the income statement and equity. A negative amount in the table reflects a potential net reduction in income statement or equity, while a positive amount reflects a net potential increase.

		2008		2007	
Currency	Change in currency rate in %	Effect on profit KD	Effect on equity KD	Effect on profit KD	Effect on equity KD
USD	+5	330,599	382,390	1,215	118,512
QAR	+5	(1,379,301)	40,784	(1,396,144)	40,846
AED	+5	557,704	2,322,151	1,498,922	1,472,003
EGP	+5	151,764	-	11,580	-
SAR	+5	79,249	-	-	-
BHD	+5	334,849	-	310,209	-
JOD	+5	24,378	-	-	-

(d) Liquidity risk

Liquidity risk is the risk that the group will be unable to meet its liabilities when they fall due. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a daily basis. For liquidity profile of financial assets and liabilities as at 31 December 2008 and 2007 refer to note 35.

(e) Equity price risk

Equity price risk is the risk that the value of financial instruments will fluctuate as a result of changes in equity prices. Financial instruments, which potentially subject the group to equity price risk, consist principally of investments at fair value through statement of income, available for sale investments and investment in an associate. The group manages this risk by diversifying its investments on the basis of the pre-determined asset allocations across various categories, continuous appraisal of market conditions and trends and management estimate of long and short term changes in fair value.
The following table demonstrates the sensitivity of the changes in fair value to reasonably possible changes in equity prices, with all other variables held constant. The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increases shown.

	Change in equity price	Effect on profit before KFAS, NLST, Zakat & Directors' fees	Effect on equity	Change in equity price	Effect on profit before KFAS, NLST, Zakat & Directors' fees	Effect on equity
	2008	2008	2008	2007	2007	2007
	KD	KD	KD	KD	KD	KD
Kuwait	+5%	2,949,084	1,205,815	+5%	3,070,512	1,299,295
Middle East	+5%	351,044	2,620,467	+5%	3,792,697	1,632,643
Middle East	+5%	-	279,804	-	-	-

(f) Fair value of financial instruments

In the opinion of management, cash and cash equivalents, accounts receivable, accounts payable, investments at fair value through statement of income and available for sale investments are not significantly different from fair values.

34. Segment information

A segment is a distinguishable component of the group either in providing products or services known as 'Business Segment' or in providing products or services within a particular economic environment known as 'Geographical Segment', which is subject to risks and rewards that are different from those of other segments. Segment information is presented in respect of the group's business and geographical segments. The primary format, business segments is based on the group's major operating divisions. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

a) Primary segment information – Business Segments
Company has only one business segment which is investment management segment.

b) Geographical segments
Apart from its main operations in Kuwait, the group also operates through its foreign subsidiary in Bahrain. Financial information about geographical segments are set out below:

	Kuwait	Middle East	China	Total
	KD	KD	KD	KD
Total revenue	(12,756,102)	2,090,999	-	(10,665,103)
Segment results	(24,546,404)	(324,310)	-	(24,870,714)
Segment assets	128,146,802	74,918,566	5,596,088	208,661,456
Segment liabilities	56,582,098	27,586,819	-	84,168,917

Financial information about geographical segments for the year ended 31 December 2007 are set out below:

	Kuwait	Middle East	China	Total
	KD	KD	KD	KD
Total revenue	24,572,595	7,588,347	-	32,160,942
Segment results	17,305,230	7,302,590	-	24,607,820
Segment assets	114,698,185	70,643,273	-	185,341,458
Segment liabilities	79,383,629	29,204,855	-	108,588,484

35. Maturity analysis of assets and liabilities

The Group's maturity profile set out below is based on the remaining period at the balance sheet date to the contractual maturity date. In the case of financial instruments that do not have a contractual maturity date, the maturity is based on management's estimate of time period in which the asset will be collected or disposed and the liability settled.

At 31 December 2008	Up to 1 month	1 to 3 months	3 months To 1 year	Over 1 year	Total
	KD	KD	KD	KD	KD
Assets					
Cash and cash equivalents	2,774,695	10,187,671	-	-	12,962,366
Investments at fair value through statement of income	5,128,713	-	-	-	5,128,713
Wakala receivable	-	6,000,000	1,766,500	-	7,766,500
Accounts receivable and other assets	261,614	-	9,422,388	-	9,684,002
Available for sale investments	-	-	-	82,121,729	82,121,729
Non-current asset held for sale	-	-	17,603,998	-	17,603,998
Total assets	**8,165,022**	**16,187,671**	**28,792,886**	**82,121,729**	**135,267,308**
Liabilities					
Wakala payables	-	23,457,236	6,000,000	42,315,936	71,773,172
Due to related parties	-	714,827	-	-	714,827
Accounts payable and other liabilities	-	4,244,681	132,497	-	4,377,178
Provision for corporate guarantee	-	-	7,000,000	-	7,000,000
Provision for staff indemnity	-	-	-	303,740	303,740
Total liabilities	**-**	**28,416,744**	**13,132,497**	**42,619,676**	**84,168,917**

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35. Maturity analysis of assets and liabilities (continued)

At 31 December 2007

	Up to 1 month KD	1 to 3 months KD	3 months To 1 year KD	Over 1 year KD	Total KD
Assets					
Cash and cash equivalents	11,655,658	-	-	-	11,655,658
Investments at fair value through statement of income	69,359,439	-	-	-	69,359,439
Accounts receivable and other assets	2,346,635	-	3,156,984	-	5,503,619
Available for sale investments	-	-	-	58,638,759	58,638,759
Non-current asset held for sale	-	-	2,880,000	-	2,880,000
Total assets	**83,361,732**	-	**6,036,984**	**58,638,759**	**148,037,475**
Liabilities					
Wakala payables	-	42,340,000	40,497,530	15,000,000	97,837,530
Due to related parties	-	808,899	-	-	808,899
Accounts payable and other liabilities	-	9,544,816	260,587	-	9,805,403
Provision for staff indemnity	-	-	-	136,652	136,652
Total liabilities	-	52,693,715	40,758,117	15,136,652	108,588,484

36. Comparative figures

Other than the restatement of the comparatives arising from the prior period adjustments (see note 22) certain comparative figures have been re-classified to conform to current year's presentation.