Nafais Holding Company K.S.C. (Closed) and its Subsidiaries (formerly Institute for Private Education K.S.C. (Closed) State of Kuwait

Consolidated financial statements and independent auditors' report for the year ended 30 June 2008

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بوبيان للتدقيق الحسابات
BOUBYAN Auditing Office
محاسبون قانونيون - مستشارون ماليون

KPMG Safi Al-Mutawa & Partners
Rakan Tower, 18th Floor
Fahad Al-Salem Street
P.O.Box 24, Safat 13001
Kuwait
Telephone : + 965 247 5090
Fax : + 965 249 2704

Boubyan Auditing Office
P.O.Box 17445, Khaldiya 72455
Kuwait
Telephone : + 965 249 4040
Fax : + 965 249 6565

The Shareholders
Nafais Holding Company K.S.C. (Closed)
State of Kuwait

Independent auditors' report

Report on the financial statements

We have audited the accompanying consolidated financial statements of Nafais Holding Company K.S.C. (Closed), and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as at 30 June 2008, and the consolidated statement of income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. The corresponding figures presented are based on consolidated financial statements of the Group as at and for the year ended 30 June 2007, which were audited by another auditor whose report dated 14 February 2008, expressed an unqualified opinion on those statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, 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 did not audit the financial statements of Educational Holding Group K.S.C. (Closed), a 32.26% owned associate and United Capital Bank, Sudan, a 18.75% owned associate, which statements reflect total assets of KD 137,241,468 as at 30 June 2008 and total revenues of KD 8,641,764 for the year ended 30 June 2008. Those statements were reviewed by other auditors whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for Educational Holding Group K.S.C. (Closed) and United Capital Bank, Sudan, is based on the report of the other auditors. Their report dated 15 July 2008 and 20 July 2008 respectively expressed a qualified opinion, on the basis that share of results of two associates were accounted based on management accounts, and an unqualified opinion.

We also did not audit the financial statements of Al-Mowasat Holding Company K.S.C. (Closed), a 64.82 % owned subsidiary, which statements reflect total assets of KD 34,331,528 as at 30 June 2008 and total revenues of KD 3,147,409 for the year ended 30 June 2008. Those statements were reviewed by another auditor whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for Al-Mowasat Holding Company K.S.C. (Closed) is based solely on the report of the other auditor. His report dated 13 August 2008 expressed an unqualified opinion.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, based on our audit and the report of the other auditors, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2008, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

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, as amended, and the parent Company's articles and memorandum of association. In our opinion, proper books of account have been kept by the Parent Company, an inventory count 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. We have not become aware of any contravention of the Kuwait Commercial Companies Law of 1960, as amended, or the Parent Company's articles and memorandum of association, as amended, that would materially affect the Group's activities or its consolidated financial position.

Safi A. Al-Mutawa **License No 138 "A"** **of KPMG Safi Al-Mutawa & Partners** **Member firm of KPMG International**	**Yahia Abdullah Al-Foudri** **License No 83 "A"** **Of Boubyan Auditing Office**

Kuwait: 28 September 2008

Nafais Holding Company K.S.C. (Closed)
and its Subsidiaries
State of Kuwait

Consolidated balance sheet
as at 30 June 2008

	Note	2008 KD	2007 KD
Assets			
Property, plant and equipment	*4*	30,873,501	7,464,491
Intangible assets		33,417	-
Goodwill	*5*	14,699,740	-
Other assets		73,395	-
Investment in unconsolidated subsidiary		-	14,830
Investment in associates	*6*	44,269,712	31,684,116
Available for sale investments	*7*	15,222,533	1,096,427
Total non-current assets		105,172,298	40,259,864
Inventories	*8*	860,519	115,260
Investments at fair value through profit or loss			13,752
Trade and other receivables	*9*	6,909,549	1,203,963
Due from related parties	*17*	373,766	159,380
Term deposits	*10*	4,826,798	-
Cash and cash equivalents	*10*	743,804	2,341,258
Total current assets		13,714,436	3,833,613
Total assets		118,886,734	44,093,477
Equity and liabilities			
Equity			
Share capital	*11*	62,336,968	2,247,167
Treasury shares	*12*	(694,486)	(204,377)
Share premium	*11*	11,979,978	1,232,105
Statutory reserve	*13*	612,240	547,306
Voluntary reserve	*14*	557,922	492,988
Foreign currency translation reserve		(246,957)	-
Cumulative changes in fair value		(3,546,055)	-
Retained earnings		3,206,602	2,116,756
Equity attributable to shareholders of the Parent Company		74,206,212	6,431,945
Minority interest		5,218,570	-
Total equity		79,424,782	6,431,945
Liabilities			
Due to financial institutions	*15*	7,878,630	2,932,190
Post employment benefits		1,792,293	755,231
Total non-current liabilities		9,670,923	3,687,421
Due to financial institutions	*15*	13,770,333	4,524,370
Due to related parties	*17*	10,978,142	28,518,871
Trade and other payables	*16*	5,042,554	930,870
Total current liabilities		29,791,029	33,974,111
Total liabilities		39,461,952	37,661,532
Total equity and liabilities		118,886,734	44,093,477

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

Chairman and Managing Director

Vice Chairman

Consolidated statement of income
for the year ended 30 June 2008

	Note	2008 KD	2007 KD
Operating revenues	*18*	9,867,874	6,466,416
Operating costs	*19*	(6,682,072)	(4,582,561)
Gross profit		3,185,802	1,883,855
Other income		339,712	246,651
Gain from sale of property, plant and equipment		-	31,065
Gain from sale of investments at fair value through profit or loss	*20*	3,850	203,305
Results from operating activities		3,529,364	2,364,876
General and administrative expenses	*21*	(2,371,433)	(1,362,212)
Finance cost		(722,367)	(209,172)
Operating expenses		(3,093,800)	(1,571,384)
Share of profit from associates		767,280	-
Profit before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST) and Zakat		1,202,844	793,492
Board of Directors' remuneration		(35,000)	(9,000)
Contribution to KFAS		(2,838)	(7,141)
NLST		(10,014)	(19,837)
Zakat		(6,559)	-
Profit for the year		1,148,433	757,514
Profit attributable to:			
Equity holders		1,219,714	757,514
Minority interest		(71,281)	-
		1,148,433	757,514
Earnings per share (fils)	*23*	35.91	34.45

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

Nafais Holding Company K.S.C. (Closed)
and its Subsidiaries
State of Kuwait

Consolidated statement of changes in equity
for the year ended 30 June 2008

	Share capital KD	Treasury shares KD	Share premium KD	Statutory reserve KD	Voluntary reserve KD	Foreign currency translation reserve KD	Cumulative changes in fair value KD	Retained earnings KD	Equity attributable to shareholders of the Parent Company KD	Minority interest KD	Total equity KD
Balance at 1 July 2006	2,042,879	(191,257)	1,232,105	467,957	413,639	-	-	1,922,115	5,887,438	-	5,887,438
Change in equity during the year ended 30 June 2007											
Net profit for the year	-	-	-	-	-	-	-	757,514	757,514	-	757,514
Cash dividends	-	-	-	-	-	-	-	(199,887)	(199,887)	-	(199,887)
Total recognised income and expense for the period	-	-	-	-	-	-	-	557,627	557,627	-	557,627
Issue of bonus shares	204,288	-	-	-	-	-	-	(204,288)	-	-	-
Purchase of treasury shares	-	(13,120)	-	-	-	-	-	-	(13,120)	-	(13,120)
Transfer to reserves	-	-	-	79,349	79,349	-	-	(158,698)	-	-	-
Balance at 30 June 2007	2,247,167	(204,377)	1,232,105	547,306	492,988	-	-	2,116,756	6,431,945	-	6,431,945
Balance at 1 July 2007	2,247,167	(204,377)	1,232,105	547,306	492,988	-	-	2,116,756	6,431,945	-	6,431,945
Change in equity during the year ended 30 June 2008											
Foreign currency translation	-	-	-	-	-	(246,957)	-	-	(246,957)	-	(246,957)
Change in fair value of available for sale investments	-	-	-	-	-	-	(3,546,055)	-	(3,546,055)	-	(3,546,055)
Net loss recognised directly in equity	-	-	-	-	-	(246,957)	(3,546,055)	-	(3,793,012)	-	(3,793,012)
Net profit for the year	-	-	-	-	-	-	-	1,219,714	1,219,714	(71,281)	1,148,433
Total recognised income and expense for the period	-	-	-	-	-	(246,957)	(3,546,055)	1,219,714	(2,573,298)	(71,281)	(2,644,579)
Issue of share capital	60,089,801	-	-	-	-	-	-	-	60,089,801	-	60,089,801
Purchase of treasury shares	-	(490,109)	-	-	-	-	-	-	(490,109)	-	(490,109)
Increase in share premium	-	-	10,747,873	-	-	-	-	-	10,747,873	-	10,747,873
Transfers to reserves	-	-	-	64,934	64,934	-	-	(129,868)	-	-	-
Acquisition of minority interest	-	-	-	-	-	-	-	-	-	5,289,851	5,289,851
Balance at 30 June 2008	62,336,968	(694,486)	11,979,978	612,240	557,922	(246,957)	(3,546,055)	3,206,602	74,206,212	5,218,570	79,424,782

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

Consolidated statement of cash flows
for the year ended 30 June 2008

	Note	2008 KD	2007 KD
Cash flow from operating activities:			
Net profit for the year		1,148,433	757,514
Adjustments for:			
Provision for doubtful debts		14,536	6,121
Depreciation		615,326	413,843
Gain on sale of property, plant and equipment		-	(31,065)
Gain on investments at fair value through profit or loss		(3,850)	(203,305)
Finance costs		722,367	209,172
Profit on saving accounts		-	(10,735)
Post employment benefits		1,037,062	204,660
Share of profit from associates		(767,280)	-
Minority interest		(71,281)	-
Foreign currency translation reserve		(246,957)	-
Operating profit before changes in working capital		2,448,356	1,346,205
Working capital changes			
Increase in inventories		(144,899)	(21,222)
Increase in trade and other receivables		(2,150,312)	133,441
Increase in investments at fair value through profit or loss		-	1,562,108
Increase in due from related parties		(214,386)	(136,598)
(Decrease) / increase in trade and other payables		(256,096)	185,984
Cash generated from operating activities		(317,337)	3,069,918
Post employment benefits paid		(142,961)	(129,129)
Net cash (used) / from operating activities		(460,298)	2,940,789
Cash flow from investing activities:			
Acquisition of subsidiaries		(23,000,476)	(14,830)
Sale proceeds from investment at fair value through profit or loss		17,602	-
Acquisition of shares in associates		(12,391,400)	-
Acquisition of available for sale investments		(5,360,199)	(787,500)
Advances paid		-	(307,400)
Increase in other assets		(46,222)	-
Term deposits		1,173,202	-
Acquisition of property, plant and equipment		(1,189,659)	(601,342)
Proceed from sale of property, plant and equipment		-	92,756
Profit received from saving accounts		-	10,735
Net cash used in investing activities		(40,797,152)	(1,607,581)
Cash flows from financing activities:			
Proceeds from issue of share capital		70,837,674	-
Purchase of treasury shares		(490,109)	(13,120)
Repayments to financial institutions		(1,446,331)	926,769
Repayments to related parties		(28,518,871)	
Cash dividends paid		-	(188,772)
Finance costs paid		(722,367)	(211,001)
Net cash from financing activities		39,659,996	513,876
Net (decrease) / increase in cash and cash equivalents		(1,597,454)	1,847,084
Cash and cash equivalents at the beginning of the year		2,341,258	494,174
Cash and cash equivalents at the end of the year	*10*	743,804	2,341,258

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

1. Status and activities

Institute for Private Education K.S.C. (Closed) ("the Company") was established in Kuwait on 31 October 1984 as a Kuwaiti Closed Shareholding Company and was listed on the Kuwait Stock Exchange on 3 May 2005. On 22 August 2007, the Company's shares were suspended from trading on the Kuwait Stock Exchange for 12 months in accordance with the decision of the Kuwait Stock Exchange Committee No. 3 for 2007.

During the year, the extraordinary shareholder's general assembly meeting held on 22 August 2007 approved to change the name from Institute for Private Education to Nafais Holding Company K.S.C. (Closed) and also approved to change the objectives of the Company to be as follows:

- Owning stocks and shares in Kuwaiti and non-Kuwaiti companies and participation in the establishment of these companies and managing them;
- Lending to companies in which the Company owns shares and acting as a guarantor for these companies;
- Owning industrial equities such as patents, industrial trademarks, royalties or any other related rights and franchising them to other companies;
- Owning real estate and movable properties to conduct its operations in accordance with the law; and
- Investing surplus cash through investing in portfolios managed by fund management organizations.

The Company may also have an interest in or participate in any manner with other entities carrying out similar or complementary activities in order to achieve its objectives inside and outside of Kuwait, and to acquire or merge with those entities.

The Company manages the following schools in the State of Kuwait:

- Al-Andulas Private School
- Al-Tafawoq Private School
- Al-Takamul International School
- Gulf English School
- Al-Maally Bilingual School

The consolidated financial statements comprise of Nafais Holding Company K.S.C. (Closed), its subsidiaries and associates (together referred to as "the Group"). A list of directly owned subsidiaries and associates is as follows:

Name of the company	Country	Percentage of ownership 2008	2007	Principal activities
Subsidiaries				
Al-Mowasat Holding Company K.S.C. (Closed)	Kuwait	64.82%	-	Investment activities
Al-Tafawoq Educational Services Company W.L.L.	Kuwait	100%	100%	School operations
Al-Andulas Educational Services Company W.L.L.	Kuwait	100%	100%	School operations
Al-Malee Educational Services Company W.L.L.	Kuwait	100%	100%	School operations
Al-Rawada Holding Company	Egypt	100%	-	Schools operations
Al-Mouzon Real Estate Company	Kuwait	100%	-	Real Estate
Associates				
United Capital Bank, Sudan	Sudan	18.75%	-	Banking operations
Educational Holding Group K.S.C. (Closed)	Kuwait	32.26%	32.26%	Investing activities
Al Khat Printng Press Company W.L.L.	Kuwait	25%	-	Printing and publishing
Warba Graphics Advertising and Marketing Company W.L.L.	Kuwait	25%	-	Publicity and advertisement

Ownership in certain subsidiaries is held by related parties of the Company as a nominee.

The registered office of the Company is located at Al-Wazzan Building, Free Trade Zone, P.O. Box 3306, Kuwait.

The consolidated financial statements were approved for issue by the Board of Directors on 28 September 2008. The shareholders of the Company have the power to amend these consolidated financial statements at the annual general assembly.

2. Basis of preparation

i) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") promulgated by the International Accounting Standards Board ("IASB"), and interpretations issued by the International Financial Reporting Committee of the IASB and the requirements of the Commercial Companies Law of 1960, as amended, the Company's articles of association and Ministerial Order No. 18 of 1990.

ii) Basis of measurement

The consolidated financial statements have been prepared on fair value basis for financial assets and liabilities held for trading and available-for-sale assets except those for which a reliable measure of fair value is not available. Non-financial assets and liabilities are stated at amortised cost or historical cost.

iii) Functional and presentation currency

These consolidated financial statements are presented in Kuwait Dinars which is the Company's functional currency.

iv) Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Critical judgments in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in this note, management has made the following judgments that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

Recognition of provisions

The Group is subject to a number of matters which could lead to an outflow of economic benefits. In making an assessment as to whether such matters require either provision or disclosure, management is required to consider, amongst other factors, whether a constructive obligation exists at the balance sheet date and whether the resulting risk of an outflow of economic benefits is probable (requiring a provision), less than probable but more than remote (requiring disclosure) or remote (requiring neither provision nor discourse). For further details of amounts for which either provision or disclosure was deemed to be required are given in notes 8 and 9.

Financial instruments

Financial instruments include cash and cash equivalents, term deposits, trade receivables, investments, trade payables and certain other assets and liabilities.

Fair values of on-balance sheet financial instruments are based on quoted prices for marketable instruments, or estimated fair values, calculated using methods such as net present values of future cash flows.

Impairment of available-for-sale 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 or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment.

Classification of securities

Management decides on acquisition of securities whether they should be classified as investments carried at fair value through profit or loss or available for sale or held to maturity investments.

The management classifies its securities as carried at fair value through profit or loss if they are acquired primarily for the purpose of short term profit making and the fair value of those securities can be reliably determined.

Classification of securities as fair value through profit or loss depends on how management monitors the performance of these securities when they are not classified as investments at fair value through profit or loss but have readily available fair values and the changes in fair values are reported as part of profit or loss in the management accounts, they are classified as fair value through profit or loss. Other securities are classified as available for sale.

Valuation of unquoted equity securities

Valuation of unquoted equity securities 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.

Key sources of 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 in the next financial year, are discussed below:

Measurement of provisions

Having concluded that a provision is required for a potential exposure (see above), the amount to be recognised shall be the best estimate of the expenditure required to settle the present obligation at the balance sheet date, taking into consideration any relevant risks and uncertainties and the time value of money. This requires management to make its best estimates of the likely future outflows, the expected timing of such outflows and the discount rate to be applied to such outflows, taking into account the risks specific to the particular exposure.

Impairment of goodwill

Determining whether Goodwill is impaired requires an estimation of the value in use of the cash-generating units to which the cost has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized in the consolidated financial statements, but are disclosed when an inflow of economic benefits is probable.

v) Standards and interpretations not yet effective

The following standards and interpretations are not yet effective for the year ended 30 June 2008 and have not been applied in preparing these consolidated financial statements.

Standard / interpretation	Descriptions	Issue date	Effective date
Amended			
IFRS 1 and IAS 27	*First time adoption of International Financial Reporting Standards and Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associates*	May 2008	1 January 2009
IFRS 2	*Share-based Payment – Vesting Conditions and Cancellations*	January 2008	1 January 2009
IFRS 3	*Business Combinations*	January 2008	1 July 2009
IFRS 8	*Operating Segments*	November 2006	1 January 2009
IAS 27	*Consolidated and Separate Financial Statements*	January 2008	1 July 2009
IAS 32 and IAS 1	*Financial Instruments: Presentation and Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*	February 2008	1 January 2009
Revision			
IAS 1	*Presentation of Financial Statements*	September 2007	1 January 2009
IAS 23	*Borrowing Cost*	March 2007	1 January 2009
New			
IFRIC 12	*Service Concession Agreements*	January 2008	1 January 2008
IFRIC 13	*Customer Loyalty Programmes*	June 2007	1 July 2008
IFRIC 14	*The Limit of a Defined Benefit Asset, Minimum Funding Requirements and the Interaction*	January 2008	1 January 2008
IFRIC 15	*Agreements for the Construction of Real Estate*	July 2008	1 January 2009
IFRIC 16	*Hedges of Net Investment in a Foreign Operation*	July 2008	1 October 2008

3. Significant accounting policies

The accounting policies set below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by the Group.

a) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of the subsidiaries have been changed whenever necessary to align with the policies adopted by the Group. In case where the year end of subsidiaries is different from that of the Company, adjustments are made for the effect of significant transactions or events that occur between that date and the date of the Company's year end. In any case the reporting date of the subsidiary and that of the Company is not more than three months.

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

Associates

Associates are those companies in which the Group has significant influence but do not control over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. However, where the Group exercises demonstrable significant influence in entities despite having less than 20 percent of the voting power these are also classified and accounted for as associates. Associates are accounted for using the equity method and are recognised initially at cost. The Group's investments include goodwill identified on acquisition net of any accumulated impairment losses (refer note 3(n)). The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group from the date that significant influence commences until the date that significant influence ceases. In case where the year end of associates is different from that of the Company, adjustments are made for the effect of significant transactions or events that occur between that date and the date of the Company's year end. In any case the reporting date of the associates and that of the Company is not more than three months.

Transactions eliminated on consolidation

Intra group balances and transactions, and any unrealised income and expenses arising from intra group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

b) Foreign currency transactions

i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the consolidated statement of income, except for differences arising on the retranslation of available-for-sale equity instruments which are recognised directly in equity.

ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to KD at exchange rates at the reporting date. The income and expenses of foreign operations are translated to KD at exchange rates at the dates of the transactions.

Foreign currency differences are recognised directly in equity in the foreign currency translation reserve ("FCTR"). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to consolidated statement of income.

c) Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses (refer note 3(n)). Land is stated at cost less impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from the disposal with the carrying amount of property, plant and equipment and are recognised in the consolidated statement of income.

Depreciation is recognised in consolidated statement of income on a straight line basis over the estimated useful lives of the property, plant and equipment. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

	Years
Building on an owned land	30
Building on a leasehold land	30
Improvements on leasehold building	5 – 7
Furniture and fixtures	7
Educational appliances	5
Office equipments	5
Vehicles	5

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

d) Intangible assets

Goodwill

Goodwill (negative goodwill) arises on the acquisition of subsidiaries, associates and joint ventures.

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is immediately recognised in the consolidated statement of income.

Goodwill is measured at cost less accumulated impairment losses (refer note (n)). In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment.

Other intangible assets

Other intangible assets acquired by the Group which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses (refer note 3(n)).

Amortisation is recognised in the consolidated statement of income on a straight line basis over the estimated useful lives of intangible assets other than goodwill, from the date they are available for use.

e) Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on the weighted average cost principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

f) Financial instruments

Non-derivative financial instruments comprise investments in equity, trade and other receivables, cash and cash equivalents, loans from financial institutions and trade and other payables.

Non derivative financial instruments are recognised initially at fair value plus, except for instruments at fair value through profit or loss, any directly attributable transaction cost. Subsequent to initial recognition non-derivative financial instruments are measured as described below;

Held to maturity

If the Group has positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held to maturity investments are measured at amortised cost using the effective interest method, less any impairment.

Available for sale

The Group's investments in equity securities are classified as available-for-sale investments. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (refer note 3(n)) are recognised directly in equity. When an investment is derecognized, the cumulative gain or loss in equity is transferred to consolidated statement of income.

Financial assets at fair value through profit or loss

An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and make purchase and sales decisions based on their fair value in accordance with the Group's documented risk management on investment strategy. Upon initial recognition attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in consolidated statement of income.

Unlisted equity securities classified as available-for-sale investments whose fair value cannot be reliably determined are carried at cost, less impairment losses (refer note 3(n)). When these investments are derecognized, the cumulative gain or loss previously recognized directly in equity is recognized in the consolidated statement of income.

The fair value of financial instruments classified as financial assets at fair value through profit or loss and available-for-sale investments is their quoted market price at the balance sheet date.

Financial assets at fair value through profit or loss and available-for-sale investments are recognized or derecognized on the trade date i.e., on the date the Group commits to purchase or sell the investments.

Trade and other receivables

Trade and other receivables are stated at amortised cost less impairment losses (refer note 3(n)).

Trade and other payables

Trade and other payables are stated at amortised cost.

Murabaha, istisna and tawaroq

Murabaha contract are recognized initially at fair value, net of transaction costs incurred. Murabaha payables are subsequently re-measured and carried out at amortized cost using the effective yield method. Cost of murabaha payables is expensed on a time proportionate basis. Istisna is a sale contract between a contract owner and contractor whereby the contractor based on an order from the contract owner undertakes to manufacture or otherwise acquire the subject matter of the contract according to specifications and sells it to the contract owner for an agreed upon price and the method of settlement whether that be in advance, by instalment or deferred to a specific future time. The goods ordered are recorded at the cost and difference between cost and actual price is deferred and recognised as expense over the term of Istisna.

Tawaroq payables represent amounts due arising from an Islamic financing investments where the liability is settled on a deferred payment basis. Tawaroq payables are stated at the net of deferred profit payable. Profit payable expensed on time proportionate basis taking account of the profit rate attributable and the balance outstanding.

Assets acquired under finance lease are capitalised at the present value of the minimum lease payments at the inception of the lease term and are included in property, plant and equipment. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant cost on the remaining balance of the liability.

Offsetting

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

g) Cash and cash equivalents

Cash and cash equivalents represent cash on hand and at bank and term deposits maturing within a period not exceeding three months from the date of placement.

h) Provisions for employees' indemnity

Kuwaiti employees

Pensions and other social benefits for Kuwaiti employees are covered by the Public Institution for Social Security Scheme, to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis. The Company's share of contributions to this scheme, which is a defined contribution scheme is charged to income to which they relate.

Expatriate employees

Expatriate employees are entitled to an end of service indemnity payable under the Kuwait Labour Law and the Company's by-laws based on the employees' accumulated periods of service and latest entitlements of salaries and allowances. Provision for this unfunded commitment represents a defined benefit plan.

i) 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, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

j) Treasury shares

The cost of the Company's own shares purchased, including directly attributable costs, is classified as treasury shares under equity. Gains or losses arising on sale of treasury shares are separately disclosed under equity and these amounts are not available for distribution. These shares are not entitled to cash dividends and rights issues. 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.

k) Revenue recognition

- Revenues from tuition fees are recognized upon delivery of the service.
- Interest income is recognized as it accrues using the effective interest method.
- Dividend income is recognized when the right to receive payment is established.
- Other income is recognized as it accrues

l) Finance expense

Finance expense comprises interest expense on borrowings. All financing cost is recognised in consolidated statement of income.

m) Earnings per share

The Group present basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

n) Impairment

Property, plant and equipment, goodwill and other intangible assets, investment in associates, receivables and available for sale investments are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Property, plant and equipment, goodwill and other intangible assets and investments in associates

An impairment loss is recognized whenever the carrying amount of the asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the consolidated statement of income.
The recoverable amount of assets is the greater of their net selling price 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 assessment of the time value of money and the risks specific to the asset. For an asset that does not generate cash flows largely independent of those from other assets, the recoverable amount is determined for the cash generating unit to which the asset belongs.

An impairment loss is only reversed to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been determined if no impairment loss had been recognized.

Receivables

The recoverable amount of receivables is calculated as the total amount of expected collections. Receivables with a short-term duration are not discounted. An impairment loss in respect of receivable is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized.

Available-for-sale investments

The recoverable amount of an equity instrument is its fair value. Where the investment is impaired, and a decline in value of the investment was previously recognized directly in equity, the write down is transferred to the consolidated statement of income and recognized as part of the impairment loss. Where an increase in the fair value of the asset was previously recognized in equity, the increase in fair value of the asset recognized in equity is reversed to the extent the asset is impaired. Any additional impairment loss is recognized in the consolidated statement of income.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through the consolidated statement of income.

4. Property, plant and equipment

	Land KD	Building on an owned land KD	Building on a leasehold land KD	Improvements on leasehold buildings KD	Furniture and fixtures KD	Educational appliances KD	Office equipments KD	Vehicles KD	Total KD
Cost									
As at 1 July 2007	1,852,005	1,874,880	2,410,064	1,172,275	1,776,941	1,138,895	188,270	10,203	10,423,533
Acquisitions	5,415,097	8,116,581	8,409,613	444,770	355,801	60,124	2,793	37,643	22,842,422
Additions during the year		126,724	82,069	81,482	755,382	92,320	51,682	-	1,189,659
Relating to disposals / transfers	-	-	-	-	-	(7,745)	-	-	(7,745)
As at 30 June 2008	7,267,102	10,118,185	10,901,746	1,698,527	2,888,124	1,283,594	242,745	47,846	34,447,869
Accumulated depreciation and impairment									
As at 1 July 2007	-	241,438	139,320	1,058,141	485,164	896,820	129,185	8,974	2,959,042
Charge for the year	-	154,427	224,274	18,504	61,452	128,519	27,115	1,035	615,326
As at 30 June 2008	-	395,865	363,594	1,076,645	546,616	1,025,339	156,300	10,009	3,574,368
Net Book Value									
As at 30 June 2008	7,267,102	9,722,320	10,538,152	621,882	2,341,508	258,255	86,445	37,837	30,873,501

Note to the financial statements
for the year ended 30 June 2008

	Land KD	Building on an owned land KD	Building on a leasehold land KD	Improvements on leasehold building KD	Furniture and fixtures KD	Educational appliances s KD	Office equipments KD	Vehicles KD	Total KD
Cost									
As at 1 July 2006	1,852,005	1,850,802	2,392,588	1,143,117	681,891	1,053,832	155,581	197,109	9,326,925
Additions during the year	-	24,078	17,476	29,158	1,095,050	85,063	32,689	-	1,283,514
Disposals	-	-	-	-	-	-	-	(186,906)	(186,906)
As at 30 June 2007	1,852,005	1,874,880	2,410,064	1,172,275	1,776,941	1,138,895	188,270	10,203	10,423,533
Accumulated depreciation and impairment									
As at 1 July 2006	-	179,283	59,239	1,021,366	421,680	776,563	109,908	102,375	2,670,414
Charge for the year	-	62,155	80,081	36,775	63,484	120,257	19,277	31,814	413,843
Disposals	-	-	-	-	-	-	-	(125,215)	(125,215)
As at 30 June 2007	-	241,438	139,320	1,058,141	485,164	896,820	129,185	8,974	2,959,042
Net Book Value									
As at 30 June 2007	1,852,005	1,633,442	2,270,744	114,134	1,291,777	242,075	59,085	1,229	7,464,491

- Buildings on a leasehold land represent Gulf English School buildings which are built on a leasehold land from State of Kuwait upon BOT renewable contract for 20 years ending 2022. Additions on those buildings include an amount of KD 59,424 (30 June 2007: KD 79,945) financed by Istisna contract with one of local financial institutions.
- Buildings on an owned land, buildings on a leasehold land and an owned land by the Group, with carrying amount of KD 3,310,355 (30 June 2007: KD 2,904,856) are pledged against bank facilities.
- Depreciation charged to the consolidated statement of income are as follows;

	2008 KD	2007 KD
Operating cost	387,592	381,389
Transportation revenue	-	28,080
General and administration cost	227,734	4,374
	615,326	413,843

5. Acquisition of subsidiaries

On 31 March 2008, the Group acquired 64.82% of the share capital of Al Mowasat Holding Company K.S.C. (Closed) and 100% of the share capital of Al Rawada Holding Company, Egypt for KD 22,648,850 and KD 1,881,670 respectively.

The provisional values of the identifiable assets and liabilities as at the date of acquisition are shown below. These provisional values will be reviewed within one year of the acquisition date.

	Al Mowasat Holding Company K.S.C. (Closed) KD	Al Rawada Holding Company, Egypt KD	Total KD
Property, plant and equipment	21,918,410	924,012	22,842,422
Intangible assets	34,320	-	34,320
Inventories	594,724	5,636	600,360
Trade and other receivables	3,211,983	35,891	3,247,874
Term deposits	6,000,000	-	6,000,000
Available for sale investments	1,761,060	-	1,761,060
Investment in associate	19,832	-	19,832
Other assets	119,617	4,041	123,658
Cash and cash equivalents	1,067,153	73,291	1,140,444
Payable to financial institutions	(15,359,910)	(941,003)	(16,300,913)
Post retirement benefits	(936,536)	-	(936,536)
Trade and other payables	(3,394,122)	(17,768)	(3,411,890)
Net identifiable assets and liabilities	15,036,531	84,100	15,120,631
Minority interest	(5,289,851)	-	(5,289,851)
Goodwill on acquisition	12,902,170	1,797,570	14,699,740
Consideration paid	22,648,850	1,881,670	24,530,520
Cash acquired	(1,067,153)	(73,291)	(1,140,44)
Net cash outflow	21,581,697	1,808,379	23,390,076

6. Investment in associates

The Group's share of profit in equity accounted investees for the year was KD 767,280 (30 June 2007: KD NIL).

	2008 KD	2007 KD
Carrying value at 1 July	31,684,116	31,684,116
Cost of acquisitions	12,359,735	-
Total	44,043,851	31,684,116
Net results of the associates	225,861	-
Carrying value	44,269,712	31,684,116

The goodwill included in the carrying value of the acquisitions made during the year amounted to KD 2,966,974.

Summary of the financial information for the equity accounted investee, not adjusted for the percentage held by the Group is as follows;

	Carrying value KD	Ownership %	Total assets KD	Total liabilities KD	Revenues KD	Expenses KD	Profit / (loss) KD
2008							
Educational Holding Company	31,684,116	32.26	85,927,398	38,417,373	5,731,106	5,594,282	1,100,771
Warba Graphics Advertising and Marketing Company	1,769,918	25	8,057,179	7,175,967	386,505	363,861	22,644
Al – Khat Printing Press Company	2,246,817	25	13,992,566	10,665,401	687,245	308,366	378,879
United Capital Bank, Sudan	8,343,000	18.75	51,314,070	14,442,808	2,910,658	950,481	3,861,139
	44,043,851		159,291,213	70,701,549	9,715,514	7,216,990	5,363,433
2007							
Educational Holding Company	31,684,116		66,505,072	21,935,042	3,482,706	3,390,089	1,856,370

Fair market value of Educational Holding Company K.S.C. (Closed) at 30 June 2008 was KD 20,574,133.

During the year ended 30 June 2008, the Group acquired 18.75% of the share capital of United Capital Bank, Sudan. Although the Group owns less than 20% of the share capital of the bank, it exercises significant influence over the financial and operational policies of the bank through representation in Board of Directors, accordingly the investment is classified as investment in associate.

7. Available for sale investments

	2008 KD	2007 KD
Quoted equity securities-local	6,761,945	927
Unquoted equity securities-local	8,460,588	1,095,500
	15,222,533	1,096,427

Unquoted investments are carried at cost less impairment losses since the fair value of these investments can not be reliably determined. There is no active market for these investments and there has not been any recent transactions that provide evidence of the current fair value.

Quoted equity securities includes an investment in Mushrif Trading & Contracting Company, listed in Kuwait Stock Exchange amounting to KD 6,099,750.The shares of the company was suspended from trading for a period from 15 April 2008 to 27 July 2008. The fair value of shares was based on the market price at the date of suspension.

The Group exposure related to credit and equity price related to available-for-sale investments is disclosed in note 25.

8. Inventories

	2008 KD	2007 KD
Uniforms	110,504	94,515
Educational books and stationary	44,032	27,100
Pharmacy stock	246,662	-
Medicine and supplies	465,676	-
	866,874	121,615
Provision for obsolescence	(6,355)	(6,355)
	860,519	115,260

9. Trade and other receivables

	2008 KD	2007 KD
Trade receivables	4,607,136	362,311
Provision for doubtful debts	(109,787)	(95,251)
	4,497,349	267,060
Contractor receivables	1,854	17,410
Staff receivables	1,595	-
Prepaid expenses	2,076,585	552,239
Other debit balances	332,166	367,254
	6,909,549	1,203,963

The Group exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 25.

10. Cash and cash equivalents

	2008 KD	2007 KD
Cash on hand	14,565	211,300
Bank balances – current account	729,239	2,129,958
	743,804	2,341,258
Deposits with original maturities exceeding three months	4,826,798	-
Average interest rates	3% - 6.13	-

The Group exposure to currency risk related to cash and cash equivalents is disclosed in note 25.

11. Share capital

The Company's authorized and issued share capital amounted to KD 62,336,968 comprised of 623,369,677 shares of 100 fils each (30 June 2007: KD 2,247,167 comprised of 22,471,670 shares). During the year, the Company increased its share capital by KD 60,089,801 comprised of 600,898,010 shares of 100 fils each to existing and new shareholders. The share capital was increased through a right issue to existing shareholders for 5 shares for every share held by existing holders at par value of 100 fils per share and a fresh issue to new shareholders at a premium of 22 fils per share (par value 100 fils per share).

12. Treasury shares

	2008 KD	2007 KD
Number of owned shares (share)	1,924,000	484,000
Percentage to issued shares	0.32%	2%
Cost	694,486	204,377
Market value	654,160	183,920

13. Statutory reserve

In accordance with the Kuwait Commercial Companies Law of 1960, as amended, and the Company's articles of association 10% of the 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.

14. Voluntary reserve

As required by the Company's articles of association, 10% of the 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.

15. Due to financial institutions

	2008 KD	2007 KD
Murabaha payables	3,450,028	3,251,702
Project financing	1,229,045	252,176
Istisnaa contract	1,339,882	2,652,682
Interest bearing loan	7,169,438	-
Obligation under finance leases	2,690,718	-
Tawaroq	5,769,852	1,300,000
	21,648,963	7,456,560
Current portion	13,770,333	4,524,370
Non-current portion	7,878,630	2,932,190
	21,648,963	7,456,560
Effective rate of return	9.32%	9.32%

Obligation under finance lease

	2008 Minimum lease payments KD	2008 Present value of minimum lease payments KD	2007 Minimum lease payments KD	2007 Present value of minimum lease payments KD
Not later than one year	1,411,888	1,195,876	1,425,086	1,303,383
Later than one but not later than five years	1,559,853	1,494,842	3,211,211	2,932,613
	2,971,741	2,690,718	4,636,297	4,235,996
Future finance charges	(281,022)	-	(400,301)	-
Present value of finance lease liabilities	2,690,718	2,690,718	4,235,996	4,235,996

Facility type	Outstanding balance KD	1 to 6 months KD	6 months to 1 year KD	1 year to 3 years KD	3 to 5 years KD	Above 5 years KD
Istisna	1,339,882	85,526	85,842	646,647	521,867	-
Murabaha	3,450,028	222,577	1,505,046	440,629	812,265	469,511
Project financing	1,229,045	22,502	409,462	266,673	331,814	198,594
Obligation under finance lease	2,690,718	597,938	597,938	1,494,842	-	-
Interest bearing loan	7,169,438	7,169,438	-	-	-	-
Tawaroq	5,769,852	2,035,168	1,038,896	529,736	1,980,044	186,008
Total	21,648,963	10,133,149	3,637,184	3,378,527	3,645,990	854,113

Due to financial institutions are guaranteed by:
- Real estates owned by the Group, with carrying amount of KD 3,130,355 (30 June 2007: KD 2,904,856).
- Shares owned by the parent company's shareholders.

The Group exposure to liquidity risk related to due to financial institutions is disclosed in note 25.

16. Trade and other payables

	2008 KD	2007 KD
Revenues received in advance	453,082	489,839
Dividends payable	-	41,134
Accrued staff remuneration	88,316	190,673
Accrued expenses and leave provision	85,885	51,553
Payable to suppliers	2,089,244	-
Provision for Zakat	7,113	9,954
Board of Directors remuneration	35,000	9,000
KFAS	8,612	7,141
NLST	26,059	19,837
Others	2,249,243	111,739
	5,042,554	930,870

The Group exposure to liquidity risk related to trade and other payables is disclosed in note 25.

17. Related parties transactions

Related parties comprise the Group's Directors, associates, key management personnel and their close family members. Transactions with related parties are subject to approval of the General Assembly of shareholders.

Significant related party balances and transactions are as follows:

	2008 KD	2007 KD
Due from related parties		
Al Andulas Holding Company, Egypt	90,011	5,050
Al Andalus Holding Company, Lebanon	240,232	128,586
Al Malee Educational Company KSA	29,561	11,962
Due from shareholders	13,962	13,782
Investment in associate	44,269,712	31,684,116
Due to related parties	10,978,142	28,518,871
Transactions		
Tuition fees	-	15,454
Share of profit from associates	767,280	-
Key Management Compensation		
Short term employee benefits	384,251	518,209
Post employment benefits	47,108	51,612

During the period, the Company purchased various investments from related parties. The balance represents the consideration in respect of these purchases which remain outstanding as at 30 June 2008.

18. Operating revenues

	2008 KD	2007 KD
Tuition fees	6,889,874	6,466,416
Service income	2,323,891	-
Pharmacy sales	654,109	-
	9,867,874	6,466,416

19. Operating costs

	2008 KD	2007 KD
Cost of pharmaceuticals	406,757	-
Staff costs	5,179,416	3,645,851
Rent expense	228,041	210,220
Educational books	200,118	81,539
Depreciation	387,592	381,389
Others	280,148	263,562
	6,682,072	4,582,561

20. Gain on investments at fair value through profit or loss

	2008 KD	2007 KD
Cash dividends	-	74,520
Change in fair value	-	15,897
Gain on sale of investments	3,850	112,888
	3,850	203,305

21. General and administrative expenses

	2008 KD	2007 KD
Staff costs	965,848	913,599
Bank charges	14,140	12,265
Professional fees	63,645	103,377
Cleaning expenses	87,408	59,700
Utilities	32,773	24,743
Rent	481,698	117,240
Expansion cost	38,727	-
Depreciation	227,734	4,374
Others	459,460	126,914
	2,371,433	1,362,212

22. Staff costs

	2008 KD	2007 KD
Operating cost (Note 19)	5,179,416	3,645,851
General and administrative expenses (Note 21)	965,848	913,599
	6,145,264	4,559,450
Number of employees as at 30 June	1,356	698

23. Earnings per share

	2008 KD	2007 KD
Net profit attributable to the equity holders of the company	1,219,714	757,514
Weighted average number of shares issued	35,568,632	22,471,670
Weighted average number of treasury shares bought back	(1,604,000)	(481,342)
Net weighted average number of shares issued	33,964,632	21,990,328
Earnings per share (fils)	35.91	34.45

24. Segment reporting

Business Segments

The Group manages the following main business segments:

Educational service: Providing educational services through network of schools inside and outside Kuwait

Healthcare services: Managing hospitals providing healthcare services

Geographical segments

Educational services are provided through schools network in Kuwait and Egypt.

The Group has considered business segments as its primary reporting segment where geographical segment as secondary reporting segment.

Business segments

	Educational Services KD	Healthcare services KD	Other operations KD	Consolidated KD
2008				
Total segment revenue	6,832,292	2,978,000	57,582	9,867,874
Segment results	612,506	(202,617)	25,675	435,564
Unallocated expenses				(54,411)
Result from operating activities				381,153
Share of profit of equity accounted investee				767,280
Profit for the year				1,148,433
Segment assets				
Investment in equity accounted investees				44,269,712
Unallocated assets				74,617,022
Total assets				118,886,734
Total segment liabilities				39,461,952
Capital expenditure				1,189,659
Depreciation				615,326

	Educational Services KD	Healthcare services KD	Other operations KD	Consolidated KD
2007				
Total segment revenue	6,466,416	-	-	6,466,416
Segment results	793,492	-	-	793,492
Unallocated expenses				(35,978)
Result from operating activities				757,514
Profit for the year				757,514
Segment assets				
Investment in equity accounted investees				31,684,116
Unallocated assets				12,409,361
Total assets				44,093,477
Total segment liabilities				37,661,532
Capital expenditure				1,283,514
Depreciation				413,843

Geographical segments

	2008			2007		
	Kuwait KD	**Egypt KD**	**Consolidated KD**	**Kuwait KD**	**Egypt KD**	**Consolidated KD**
Revenue from external customers	9,842,199	25,675	9,867,874	6,466,416	-	6,466,416
Segment assets	117,837,563	1,049,171	118,886,734	44,093,477	-	44,093,477
Capital expenditure	1,189,659	-	1,189,659	1,283,514	-	1,283,514

25. Financial instruments – Fair value and financial risk management

Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

i) credit risk
ii) liquidity risk
iii) market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risk faced by the Group, to set appropriate limits and controls and to

monitor risks and adherence to limits. Risk management procedures and systems are reviewed to reflect changes in market conditions and the Group's activities.

i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's investment in associates, available for sale investments, investments at fair value through profit or loss, due from related parties, term deposits and cash and cash equivalents.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Investments

With respect to credit risk arising from the Group's investments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these investments. Management does not expect any counterparty to fail to meet its obligations.

Exposure to credit risk

The carrying amounts of financial assets represent the maximum credit exposure.

The maximum exposure at the reporting date was:

	2008 **KD**	**2007** **KD**
Investments in associates	44,269,712	31,684,116
Available for sale investments – net	15,222,533	1,096,427
Other assets	73,395	-
Investments at fair value through profit and loss	-	13,752
Trade and other receivables	6,909,549	1,203,963
Due from related parties	373,766	159,380
Term deposits	4,826,798	-
Cash and cash equivalents	743,804	2,341,258
	72,419,557	36,498,896

The maximum exposure to credit risk for financial assets at the reporting date by geographic regions was:

	2008 **KD**	**2007** **KD**
Kuwait	72,319,580	36,498,896
Egypt	99,977	-
	72,419,557	36,498,896

ii) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate cash reserves, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. At present the Group does expect to pay all liabilities at their contractual maturity. In order to meet such cash commitments the Group expects the operating activity to generate sufficient cash inflows. In addition, the Group holds financial assets for which there is a liquid market and that are readily available to meet liquidity needs.

The following are the contractual maturities of financial liabilities:

	Carrying amounts KD	1 year or less KD	More than 1 year KD
30 June 2008			
Non-derivative financial liabilities			
Due to financial institutions	21,648,963	13,770,333	7,878,630
Trade and other payables	5,042,554	5,042,554	-
Due to related parties	10,978,142	10,978,142	-
30 June 2007			
Non-derivative financial liabilities			
Due to financial institutions	7,456,560	4,524,370	2,932,190
Trade and other payables	930,870	930,870	-
Due to related parties	28,518,871	28,518,871	-

iii) Market risk

Market risk is the risk that changes in the market prices, such as foreign exchange rates, interest rates and equity prices will effect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return.

Currency risk

The Group is exposed to currency risk on its foreign subsidiaries whose functional currency is other than the functional currency of the Group. These are denominated in Egyptian Pounds (EGP).

	2008 EGP	2007 EGP
Property, plant and equipment	18,607,448	-
Inventories	114,312	-
Trade and other receivables	535,266	-
Other assets	74,520	-
Cash and cash equivalents	1,362,146	-
Trade and other payables	(18,478,616)	-
Net exposure	2,215,076	-

The following significant exchange rates applied during the year,

	Average rates 2008	Average rates 2007	Spot rate 2008	Spot rate 2007
Egyptian pound	0.0504	0.0516	0.0507	0.0500

A ten percent strengthening of the Kuwaiti Dinar against the following currency would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remains constant. This analysis is performed on the same basis for 2007.

	Equity	Profit or loss
Effect for 2008		
Egyptian pound	(11,230)	(11,230)
Effect for 2007		
Egyptian pound	-	-

Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the Group does not hedge foreign currency exposure.

Equity price risk

Equity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in equity market prices, whether caused by factors specific to an individual investment, issuer or all factors affecting all instruments traded in the market.

The Company's investments comprise of quoted and unquoted equity securities. The effect on the statement of income as a result of changes in fair value of equity instruments classified as available for sale arising from a 5% increase / decrease in equity market index, with all other variables held constant is KD 162,842.

Capital management

The Group's policy is to maintain a strong capital base so as to maintain the creditor and market confidence and to sustain future development of the business.

There were no changes in the Group's approach to capital management during the year.

The Group is not subject to externally imposed capital requirement.

Fair value

The fair value of a financial instrument is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arms length transaction.

The fair values of financial instruments carried at amortized cost are not significantly different from their carrying values. The carrying values less impairment provision are assumed to approximate their fair values. The Corporation uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

26. Proposed dividend

- The Board of directors proposed not to distribute cash dividend (30 June 2007: 10 fils per share) and bonus shares (30 June 2007: 1 share for every 10 shares) of the share capital for the year ended 30 June 2008.

27. Commitments

	2008 KD	2007 KD
Improvements on leasehold land	377,070	109,000

28. Contingent liabilities

The Group was contingently liable for KD Nil as at 30 June 2008 (30 June 2007: KD 217,504), in respect of outstanding letters of guarantee.

29. Comparative figures

Where necessary, certain comparative figures were reclassified to conform to current period financial information presentation.