Annual Report 2006

IIG
INTERNATIONAL INVESTMENT GROUP
المجموعة الدولية للاستثمار

Member Of Investors Holding Group

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His Highness
Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah
The Amir Of The State Of Kuwait

His Highness
Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah
The Crown Prince

Contents

International Investment Group

Bord of Director

Mr. Sami Al-Bader Al-Jene'ie	Chairman & Managing Director
Mr. Suleiman Ahmed Al-Omiri	Vice Chairman
Mr. Hassan Salim Al-Ammary	Directors
Mr. Jamal Fahed Al-Nafeesi	Directors
Mr. Gassan Fahed Al-Sultan	Directors

Sharia Committee

Dr. Abdul Sattar Abu Ghudah	Sharia Board Chairman
Dr. Mohamed Fawzi Faidhalla	Members
Dr. Yousef Hassan Al-Shrrah	Members

Religion is good Treatment

Board Of Directors Report

Dear Shareholders ...

The year 2006 proved that the growth and prosperity phase which is prevailing in the countries of the region in general and in Kuwait in particular will continue. The year of 2006 witnessed more booms in the Kuwaiti economy. The continued soaring oil prices had a significant impact on this growth since it is considered the main source of the state's revenues. The state's oil revenues realized a growth by 10% during the first eight months of 2006/2007 compared to the preceding year. The states general budget realized a record surpluses despite the rise of its expenditures. This is a good indication that the state will proceed with the development process by increasing the spending on infrastructure and service projects, which consequently raises the standard of living in the country and contributes to the acceleration of the economic cycle which will be reflected positively on the individuals and state's institutions.

On the Stock Exchange domain, 2006 was a year of correction not only in the Kuwaiti Stock Exchange. The corrective movement extended to include the countries of the region in general. The sharp decline of prices in the securities was not limited to GCC countries markets, but, it extended to cover other Arab Countries like Egypt and Jordan. The end of the year witnessed slight improvement in most markets. Such a trend was not sufficient to meet the violent shock which the markets encountered at the beginning of the year. The anticipated policy of the Group, not to rely basically on the revenues of the Stock Exchange, had a significant impact on the constant successful march despite the surrounding circumstances. Since the dramatic boom of the Stock Exchange, the Company's management realized the significance to diversify its resources of income and not to rely on one single source on the one hand, and to concentrate on the Company's major activities on the othar hand.

Dear Shareholders ...

The Company has been representing a key factor in the investment polices of its subsidiaries and affiliates. The Company during the previous period exerted its best efforts to consolidate its existence in several sectors through its investments in the Group's other companies.

The fruitful outcomes of these efforts became tangible. These companies are expected to stand as a main and stable source of income through working in various sectors. Besides, we expect that the Company will continue introducing more investment products in addition to seize the promising opportunities within the company's targeted activities range. The company added a number of companies to its assets portfolio which will serve as arms through which the existence of the Group in various markets will be extended. Kuwait First Environment and Marine Enterprises Company stands at the top of these companies which the Group acquired 2.5% of its capital, and Harbors Holding Company which the Group acquired its full share capital. The Group intends through these two companies to enter the transport and storage fields.

Under the economic growth which the country witnesses and in line with the companies well studied policies, we expect that the forthcoming era will be rewarding in terms of profitability and the achievement of targeted goals levels through the competition in the sectors which the company managed to have access thereto recently.

Dear Shareholders ...

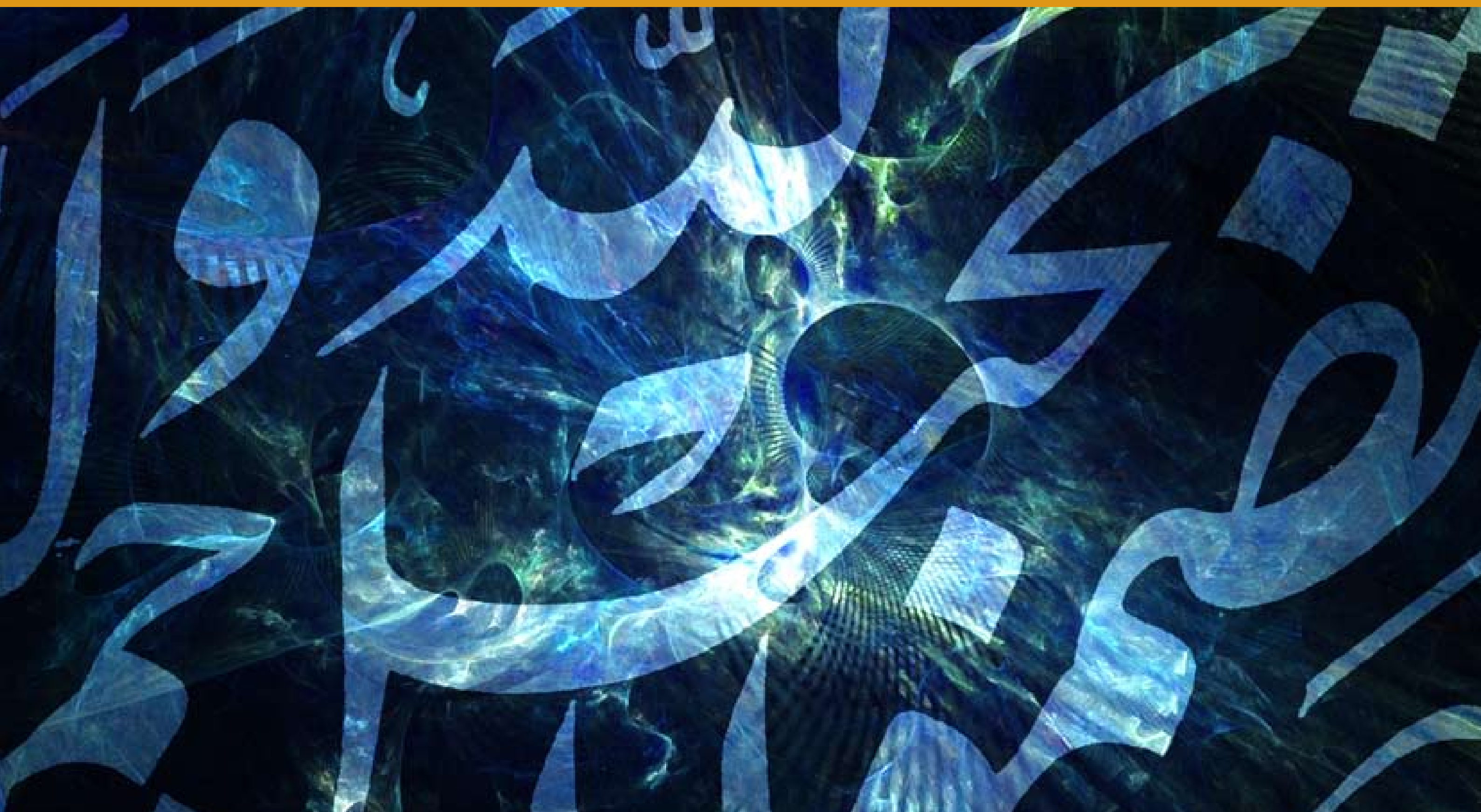
On your behalf, may I extend my deep appreciation and gratitude to the Company's executive body for their efforts and achievements during the last year. I also acknowledge the support of the honourable shareholders and the Chairman and Members of Shariah Supervisory Board for their great efforts and effective contribution in the revision of the company's works and activities to ensure the consistency to glorious Islamic Shariah provisions.

Finally and on behalf of the company's shareholders, I extend my deep appreciation and gratitude to His Highness, the Amir Sheikh Sabah Al-Ahmed Al-Jaber Al-Sabah, The Crown Prince His Highness Sheikh Nawaf Al-Ahmed Al-Jaber Al-Sabah and His Highness The Prime Minister Sheikh Naser Al-Mohamed Al-Ahmed Al-Sabah appealing to Almighty God to bless them for the benefit of the country as well as the citizens.

Thanking you ...

Sami Al-Bader Al-Jene'ie
Chairman & Managing Director

And hold fast, all together, by the rope which God (stretches out for you), and be not divided among yourselves



Activities Management Report

Company's Revenues

In 2006 the Company's revenues witness, a growth of 2.5% compared to 2005. Revenues increased from KD.31,747,949 in 2005 to KD.32,556,055 in 2006:

	2006	2005
Investment Revenues	14,999,396	23,188,496
Company's Share in Subsidiaries and affiliates activities	13,931,953	4,427,923
Profit from the Sale of Share in a subsidiary	2,904,740	3,882,775
Management, consulting and subscription fees	670,123	188,994
Other revenues	49,843	59,761
	32,556,055	**31,747,949**

Company's Expenditures

The company's expenditures during 2006 increased by 79.7% The total expenditures recorded KD.4,963,297 in 2005 and reached KD.8,918,357 in 2006 distributed as follows:

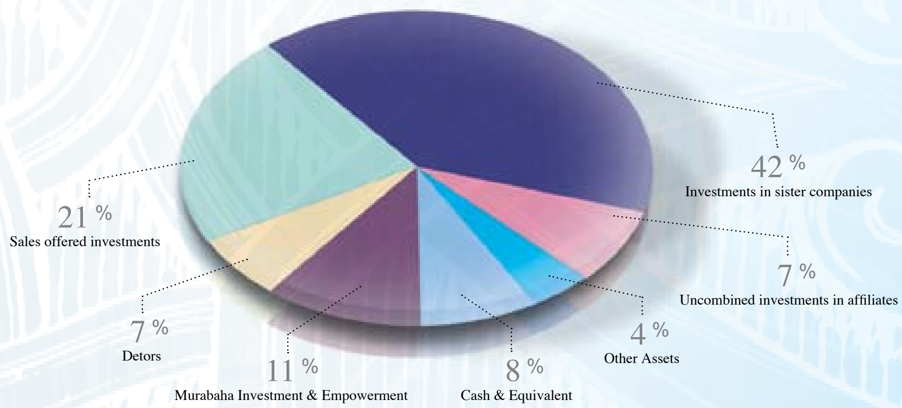
	2006	2005
Finance Costs	1,507,405	131,650
Administrative & General Expenses	1,015,845	459,091
Staff Costs	1,721,155	1,468,469
Claims Provisions	3,615,368	1,752,489
Bad debts provisions	513,272	443,485
Kuwait Scientific Institute Portion	72,924	196,338
National Manpower Support Tax	472,388	511,775
	8,918,357	**4,963,297**

Profitability

The company's net profits decreased as from KD. 26,784,652 in 2005 to KD.23,637,698 in 2006, represented in the increase of the company's expenditures as shown above.
Whereas the company's capital has been increased during 2006, the decreased in the profits is reflected significant on the share's dividends which amounts fils 77.09 in 2006 compared to fils 85.25 in 2005.

Company's Assets:

The company's assets book value is significantly increased during 2006 and it amounted to KD.154,211,050 at the end of 2006 compared to KD.73,246,323 at the end of 2005 equivalent to 110% increase. The company's major assets are represented in its investments in subsidiaries and available investments for sale. The following diagrams show the company's assets structure as of end of 2006.



And remember! your Lord caused to be declared (publicly): "If ye are grateful, I will add more (favours) unto you

Activities Management Report

Affiliates

In line with the company's expansion policy in its targeted policy, the company acquired the major portion share of companies and the group share in each as of end of 2006.

Company	**Groups Share**
First Kuwaiti For Environmental Marine Enterprises Company.	62.5 %
Marafe International Holding Co.	100 %
Esdarat Holding Co.	100 %
Inaam International General Trading and contracting Co.	100 %

Subsidiaries

In addition to the Group's affiliates on which the company significantly relies as a main source of income, the company added to its subsidiaries portfolio Administrative Services Group Company and Oscar General Trading and Contracting Company.

Shari'a Committee Report

Performance of International Investment Group during 2006, We certify that all its activities were practiced in compliance with Islamic Shari'a and no violation has occurred, to the best of our knowledge.

Dr. Abdul Sattar Abu Ghudah — Head of Committee

Manager of Development and Research Division
and The Shari'a Advisor for Dallah Al Baraka group
Kingdom of Saudi Arabia

Dr. Mohammed Fawzi Faidhalla — Member

Professor and Head of Fiqh Section
Faculty of Shari'a and Islamic Studies
Kuwait University

Dr. Yousuf Hassan Al-Sharrah — Member

Dean of the Faculty of Shari'a and Islamic Studies
Kuwait University

And ye have no good thing but is from Allah

International Investment Group
Company (K.S.C.C.)
State of Kuwait

Financial Statements
and Independent Auditors' Report
For the year ended 31 December 2006

And take a provision (with you) for the journey,
but the best of provisions is right conduct.

Independent Auditors' Report to the Shareholders

PRICEWATERHOUSECOOPERS | BDO

Report on Financial Statements

We have audited the accompanying financial statements of International Investment Group Company (K.S.C.C.) "The Company" which comprise the balance sheet as of 31 December 2006, and the 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 financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accor ance 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 financial statements are free from 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 the auditors' 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, the auditor considers 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 Company'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 evaluat ing 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 audit opinion on the financial statement

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted for use by the state of Kuwait.

Other matters

The financial statements of the company as of 31 December 2005 were audited by BDO Burgan and another auditor, whose report dated 23 March 2006 expressed an unqualified opinion on those statements

Report on other legal matters

Furthermore, in our opinion, proper books of accounts have been kept by the Company and the financial statements, together with the contents of the report of the Board of Directors relating to these financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the financial statements incorporate all information that is required by the Commercial Companies Law of 1960, as amended, and by the Company's Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violation of provision of the Commercial Companies Law of 1960, as amended, or of the Articles of Association have occurred during the year ended 31 December 2006 .that might have had a material effect on the business of the company or on its financial position

We further report that, during the course of our audit, we have not become aware of any material violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organization of banking business, and its related regulations, during the year ended 31 December 2006.

Bader A. Al-Wazzan
Licence No. 62A
PricewaterhouseCoopers

Ali Abdulrahman Al-Hasawi
Licence No. 30A
BDO Burgan International Accountants

Kuwait 26 March 2007

Balance Sheet as of 31 December 2006

(All amounts are in Kuwaiti Dinars)

	Note	2006	2005
Assets			
Cash and cash equivalents	3	12,532,027	1,115,737
Murabaha and Wakala investments	4	16,421,120	2,134,082
Mudaraba investments		3,793,582	576,527
Investments at fair value through profit and loss	5	2,534,780	27,557,312
Accounts receivable	6	10,654,835	5,756,144
Available for sale Investments	7	32,018,694	8,999,936
Investment in associates	8	65,234,249	27,080,758
Investment in unconsolidated subsidiaries	9	10,994,823	-
Property and equipment		26,940	25,827
Total Assets		154,211,050	73,246,323
Liabilities and Equity Liabilities			
Accounts payable	10	28,956,847	13,940,660
Islamic debt instruments	11	42,626,303	10,347,128
Employees' end of service indemnity		207,497	208,403
Total Liabilities		71,790,647	24,496,191
Equity			
Share capital	12	31,818,800	21,944,000
Treasury shares	13	(7,074,614)	(350,947)
Statutory reserve	14	5,415,169	2,996,868
Voluntary reserve	15	2,418,301	-
Change in fair value reserve of available for sale investments		21,534,898	1,055,037
Share of associate's reserves		244,207	-
Gain on sale of treasury shares		2,330,651	-
Retained earnings		25,732,991	23,105,174
Total equity		82,420,403	48,750,132
Total liabilities and Equity		154,211,050	73,246,323

The accompanying notes (1) to (26) form an integral part of these financial statements.

Sami Al-Bader Al-Jene'ie
Chairman & Managing Director

Statement of Income for the year ended 31 December 2006

(All amounts are in Kuwaiti Dinars)

	Note	2006	2005
Revenue			
Investment revenues	16	14,999,396	23,188,496
Share of results of associates	8	13,931,953	4,427,923
Gain from sale of shares in associates	8	2,904,740	3,882,775
Management, consulting and subscription fees		670,123	188,994
Other income		49,843	59,761
		32,556,055	31,747,949
Expenses and other charges			
Finance cost		1,507,405	131,650
General and administrative expenses		1,015,845	459,091
Staff cost		1,721,155	1,468,469
Provision for claims		3,615,368	1,752,489
Provision for doubtful debts		513,272	443,485
Kuwait Foundation for the Advancement of Science (“KFAS”)		72,924	196,338
National Labor Support Tax		472,388	511,775
		8,918,357	4,963,297
Net profit for the year		23,637,698	26,784,652
Basic earnings per share (fils)	17	77.09	85.25
Diluted earnings per share (fils)	17	75.15	

The accompanying notes (1) to (26) form an integral part of these financial statements.

Statement of Changes in Equity for the year ended 31 December 2006

(All amounts are in Kuwaiti Dinars)

	Share capital (Note 12)	Treasury shares (Note 13)	Statutory reserve (Note 14)	Voluntary reserve (Note 15)	Change in fair value reserve of available for sale investments	Share of associate's reserves	Gain on sale of treasury shares	Retained earnings	Total equity
Balance as of 31 December 2004	21,944,000	(350,947)	350,947	-	-	-	-	(1,033,557)	20,910,443
Change in fair value of available for sale investments	-	-	-	-	1,055,037	-	-	-	1,055,037
Net profit recognized directly in equity	-	-		-	1,055,037	-	-	-	1,055,037
Net profit for the year	-	-		-	-	-	-	26,784,652	26,784,652
Total recognized profit for the year	-	-		-	1,055,037	-	-	26,784,652	27,839,689
Transferred to statutory reserve	-	-	2,645,921	-	-	-	-	(2,645,921)	-
Balance as of 31December2005	21,944,000	(350,947)	2,996,868	-	1,055,037	-	-	23,105,174	48,750,132
Balance as of 31 December 2005	21,944,000	(350,947)	2,996,868	-	1,055,037	-	-	23,105,174	48,750,132
Cash dividend for the year 2005	-	-	-	-	-	-	-	(6,298,479)	(6,298,479)
Bonus shares for the year 2005	9,874,800	-	-	-	-	-	-	(9,874,800)	-
Purchase of treasury shares	-	(13,482,139)	-	-	-	-	-	-	(13,482,139)
Sale of treasury shares	-	6,758,472	-	-	-	-	2,330,651	-	9,089,123
Change in fair value of available for sale investments	-	-	-	-	25,106,157	-	-	-	25,106,157
Transfer on sale of available for sale investments	-	-	-	-	(4,626,296)	-	-	-	(4,626,296)
Share in associate reserve	-	-	-	-	-	291,582	-	-	291,582
Transfer on disposal of share in associates	-	-	-	-	-	(47,375)	-	-	(47,375)
Net profit recognized directly in equity	-	-	-	-	20,479,861	244,207	2,330,651	-	23,054,719
Net profit for the year	-	-	-	-	-	-	-	23,637,698	23,637,698
Total recognized profit for the year	-	-		-	20,479,861	244,207	-	23,637,698	44,361,766
Transferred to reserves	-	-	2,418,301	2,418,301	-	-	-	(4,836,602)	-
Balance as of 31 December2006	31,818,800	(7,074,614)	5,415,169	2,418,301	21,534,898	244,207	2,330,651	25,732,991	82,420,403

The accompanying notes (1) to (26) form an integral part of these financial statements.

Statement of Cash Flows for the year ended 31 December 2006

(All amounts are in Kuwaiti Dinars)

	Note	2006	2005
Cash flows from operating activities			
Net profit for the year		23,637,698	26,784,652
:Adjustments			
Depreciation		9,047	8,468
Provision for claims		3,615,368	1,752,489
Provision for doubtful debts		513,272	443,485
Investment revenues		(14,999,396)	(23,188,496)
Company's share of results of associates	16	(13,931,953)	(4,427,923)
Gain from sale of shares in associates	8	(2,904,740)	(3,882,775)
Finance cost		1,507,405	131,650
Employees' end of service indemnity		39,664	34,096
Operating loss before changes in operating assets and liabilities		(2,513,635)	(2,344,354)
Investments at fair value though profit and loss		24,679,070	3,590,888
Accounts receivable		(5,056,190)	(799,747)
Accounts payable		8,931,640	2,881,183
Payment of employees' end of service indemnity		(40,570)	(18,911)
Net cash generated from operating activities		26,000,315	3,309,332
Cash flows from investing activities			
Mudarba receivables		(3,217,055)	1,285
Paid for purchase of shares in associates		(47,117,067)	(15,558,066)
Proceed from sale of shares in associates		26,044,477	10,803,621
Murabaha investments		(14,642,812)	25,018
Proceeds from sale of available for sale investments		16,167,544	-
Paid for purchase of available for sale investments		(4,067,200)	(5,932,598)
Paid for acquisition of subsidiaries		(10,675,000)	-
Paid for purchase of property and equipment		(10,160)	(23,140)
Murabaha income and dividends received		383,793	122,843
Net cash used in investing activities		(37,133,480)	(10,561,037)
Cash flows from financing activities			
Net Islamic debt instruments		31,183,488	8,239,931
Payment of finance cost		(411,717)	-
Cash dividend paid		(3,829,300)	-
Purchase of treasury shares		(13,482,139)	-
Sale of treasury shares		9,089,123	-
Net cash generated from financing activities		22,549,455	8,239,931
Net increase in cash and cash equivalents		11,416,290	988,226
Cash and cash equivalents at beginning of year		1,115,737	127,511
Cash and cash equivalents at end of year	3	12,532,027	1,115,737

The accompanying notes (1) to (26) form an integral part of these financial statements.

Notes to the Financial Statement For the year ended 31 December 2006

(All amounts are in Kuwaiti Dinars unless otherwise stated)

1. Incorporation and principal activities

The International Investment Group Company is a Kuwaiti Shareholding Company (closed) established in 1987, and registered as an investment company with the Central Bank of Kuwait. The shares of the Company were listed on the Kuwait Stock Exchange on 23 November 1997.

The Company's registered office is at Kuwait Stock Exchange Building – Fifth Floor, P.O. Box 29448 Safat, 13155 - State of Kuwait.

The activities of the Company are carried out in accordance with Noble Islamic Sharia principles.

The principal activities of the Company are investment, managing financial portfolios and investment funds for third parties and real estate activities.

The financial statements were approval for issue by the Board of Directors on 26 March 2007 and are subject to shareholders approved at the general meeting.

2. Basis of preparation and significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistency applied to all the years presented in these financial statements, unless otherwise stated.

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) as adopted for use by the Government of Kuwait for financial institutions regulated by the Central Bank of Kuwait. These regulations require adoption of all IFRS except for the IAS (39) requirements for general provision, which have been replaced by the Central Bank of Kuwait's requirements for a minimum general provision as described in note (2.4).

These financial statements have been prepared under the historical cost basis, as modified by the revaluation at fair value of financial assets at fair value through profit and loss and available for sale investments.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assump tions and estimates are significant to the financial statements, are disclosed in Note (22).

During the year, some International Financial Reporting Standards have been issued, in addition to somer evisions and interpretations issued by International Financial Interpretations Committee:

- Revision amendments and adjustments are mandatory for the year ended 31 December 2006 The Company has applied the amendments and adjustments that are related to its activities, especially, amendments to IAS (39), and there is no any material impact on the Company's financial statements.
- Standards, amendments and interpretations relevant to the Company's activities that are not yet effective and have not yet been adopted by the Company:

- IFRS (7): early Financial Instruments: Disclosures
- IFRS (1): Capital Disclosure
- IFRIC (8): Scope of IFRS 2
- IFRIC Interpretation (10): Interim Financial Reporting and Impairment
- IFRIC Interpretation (11), IFRS (2) – Company Treasury Share Transactions

The application of IFRS 7, will result in amending and adding disclosures relating to financial instruments and associated risks. The application of interpretations and other amendments mentioned above will not have a material impact on the financial statements of the Company.

2.2 Subsidiaries

Subsidiaries are entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than 50% of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Company. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

2.3 Associates

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights assumes existence of significant influence.

Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

The Company's share of its associates' post-acquisition profits or losses is recognised in the income state ment, and its share of post-acquisition movements in reserves is recognised in equity.

Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the company and its associates.

2.4 Financial assets

Classification

The Company classifies its financial assets in the following categories at fair value through profit and loss, Murabaha, Wakala and Mudaraba, loans and receivables and available for sale.

Financial assets at fair value through profit and loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset held for trading is classified in this category if acquired principally for the purpose of selling in the short term.

Financial assets designated at fair value through profit and loss at inception are classified in this category when they are managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy approved by the management.

Murabaha, Wakala and Mudaraba

Murabaha represents the amounts due to the Company on a deferred payments basis for assets sold according to Murabaha arrangements. Wakala represents the amounts invested by the Company through other parties on behalf of the Company to generate revenues. These instruments are initially recognised at fair value net of the transaction cost. Subsequently they are carried at amortised cost by using the effective rate of return after deducting impairment provision if any.

Mudaraba is a contract between the Company and a third party, whereby the Company extends a certain amount of money to the third party to be invested in a project or are activity for a fixed share of the profit computed on the total profit for the project less the client's share as a Mudarib.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Available for sale investments

These are non-derivative financial assets that are not designated in any of the above categories and are principally, those acquired to be held for an indefinite period of time which could be sold in response to needs of liquidity or upon changes in rates of profit.

Recognition and De-recognition

Regular purchases and sales of financial assets are recognised on the trade date – the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or where the Company has transferred substantially all risks and rewards of ownership.

Measurement

Financial assets are initially recognised at fair value plus transaction costs for all financial assets except those classified as "at fair value through profit and loss" for which transaction costs are taken to the income statement.

"Available for-sale" financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Murabaha, Wakala and Mudaraba and loans and receivables are carried at amortised cost using the effective yield method less impairment losses.

Realised and unrealised gains and losses arising from changes in the fair value of financial assets "at fair value through profit and loss" category are included in the income statement of the period in which they arise. Changes in the fair value of financial assets classified as available-for-sale are recognised directly in equity. When available for-sale financial assets are sold or impaired, the accumulated changes in fair value recognised in equity are included in the income statement.

Fair value

The fair values of financial instruments in regular financial market are based on last bid prices.
For unquoted investments, the Company measures fair value by reference to other instruments that are substantially the same or by using expected discounted cash flow analysis after adjustments to reflect the circumstances of the issuing company. Unquoted investments, whose fair value cannot be determined reliably, are carried at cost less impairment losses.

Impairment

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

A specific provision for impairment of Murabaha, Wakala and Mudaraba receivables is established when there is objective evidence that the Company will not be able to collect all such receivables. The amount of the specific provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, including amounts recoverable from guarantees and collateral, discounted at the effective rate of return. The amount of the provision is recognised in the income statement.

In addition, in accordance with Central Bank of Kuwait instructions, a minimum general provision of 2% of all Murabaha, Wakala and Mudaraba receivables net of certain restricted categories of collateral and not subject to specific provision excluding some categories of guarantees that are under the instruction of Central Bank of Kuwait is provided.

2.5 Cash and cash equivalents

Cash on hand, term and demand deposits with banks and financial institutions whose original maturities do not exceed three months from the date of placements are classified as cash and cash equivalents in the statement of cash flows.

2.6 Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of an acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

2.7 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses.
Cost comprises of acquisition costs and all directly attributable costs of bringing the asset to working condition for its intended use. Depreciation is provided in equal instalments over the estimated useful lives of the assets.

2.8 Impairment of non financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Impairment losses are recognised in the income statement for the period in which they arise.

2.9 Islamic debt instruments

These are financial liabilities created by Murabaha and Wakala contracts. They are recognized initially at fair value, net of transactions costs incurred. Murabaha and Wakala payables are subsequently re-measured and carried out at amortised cost using the effective yield method. Cost of Murabaha and Wakala payables is expensed on a time proportion basis.

2.10 Provisions

Provisions are recognized when the Company has a present legal obligation arising from a past event and the costs to settle the obligation are both probable and able to be reliably measured.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

2.11 Employees' end of service indemnity

The Company is liable under Kuwait Labour Law to make payments under defined benefit plans to employees at cessation of employment.

The defined benefit plan is un-funded and is based on the liability that would arise on involuntary termination of all employees on the balance sheet date. This basis is considered to be a reliable approximation of the present value of the Company's liability.

2.12 Treasury shares

Treasury shares represent the Company's own shares that have been issued, subsequently required by the Company and not yet reissued or cancelled. Treasury shares are accounted for using the cost method. Under the cost method, the total cost of the shares acquired is reported as a contra account within equity. When the treasury shares reissued, gains are credited to a separate undistributable account in equity "gain on sale of treasury shares". Any realised losses are charged the same account in the limit of the credit balance, any additional losses are charged to retained earnings and then to reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recaorded losses in reserves, retained earnings and the gain on sale of treasury shares.

2.13 Revenue recognition

Murabaha and wakala income are recognised on a time proportion basis using the effective rate of return. Dividend income is recognized when the right to receive payment is established. Portfolio and investment funds management fees are recognised when earned.

2.14 Foreign currencies

The functional currency of the Company is the Kuwaiti Dinar. Foreign currency transactions are recorded in Kuwaiti Dinars at the rate of exchange prevailing at the time of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from translation of monetary assets and liabilities denominated in foreign currencies at the year-end exchange rates are recognized in the statement of income.

Net investments in foreign associates and subsidiaries are translated at the exchange rates prevailing at the date of the balance sheet. Revenues and expenses are translated at the average exchange rates for the year. Gains and losses resulting from these transactions are directly included in the equity in foreign currency translation reserve.

2.15 Zakat

Responsibility of paying Zakat lies on the shareholders and not the Company.

2.16 Fiduciary Assets

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

Notes to the Financial Statement For the year ended 31 December 2006

(All amounts are in Kuwaiti Dinars unless otherwise stated)

3. Cash and cash equivalents

	2006	2005
Cash at banks and financial institutions	12,249,412	1,115,271
Cash at investment portfolios and Clearing Company	281,649	-
Cash on hand	966	466
	12,532,027	1,115,737

4. Murabaha and Wakala investments

This balance represents contracts of Murabaha and Wakala investments due in one year. The effective rate of return is 6.8% as of 31 December 2006 (5.5% as of 31 December 2005).

5. Investments at fair value through profit and loss

This balance includes investments in local quoted shares amounting to KD 1,066,500 as of 31 December 2006, pledged against Murabaha and Wakala payables which have been received by the Company after the balance sheet date (KD 5,588,055 as of 31 December 2005).

6. Accounts receivables

	2006	2005
Margin deposit for the letter of guarantee*	6,271,361	2,794,669
Due from related parties	3,450,150	1,933,719
Trade receivables (Net)	681,005	760,335
Accrued income	198,004	176,725
Prepaid expenses	39,330	37,062
Others	15,012	53,634
	10,654,862	5,756,144

*This represents restricted amounts at one of the local banks against L/G issued to others.

7. Available for sale investments

	2006	2005
Investments in quoted shares	3,557,200	-
Investments in unquoted shares	24,549,585	6,947,179
Investments in funds	3,911,909	2,052,757
	32,018,694	8,999,936

Investments in unquoted shares include KD 951,091 as of 31 December 2006 (KD 414,281 as of 31 December 2005) carried at cost less impairment losses.

Investments in unquoted shares include an amount of KD 23,598,497 measured at fair values that are determined by reference to the most recent transaction price. This resulted in change in fair value of KD 24,484,192 as of 31 December 2006 (Nil as of 31 December 2005).

Notes to the Financial Statement For the year ended 31 December 2006

(All amounts are in Kuwaiti Dinars unless otherwise stated)

8. Investments in associates

The following is a summary of the company's shares in associates:-

	Ownership %	2006	Ownership %	2005
Ta'ajeer Company - S.S.C	-	-	27.79	3,468,402
Grand Real Estate Projects Company – K.S.C.C	19.43	18,944,677	20.00	7,068,719
Gulf Petroleum Investment Company – K.S.C.C	34.29	15,609,540	20.00	3,130,734
Ajal Holding Company – K.S.C.C	36.32	29,356,320	42.83	13,412,903
Management Services Group company – W.L.L	60.00	650,000	-	-
Oscar for General Trading and Constructions - W.L.L.	28.34	673,712	-	-
		65,234,249		27,080,758

8.1 The investment in Grand Real Estate Projects Company (K.S.C.C.) includes an amount of KD 4,496,007 representing the resultant Goodwill as of 31 December 2006. The Company has recorded its share of the results of this associate based on unaudited interim financial statements for the period ended 30 September 2006.

During the year, the Company did not subscribe to the increase of the associate's share capital, therefore, the Company's share in this associate decreased to 19.43%. This dilution has resulted to recording gain amounted to KD 2,576,916 reflected in the statement of income for the current year.

8.2 The investment in Gulf Petroleum Investment Company (K.S.C.C.) includes an amount of KD 9,594,365 representing the resultant Goodwill as of 31 December 2006. The Company has recorded its share of the results of this associate based on unaudited interim financial statements for the period ended 30 September 2006.

8.3 During the year ended 31 December 2006, Ajal Holding Company increased its share capital by 60% and the Company subscribed to this increase in full and then sold a portion of its holding resulting in a decrease in its share in associate and recogniztion of a gain of KD 2,605,984. The Company has recorded its share in results of this associate based on audited financial statements for the year ended 31 December 2006.

8.4 During the year ended 31 December 2006, the Company has participated in establishing new associates,Oscar for General Trading and Constructions Company (K.S.C.) and Management Services Group Company (W.L.L.).

The investments in those associates are recorded at cost, as these associates did not commence its operation yet.

8.5 Although, the Company owns 60% of the share capital of Management Services Group Company (WLL), it does not control the operating and financial policies of that company. However the Company has significant influence and therefore has classified this investment as investment in associates.

8.6 During the year, there were some transactions between the Company and its associates, Ajal Holding and Oscar Company. Unrealised gain of KD 2,382,278 is eliminated to the extent of the Company's interest in the associates.

8.7 The following is a summary of the Company's shares in result of operation of the associates:

	2006	2005
Ta'ajeer Company - S.S.C.	(220,573)	248,420
Grand Real Estate Projects Company - K.S.C.C	4,681,649	3,576,796
Gulf Petroleum investment Company - K.S.C.C	341,899	602,707
Ajal Holding Company – K.S.C.C	9,128,978	-
	13,931,953	4,427,923

8.8 The following is a summary of the net assets & result of operation of the associates based on recent available financial statement:

	Fair value	Net assets	Shares of results	Date of the last available financial statement
Grand Real Estate Projects Company - K.S.C.C	30,290,504	14,448,670	4,681,649	Sep 2006 30
Gulf Petroleum Investment Company - K.S.C.C	29,111,153	6,015,176	341,899	Sep 2006 30
Ajal Holding Company – K.S.C.C	Unquoted	29,356,320	9,128,978	Dec 2006 31
Management Services Group – W.L.L	Unquoted	650,000	-	-
Oscar General Trading and Construction – W.L.L.	Unquoted	673,712	-	-

8.9 Certain portions of investments in Grand Real Estate Company and Gulf Petroleum Investment Company amounting KD 4,785,128 and KD 4,331,764 retrospectively are pledged against Wakalla payable as of 31 December 2006 (Note 11).

9. Investment in unconsolidated subsidiaries

	Legal form	Ownership	2006
The First Kuwaiti Marine & Environmental Projects	K.S.C.C	62.5%	3,444,823
Marafe International Holding Company	K.S.C.C	100%	220,000
Esdarat Holding Company	K.S.C.C	100%	330,000
Al - Anam International General Trade & Contracting	W.L.L	100%	7,000,000
			10,994,823

The Company acquired the above subsidiaries during 2006. The financial statements of those subsidiaries have not been consolidated, as they are relatively immaterial to the Company's financial statements.

Notes to the Financial Statement For the year ended 31 December 2006

(All amounts are in Kuwaiti Dinars unless otherwise stated)

10. Accounts payables

	2006	2005
Proceeds from subscriptions in companies	9,577,316	-
Due to related parties	3,585,295	4,660,862
Provision for claims	6,582,488	2,967,120
Investment funds payable	2,005,286	2,005,286
Dividends payable	2,488,795	19,616
Fiduciary assets payable	1,992,608	2,242,914
Board of Directors' remuneration	-	697,470
Accrued expense	1,270,637	59,583
KFAS	72,924	196,338
National labour support tax	1,019,150	546,762
Others	362,348	544,709
	28,956,847	13,940,660

The proceeds from subscriptions in companies represent the amounts collected against capital increase of one of the related parties, whereas the Company is managing such subscriptions.

11. Islamic debt instruments

	2006	2005
Murabaha contracts	1,425,000	4,916,843
Wakala contracts	34,848,866	-
Mudarba contracts	6,352,437	5,430,285
	42,626,303	10,347,128

The average effective yield rate is 8% as of 31 December 2006 (5.75% as of 31 December 2005). The Murabaha and Wakala payables are secured against shares of the investments in associates.

12. Share capital

The General Assembly meeting of shareholders held on 24 May 2006 approved the financial statements of the Company for the year ended 31 December 2005 and also the board of directors' proposal to increase the Company's share capital as follows:

- Issue 45% bonus shares totalling 98,748,000 shares.
- Issue 13,960,000 shares to the Company's employees in accordance with articles No. (14 & 28) of the Company's Articles of Association for Employee Stock Option Plan.

Accordingly, the issued capital of the Company is KD 33,214,800 comprising of 332,148,000 shares as of 31 December 2006 (31 December 2005: KD 21,944,000 comprising of 219,440,000) of 100 fils each and the paid up capital is KD 31,818,800 comprising of 318,188,000 share as of 31 December 2006 (31 December 2005: KD 21,944,000 comprising of 219,440,000 shares).

Notes to the Financial Statement For the year ended 31 December 2006

(All amounts are in Kuwaiti Dinars unless otherwise stated)

13. Treasury shares

	2006	2005
Number of treasury shares (share)	14,261,533	2,760,000
Ownership percentage (%)	4.48	1.26
Market value	7,130,767	2,318,400

14. Statutory reserve

In accordance with the Commercial Companies Law and the Company's Articles of Association, 10% of net profit before KFAS and National Labour Support Tax and Board of Directors' remuneration is transferred to statutory reserve. Statutory reserve is not distributable to shareholders; however, the reserve could be utilized to secure payment of a dividend of 5% of share capital in years when retained earnings are not sufficient for the payment of a dividend of that amount. When the balance of the reserve exceeds 50% of share capital, the General Assembly is permitted to utilize amounts in excess of 50% of the share capital in aspects seen appropriate for the benefit of the Company and its shareholders.

15. Voluntary reserve

In accordance with the Company's Articles of Association, a percentage of net profit for the year as proposed by the Board of Directors and approved by the General Assembly is transferred to voluntary reserve. Such annual transfers may be discontinued by a resolution of the General Assembly based on the proposal put forward by the Board of Directors. The Board of Directors proposed a transfer of 10% of net profit before KFAS, National labour Support Tax and Board of Directors remuneration for the year ended 31 December 2006 (Nil at 31 December 2005).This proposals are subject to approval of the general assembly of the shareholders.

16. Investments revenue

	2006	2005
(Loss)/ gain from sale of investments at fair value through profit and loss	(478,958)	15,439,590
Change in fair value of investments at fair value through profit and loss	135,497	7,626,063
Gain from sale of available for sale investments	14,639,241	-
Dividends income	263,941	122,843
Profit of unconsolidated subsidiary	319,823	-
Murabaha income	119,852	-
	14,999,396	23,188,496

(All amounts are in Kuwaiti Dinars unless otherwise stated)

17. Earnings per share

Basic earnings per share:

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

	2006	2005 Restated
Net profit for the year	23,637,698	26,784,652
Weighted average No. of issued and outstanding shares during the year (share)	306,621,251	314,186,000
Earnings per share (fils)	77.09	85.25

Bonus shares has been take in consideration when calculating the weighted average number of shares issued, paid and outstanding for the years ended 31 December 2006/2005.

Basic earnings per share:

Diluted earnings per share are calculated taking into consideration the shares that may be issued according to Employees Stock Option Plan that is approved by the Board of Directors (Note 25).

	2006
Net profit for the year	23,637,698
Weighted average number of issued outstanding shares taking into consideration the shares that may be issued according to employees stock option plan (shares)	314,522,611
Diluted earning per share (fils)	75.15

18. Related parties transactions

Related parties represent Company's shareholders who have representation in the Board of Directors, members of the Board of Directors , Senior Management and associates. In the normal course of business, subject to the Company's management approval, there were transactions with related parties during the year ended 31 December 2006.

The related parties significant transactions and outstanding balances were as follows:

	2006	2005
Transactions		
Management fees	198,004	176,258
Murabaha income	222,143	-
Finance cost	922,152	-
Gain on sale of investment in associate	2,803,264	-
Gain on sale of available for sale investments	1,845,309	-
Top management benefits	950,234	1,017,639

(All amounts are in Kuwaiti Dinars unless otherwise stated)

	2006	2005
Balances		
Investment in Murabaha	16,421,120	2,134,082
Investment in Mudaraba	3,793,582	576,527
Investment at fair value through profit and loss	1,466,880	-
Available for sale investments	27,243,056	8,194,401
Due from related parties	3,450,150	1,933,719
Accrued revenues	198,004	167,121
Due to related parties	3,585,295	4,660,862
Mudaraba and wakala payable	11,038,032	5,430,285
Investment fund payables	2,005,286	2,005,286
Fiduciary assets payables	1,992,608	2,242,914

The Company also manages portfolios on behalf of related parties. Gross assets of those portfolios amounted to KD 82,938,000 as of 31 December 2006 (KD 38,379,530 as of 31 December 2005), which are included under off balance sheet items (Note 24).

All related parties transactions are subject to the approval of the general assembly of the shareholders.

19. Dividends

The Board of Directors has proposed a cash dividends with 20% which is 20 fils per share and bonus shares with 10% of the paid up capital which is 10 shares for each 100 shares for the year ended 31 December 2006.

Shareholders' General Assembly meeting held on 24 May 2006 approved cash dividends of 30% of the paid up capital for the year ended 31 December 2005 and approved the dividends of bonus shares with 45% of the paid up capital with 45 shares for each 100 shares.

20. Geographical distribution of assets and liabilities

	Assets		Liabilities	
	31 December 2006	31 December 2005	31 December 2006	31 December 2005
State of Kuwait	130,612,553	68,240,460	63,131,700	16,995,969
Other GCC countries	23,598,497	5,005,863	8,658,947	7,500,222
	154,211,050	73,246,323	71,790,647	24,496,191

21. Financial risk management

In the ordinary course of business, the Company is exposed to several risks as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument may fail to discharge an obligation on maturity date and cause the other party to incur a financial loss. Murabaha and Mudaraba receivables are considered the most of the assets exposed to credit risk. The Company mitigate this risk by dealing with high credit quality financial institutions and banks.

(All amounts are in Kuwaiti Dinars unless otherwise stated)

Liquidity risk

Liquidity risk is the risk that the Company may be unable to meet commitments associated with financial instruments when they fall due. The Company manages this risk by dealing with reputed counterparties, diversifying its investments and matching the maturities of financial assets and financial liabilities.

The maturity analysis of financial assets and liabilities as of 31 December 2006 is as follows:

	Within 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Total
Assets					
Cash and cash equivalents	12,532,027	-	-	-	12,532,027
Murabaha and Wakala investments	-	12,500,000	3,921,120	-	16,421,120
Mudaraba investments	-	-	3,793,582	-	3,793,582
Investments at fair value through profit and loss	2,534,780	-	-	-	2,534,780
Accounts receivables	198,004	10,456,831	-	-	10,654,835
Available for sale investments	-	-	32,018,694	-	32,018,694
Investments in associates	-	-	-	65,234,249	65,234,249
Investments in unconsolidated subsidiaries	-	10,994,823	-	-	10,994,823
Property and equipment	-	-	-	26,940	26,940
Total assets	15,264,811	33,951,654	39,733,396	65,261,189	154,211,050
Liabilities					
Accounts payables	9,577,316	10,791,757	8,587,774	-	28,956,847
Islamic debt instruments	30,163,272	6,110,594	6,352,437	-	42,626,303
Employees' end of service indemnity	-	-	-	207,497	207,497
Total liabilities	39,740,588	16,902,351	14,940,211	207,497	71,790,647
Net liquidity gap	(24,475,777)	17,049,303	24,793,185	65,053,692	82,420,403

The maturity analysis of financial assets and liabilities as of 31 December 2005 is as follows:

	Within 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Total
Assets					
Cash and cash equivalents	1,115,737	-	-	-	1,115,737
Murabaha and Wakala investments	-	-	2,134,082	-	2,134,082
Mudaraba investments	-	-	576,527	-	576,527
Investments at fair value through profit and loss	27,557,312	-	-	-	27,557,312
Accounts receivables	94,407	2,831,731	2,830,006	-	5,756,144
Available for sale investments	-	6,501,489	2,498,447	-	8,999,936
Investments in associates	-	-	-	27,080,758	27,080,758
Property and equipment	-	-	-	25,827	25,827
Total assets	28,767,456	9,333,220	8,039,062	27,106,585	73,246,323
Liabilities					
Accounts payables	3,205,062	3,039,927	3,243,134	4,452,537	13,940,660
Islamic debt instruments	5,430,364	-	4,916,764	-	10,347,128
Employees' end of service indemnity	-	-	-	208,403	208,403
Total liabilities	8,635,426	3,039,927	8,159,898	4,660,940	24,496,191
Net liquidity gap	20,132,030	6,293,293	(120,836)	22,445,645	48,750,132

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market

Foreign currency risk

Represented in the risk of fluctuations in foreign exchange rates, the cash flows of the Company or values of assets and liabilities in foreign currencies may be adversely affected. Generally, the Company is tracking the exchange rates to mitigate this risk.

Rate of return risk

Rate of returns risk arises from changes in market rates of profit and financing costs. The Company's ex posure to this risk is minimal as either all contracts are at fixed rates or ceilings are set up for the effective rate of return on these contracts.

Fair value of financial instruments

Fair value 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 these financial instruments approximate their book values.

22. Significant estimates and judgments

According to the accounting policies included in the IFRS which applied by the Company, management has made the following judgements, apart from those involving estimations, which have the most significant effect in the amounts of assets and liabilities

Judgements

Classification of financial instruments

Management has to decide on acquisition of a financial instrument whether it should be classified as carried at fair value through income statement, available for sale. In making that judgement the Company considers the primary purpose for which it is acquired and how it intends to manage and report its performance. Such judgement determines whether it is subsequently measured at cost or at fair value and if the changes in fair value of instruments are reported in the income statement or directly in equity the company classified investments as trading investments when if acquired principally for the purpose of selling in the short term. All other investments are classified as available for sale investments.

Evidence of impairment

The Company treats available for sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. At each balance sheet date, management determines whether there is an impairment of the available for sale investments values.

The determination of the impairment requires considerable judgement and involves evaluating factors including industry and market conditions.

Estimation uncertainty

Significant accounting estimates and assumptions

The company determines assumptions relating to future. The outcomes of accounting estimation are nearly equal to the actual results. Estimations and assumptions that have material impact attributable to adjustments affecting the carrying amounts of assets and liabilities within the next financial year are discussed below:

Fair value of unquoted equity investments

Valuation techniques of unquoted equity investments is in which estimates are used representing the expected cash flows discount rates, return trades, adjusted local market prices, credit risks, related cost and other valuation techniques leased by the practices generally.

The Company calibrates the valuation techniques periodically and tests these for validity using either prices from observable current market transactions in the same instrument or other available observable market data.

Impairment losses on Islamic debt instruments

The Company reviews non performing Islamic debt instruments and investment in debt instruments on an ongoing basis to assess whether a provision for impairment should be recorded in the income statement. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may differ resulting in future changes to such provisions.

23. Contingent liabilities

At the date of balance sheet, there are letters of guarantees amounted to KD 5,753,024 as of 31 December 2006 issued to others (KD 2,837,656 as of 31 December 2005).

The Company is contingently liable for legal cases in courts under different judicial stages. During the year, an initial verdict was issued against the Company relating to disbursements of capital and accrued profits of investments funds managed by the Company in United States. A full provision has been formed against those verdicts issued.

24. Off balance sheet items

he Company manages portfolios on behalf of others which are not included in the balance sheet of the Company. The total net value of these managed assets on behalf of others amounted to KD 176,354,000 as of 31 December 2006 (KD 59,200,154 as of 31 December 2005).

25. Employees stock option plan

The General Assembly Meeting held on 24 May 2006, approved the increase in the share capital by an amount of KD 1,396,000 by issuing 13,960,000 shares for the employees under the proposed employee stock option plan (ESOP). At 28 July 2006, the Board of Directors determined the purchase price to be 217 fils per share. As the terms of the ESOP including period of program, vesting conditions and the qualified employees have not yet been determined, IFRS2 - share based payment has not been applied.

26. Comparative figures

Comparative figures have been reclassified to conform with the current presentation of the financial statements as of 31 December 2006.

Our Vision

We believe that success is a continued process and endeavor to take the initiative and explore new and promising opportunities and markets that are characterized for stability and growth.