International Investment Group Company (K.S.C.C.)
And its Subsidiaries
Kuwait

Consolidated Financial Statements and
Independent Auditors' Report

For the year ended 31 December 2007

PRICEWATERHOUSECOOPERS

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International Investment Group Company (K.S.C.C.)
And its Subsidiaries
Kuwait

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

Independent Auditors' Report to the Shareholders

Report on Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of International Investment Group Company (K.S.C.C.) "The Parent Company" and its subsidiaries (together referred to as "the Group") which comprise the consolidated balance sheet as at 31 December 2007, and the consolidated statement of income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Company management's responsibility for the consolidated financial statements

The Company's management is responsible for the preparation and fair presentation of these consolidated 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the group as of 31 December 2007, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted for use by the state of Kuwait.

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Other matters

Without qualifying our opinion mentioned above, we draw attention to note (18) to those consolidated financial statements, where the Parent Company sold investments to a related party, resulting to a realized profit amounted of KD 7,954,369. Until to date an amount of KD 5,000,000 has been collected from this deal.

Report on other legal and regulatory matters

Furthermore, in our opinion, proper books of accounts have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Commercial Companies Law of 1960, as amended, and by the Parent Company's Articles of Association, that an inventory count was duly carried out and that, to the best of our knowledge and belief, no violations of provision of the Commercial Companies Law of 1960, as amended, or of the Parent Company's Articles of Association have occurred during the year ended 31 December 2007 that might have had a material effect on the business of the Group or on its consolidated 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 2007.

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

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

Kuwait
31 March 2008

International Investment Group Company (K.S.C.C.)
and its subsidiaries

Consolidated Balance Sheet as of 31 December 2007
(All amounts in Kuwaiti Dinar)

	Note	2007	2006
Assets			
Cash and cash equivalents	5	2,248,366	12,532,027
Murabaha and Wakala investments	6	37,812,633	16,421,120
Mudaraba investments		606,698	3,793,582
Investments at fair value through profit and loss	7	4,372,252	2,534,780
Receivables and other debit balances	8	17,588,414	10,654,835
Available for sale Investments	9	15,364,378	32,018,694
Investment in associates	10	95,144,319	65,234,249
Investment in unconsolidated subsidiaries	11	-	10,994,823
Property and equipment		124,634	26,940
Intangible assets		220,000	-
Total Assets		173,481,694	154,211,050
Liabilities and Equity			
Liabilities			
Accounts payable	12	14,970,848	28,956,847
Islamic debt instruments	13	65,753,763	42,626,303
Employees' end of service indemnity		272,242	207,497
Total Liabilities		80,996,853	71,790,647
Equity			
Share capital	14	36,536,280	31,818,800
Share premium		4,327,600	-
Treasury shares	15	(9,311,773)	(7,074,614)
Statutory reserve	16	7,571,867	5,415,169
Voluntary reserve	17	4,574,999	2,418,301
Convertible suksuk		1,838,232	-
Change in fair value reserve of available for sale investments		11,727,568	21,534,898
Group's share in associate's reserves		244,207	244,207
Gain on sale of treasury shares		2,062,904	2,330,651
Retained earnings		32,912,957	25,732,991
Total equity		92,484,841	82,420,403
Total Liabilities and Equity		173,481,694	154,211,050

The accompanying notes from (1) to (27) form an integral part of these consolidated financial statements.

Sami Badr Al-Jenaái
Chairman and Managing Director

International Investment Group Company (K.S.C.C.)
and its subsidiaries

Consolidated Statement of Income for the year ended 31 December 2007
(All amount in Kuwaiti Dinar)

	Note	2007	2006
Revenue			
Investment revenues	18	9,624,491	14,679,573
Share of results of associates	10	9,801,221	13,931,953
Gain from sale of shares in associates		5,365,474	2,904,740
Management, consulting and subscription fees	19	1,603,793	670,123
Gain from sale of investment in subsidiaries	11	2,532,188	(10,259)
Foreign currency exchange		2,729,471	319,823
Other income	24	784,036	49,843
		32,440,674	32,545,796
Expenses and other charges			
Finance cost		4,917,350	1,507,405
General and administrative expenses		1,042,341	1,015,845
Staff cost		3,892,987	1,721,155
Claims provision	24	1,021,015	3,615,368
Provision for doubtful debts		-	513,272
Kuwait Foundation for the Advancement of Science ("KFAS")		89,884	72,924
National Labor Support Tax		205,121	472,388
Zakat		6,905	-
		11,275,603	8,908,098
Net profit for the year		21,165,071	23,637,698
Basic earnings per share (fils)	20	62.03	69.86
Diluted earnings per share (fils)	20	-	68.26

The accompanying notes from (1) to (27) form an integral part of these consolidated financial statements.

International Investment Group Company (K.S.C.C.)
and its subsidiaries

Consolidated Statement of Changes in Equity for the year ended 31 December 2007
(All amount in Kuwaiti Dinar)

	Share capital (Note 14)	Share premium	Treasury shares (Note 15)	Statutory reserve (Note 16)	Voluntary reserve (Note 17)	Convertible Sukuk	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 2005	21,944,000	-	(350,947)	2,996,868	-	-	1,055,037	-	-	23,105,174	48,750,132
Change in fair value of investments	-	-	-				25,106,157	-	-	-	25,106,157
Transferred to statement of income as a result from sale of investments	-	-	-	-	-	-	(4,626,296)	-	-	-	(4,626,296)
Group share in associate's reserves	-	-	-	-	-	-	-	291,582	-	-	291,582
Transferred to statement of income as a result from disposal of shares in associate	-	-	-	-	-	-	-	(47,375)	-	-	(47,375)
Total profit recognized directly in equity	-	-	-	-	-	-	20,479,861	244,207	-	-	20,724,068
Net profit for the year	-	-	-	-	-	-	-	-	-	23,637,698	23,637,698
Total profit recognized for the year	-	-	-	-	-	-	20,479,861	244,207	-	23,637,698	44,361,766
Cash dividends for year 2005	-	-	-	-	-	-	-	-	-	(6,298,479)	(6,298,479)
Bonus share dividends for 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-
Transferred to reserve	-	-	-	2,418,301	2,418,301	-	-	-	-	(4,836,602)	-
Balance as of 31 December 2006	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 from (1) to (27) form an integral part of these consolidated financial statements.

International Investment Group Company (K.S.C.C.)
and its subsidiaries

Consolidated Statement of Changes in Equity for the year ended 31 December 2007
(All amount in Kuwaiti Dinar)

	Share capital (Note 14)	Share premium	Treasury shares (Note 15)	Statutory reserve (Note 16)	Voluntary reserve (Note 17)	Convertible Sukuk	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 2006	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
Change in fair value of investments available for sale	-	-	-	-	-	-	(763,130)	-	-	-	(763,130)
Transferred to statement of income as a result from sale of investments	-	-	-	-	-	-	(9,044,200)	-	-	-	(9,044,200)
Net profit recognized directly in equity	-	-	-	-	-	-	(9,807,330)	-	-		(9,807,330)
Net profit for the year	-	-	-	-	-	-	-	-	-	21,165,071	21,165,071
Total recognized profit for the year	-	-	-	-	-	-	(9,807,330)	-	-	21,165,071	11,357,741
Cash dividends for year 2006 (Note 22)	-	-	-	-	-	-	-	-	-	(6,350,229)	(6,350,229)
Bonus shares for the year 2006 (Note 22)	3,321,480	-	-	-	-	-	-	-	-	(3,321,480)	-
Issuance of shares as per the employees stock option plan	1,396,000	1,633,320	-	-	-	-	-	-	-	-	3,029,320
Cost of shares as per the employees stock option plan	-	2,694,280	-	-	-	-	-	-	-	-	2,694,280
Convertible sukuke	-	-	-	-	-	1,838,232	-	-	-	-	1,838,232
Purchase of treasury shares	-	-	(7,787,902)	-	-	-	-	-	-	-	(7,787,902)
Sale of treasury shares	-	-	5,550,743	-	-	-	-	-	(267,747)	-	5,282,996
Transferred to reserved	-	-	-	2,156,698	2,156,698	-	-	-	-	(4,313,396)	-
Balance as of 31 December2007	36,536,280	4,327,600	(9,311,773)	7,571,867	4,574,999	1,838,232	11,727,568	244,207	2,062,904	32,912,957	92,484,841

The accompanying notes from (1) to (27) form an integral part of these consolidated financial statements.

International Investment Group Company (K.S.C.C.)
and its subsidiaries

Statement of Cash Flows for the year ended 31 December 2007
(All amount in Kuwaiti Dinar)

	Note	2007	2006
Cash flows from operating activities			
Net profit for the year		21,165,071	23,637,698
Adjustments:			
Depreciation		31,311	9,047
Claims provision		(766,742)	3,615,368
Provision for doubtful debts		80,867	513,272
Investment revenues	18	(9,624,491)	(14,999,396)
Share of results of associates	10	(9,801,221)	(13,931,953)
Gain from sale of shares in associates		(5,365,474)	(2,904,740)
Gain from sale of investment in subsidiaries		(2,532,188)	(319,823)
Finance cost		4,917,350	1,507,405
Employees' end of service indemnity		65,605	39,664
Operating loss before changes in operating assets and liabilities		(1,829,912)	(2,513,635)
Investments at fair value though profit and loss		(3,214,146)	24,679,070
Receivable and other debit balances		572,764	(5,056,190)
Creditors and other credit balances		(14,887,798)	8,931,640
Payment of employees' end of service indemnity		(860)	(40,570)
Net cash (used in)/ generated from operating activities		(19,359,947)	26,000,315
Cash flows from investing activities			
Mudarba receivables		3,186,884	(3,217,055)
Paid for purchase of shares in associates		(77,186,315)	(47,117,067)
Proceeds from sale of shares in associates		76,444,963	26,044,477
Murabaha investments		(18,893,902)	(14,642,812)
Proceeds from sale of available for sale investments		7,310,971	16,167,544
Paid for purchase of available for sale investments		(357,002)	(4,067,200)
Paid for acquisition of subsidiaries		-	(10,675,000)
Paid for purchase of property and equipment		(129,005)	(10,160)
Dividends received		114,344	383,793
Net cash generated from investing activities		(9,509,062)	(37,133,480)
Cash flows from financing activities			
Net Islamic debt instruments		24,965,692	31,183,488
Payment of finance cost		(4,917,350)	(411,717)
Proceeds from increased capital and share premium		5,723,600	-
Cash dividends paid		(4,681,688)	(3,829,300)
Purchase of treasury shares		(7,787,902)	(13,482,139)
Sale of treasury shares		5,282,996	9,089,123
Net cash generated from financing activities		18,585,348	22,549,455
Net (decrease)/ increase in cash and cash equivalents		(10,283,661)	11,416,290
Cash and cash equivalents at beginning of year		12,532,027	1,115,737
Cash and cash equivalents at end of year	5	2,248,366	12,532,027

The accompanying notes from (1) to (27) form an integral part of these consolidated financial statements.

1. Incorporation and principal activities

The International Investment Group Company is a closed Kuwaiti Shareholding Company 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.

These consolidated financial statements include the financial statements of the Parent Company and its subsidiaries (together referred to as "the Group") Note (11).

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

The principal activities of the Group are investment, managing financial portfolios and investment funds for others and real estate activities and general trading. The activities of the Group are carried out in accordance with Noble Islamic Sharia principles.

The consolidated financial statements were authorised for issue by the Board of Directors on 31 March 2008 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 consolidated 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 consolidated 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 (2.3).

These consolidated 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 consolidated 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 Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note (4).

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

Standards, amendments and interpretations effective in 2007

- IFRS 7, 'Financial instruments: Disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group's financial instruments, or the disclosures relating to taxation.
- and the complementary amendment to IAS 1, 'Presentation of financial statements – Capital disclosures'.
- IFRS10, 'Interim financial reporting and impairment', prohibits the impairment losses recognized in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the group financial statements.

- IFRIC 8, 'Scope of IFRS 2', requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of IFRS 2. This standard does not have any impact on the Group's financial statements.

These amendments will helps the users of the financial statements to evaluate the degree of significance of the financial instruments to the Group's financial position and to its financial performance, the nature and the extent of the financial risks that the Group is exposed to as a result from dealing with the financial instruments during the year ended at the date of the consolidated financial statements and the Group's policies in managing those risks. As well as, the objectives and the policies of the Group related to the managing of capital.

Standards, amendments and interpretations have been issued and are mandatory for financial statements beginning on or after 1 January 2007 but they are not relevant to the Group's Operations:

- IFRS 4, 'Insurance contracts';
- IFRIC 7, 'Applying the restatement approach under IAS 29, Financial reporting in hyperinflationary Economies'; and IFRIC 9, 'Re-assessment of embedded derivatives'.

Standards and Interpretations have been issued but are not yet effective, and have not yet been adopted by the Group.

- IFRIC 11, 'IFRS 2 – Group and treasury share transactions'.
- IAS (23) (Amendment) "Borrowing costs" effective from 1 January 2009.
- IFRS (8) "Operating segments" effective from 1 January 2009.

2.2 Consolidation

Subsidiaries

Subsidiaries are entities over which the Group's 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 Group's 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 more 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 Group's.

Associates

Associates are all entities over which the Group 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 Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in equity.

Unrealised gains on transactions between the Group and its associates are eliminated to the group equity 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 Group and its associates.

2.3 Financial assets

Classification

The Group classifies its financial assets in the following categories:

Financial asset at fair value through profit and loss, Receivable, Murabaha, Wakala, and available for sale financial assets.

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.

Receivable, Murabaha and Wakala

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

Murabaha represents the amounts due to the Group on a deferred payments basis for assets sold according to Murabaha arrangements. Wakala represents the amounts invested by the Group through other parties on behalf of the Group to generate revenues.

Available for sale investments

These are non-derivative financial assets that are not designated in any of the above categories and are principal acquired to be held for an indefinite period of time which could be sold in response to the 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 Group 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 Group 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.

The fair value of unquoted securities is determined 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. Available for sale investments, whose fair value cannot be determined reliably, are carried at cost less impairment losses.

Impairment

The Group 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 1% of all Murabaha, Wakala and Mudaraba receivables and not subject to specific provision excluding some categories of guarantees that are under the instruction of Central Bank of Kuwait is provided.

2.4 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.

2.5 Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group'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.

2.6 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation thereof is charged on a straight-line basis over the estimated useful lives

2.7 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.

2.8 Islamic debt instruments

Murabaha and Wakala payable

Murabaha & wakala payable are recognized at fair value less transaction cost. Murabaha and Wakala are stated subsequently at amortized cost. Murabaha and Wakala cost are recognized in income statements using effective yield method.

Convertible sukuk

Liabilities arising from Sukuk are initially recognised at fair values less transactions costs.

The fair value of the liabilities arising from convertible Sukuk is determined using a market rate of return of similar non-convertible Sukuk. This liability is recognized by its amortized cost until the date on which these sukuk are converted into shares or their maturity date.

The remaining amount collected from Sukuk which represent the fair value of the convertible option of Sukuk to share is recognized in shareholders' equity under Convertible Sukuk.

2.9 Provisions

Provisions are recognized when the Group has a present legal obligation arising from the group to 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.

2.10 Employees' end of service's indemnity

The Group 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 Group's liability.

2.11 Treasury shares

Treasury shares represent the Parent Company's own shares that have been issued, subsequently required by the Group and not yet reissued or cancelled until the balance sheet date. 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 recorded losses in reserves, retained earnings and the gain on sale of treasury shares.

2.12 Employees Stock option plan

The share option program allows employees to acquire the Group's shares. According to the requirements of IFRS (2) - "Share based payment". The fair value of options granted is recognised as an employee expense with corresponding increase in equity. The fair value is measured at grant date and allocated over the period during which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest during each financial year.

The proceeds from share option plan received net of any directly attributable transaction costs are credited to share capital by nominal value and any excess is recorded as share premium.

2.13 Revenue recognition

Murabaha and wakala income are recognised on Mudaraba and Murabaha transaction 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.

2.16 Fiduciary Assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly are not included in this consolidated balance sheet.

3. Financial risk management

3.1 Financial Risk Management

The activities of the Group expose it to a variety of financial risks: market risks, (including currency risk, fair value profit rate risk, cash flows profit rates risk, and prices risk) in addition to credit risk and liquidity risks.

The group in managing these financial risks focuses an ongoing evaluation of market conditions and its trends and assessment of long and short-term market factors.

3.2 Market Risk

- *Foreign exchange risks*

The Group is exposed to the risk of foreign currency arises from transactions on financial instruments with US$. The risk of foreign exchange arises from future transactions on financial instruments in foreign currency in the financial statements of the Group.

The Group has set up policies to manage the foreign currency risk, represent in close monitoring of changes in exchange rates in addition to monitoring the effect on the financial position of the Group, during the year. Also the group deals with financial institutions with experience in this area in order to provide the Group by advisory opinion in case of any significant change arise in the exchange rates.

At 31 December 2007 if the US$ had strengthened/weakened against the Kuwaiti dinar by 5%, the net profit of the group would have been decreased/increased by KD 3,872,077.

- *Fair Value Risks*

The Group is exposed to equity securities price risk because of investments held by the Group and classified either as available for sale or at fair value through profit and loss. To manage this risk, the group monitors the market prices in case these securities are traded, in addition to a periodic evaluation of the financial statements of these investments in order to reach to its fair value through financial and other data available for these investments.

The fair value of financial instruments which are traded in stock market are determined in accordance with last bid price.

The fair value of unquoted investments are determined based on similar investment market value or by using discounted cash flow or by using other evaluation techniques. Investments available for sale which its fair value cannot be determined are recorded at cost less impairment in value.

The following sensitivity analysis shows the impact of the change in the Kuwait market indexes on the net profit of group's business, as well as equity. This analysis assumes that Kuwait market index has changed by 5%.

	Impact on net profit	
	2007	**2006**
Index of the Kuwait Stock Exchange	245,707	124,663

- Profit rate risk

The group is not exposed to the risk of fluctuations in cash flows because of wakala and Murabaha receivable and Islamic debt instruments resulting from the change in rates of return since these transactions are in accordance with the provisions of Islamic Sharia which bear fixed rates of return and which in accordance to the contract, the Group's revenue and cost are realised using fixed rate during the contract period.

Credit risk

The credit risk is the risk that the group will incur a loss because of its customers, counterparties failure to discharge their contractual obligation. The credit risk is managed on the Group level. The credit risk is highly concentrated in cash and cash equivalents, Wakala and Murabaha investment.

The group manages the credit risk arises from cash and Wakala and Murabaha investment by interacting with the local and foreign financial institutions with high credit rating. Also the group manages credit risk by setting a credit policies in order to avoid the concentration of credit limit in addition to the identification of the necessary guarantees received from the customers also setting credit approval limit. The Group regularly monitors credit policies and the board of directors approves any amendments to the credit policies.

Liquidity risk

The Group monitor the liquidity risk by keeping appropriate reserve of cash and high liquidity financial instruments, which facilitates the availability of liquidity when required. In addition to that, the Group's management studies the degree of liquidity of these investments periodically and corrects the composition of these assets if required.

The table below analyses the maturity of the Group financial liabilities as at 31 December:

	2007			
	Within 1 month	**From 1 months to 3 months**	**From 3 months to 1 year**	**From 1 year to 5 years**
Assets				
Cash and cash equivalents	2,248,366	-	-	-
Murabaha and Wakala investments	5,570,449	-	42,238,629	-
Mudaraba investments	-	-	-	649,166
Investments at fair value through profit and loss	-	-	4,372,252	-
Receivables and other debit balances	-	3,000,000	14,588,414	-
Available for sale investments	-	-	-	15,364,378
Total assets	7,818,815	3,000,000	61,199,295	16,013,544
Liabilities				
Payables and other credit balances	71,520	53,803	2,044,039	12,801,486
Islamic debt instruments	-	-	14,102,030	74,610,800
Employees' end of service indemnity	-	-	-	272,242
Total liabilities	71,520	53,803	16,146,069	87,684,528
Net liquidity gap	7,747,295	2,946,197	45,053,226	(71,670,984)

	2006			
	Within 1 month	**From 1 months to 3 months**	**From 3 months to 1 year**	**From 1 year to 5 years**
Assets				
Cash and cash equivalents	12,532,027	-	-	-
Murabaha and Wakala investments	-		12,500,000	3,921,120
Mudaraba investments	-	-	-	3,793,582
Investments at fair value through profit and loss	-	2,534,780	-	-
Receivables and other debit balances	-	198,004	10,456,831	-
Available for sale investments	-	-	-	32,018,694
Total assets	12,532,027	2,732,784	22,956,831	39,733,396
Liabilities				
Payables and other credit balances	-	9,577,316	10,791,757	8,587,774
Islamic debt instruments	-	30,163,272	6,110,594	6,352,437
Employees' end of service indemnity	-	-	-	207,497
Total liabilities	-	39,740,588	16,902,351	15,147,708
Net liquidity gap	12,532,027	(37,007,804)	6,054,480	24,585,688

3.3 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as going concern in order to provide returns for the shareholders and other benefits to other stakeholders for maintaining or adjusted the capital structure; the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce its debt.

The Parent Company manage this risk by monitoring on the basis of the gearing ration. This ratio is calculated as net debt divided by total capital. Net debt is calculated on the basis of total borrowings minus cash and cash equivalents. The total capital is calculated as equity as shown in the balance sheet plus net debt.

Through in 2007, the policy group, which did not change from 2006 is maintained a debt ratio to total capital from 20% to 40%.

	2007	2006
Total finance	65,753,763	42,626,303
(Less) cash and cash equivalents	(3,248,366)	(12,532,027)
Net debts	62,505,397	30,094,276
Total equity	92,484,841	82,420,403
Total Capital	154,990,238	112,514,679
Debt ratio	40.32%	26.7%

4. Critical accounting estimates and assumptions

The Group managements makes the following estimates and assumption which may affect on carrying value of assets and liabilities

Critical accounting estimates and assumptions

Fair value of unquoted equity investments

Valuation techniques for unquoted equity investments 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 used by market participants. The Group 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.

Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note (2.7). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

Impairment of fixed assets

The Group reviews the fixed assets and inventories on a continuous basis to determine whether a provision for impairment should be recorded in the statement of income. 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.

Critical Judgments in applying the entity's accounting policies:

Impairment of available for sale investment

The Group follows the guidance of IAS 39 to determine when an available-for-sale investment is impaired. This determination requires significant judgment from management. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

5. Cash and cash equivalents

	2007	2006
Cash at banks and at financial institutions	2,246,180	12,249,412
Cash at investment portfolios	120	281,649
Cash on hand	2,066	966
	2,248,366	12,532,027

6. Murabaha and Wakala investments

6.1 This balance represents in the amounts due within one year in accordance with Murabaha and Wakala agreements. The average effective rate of return as of 31 December 2007 is 6.8% (6.8% - 31 December 2006).

6.2 Fair value of Murabaha and Wakala investments are approximately equal to its carrying value as of 31 December 2007/2006 as the profit rates on these investments equal the market profit rate and they are short term investments within one year from the balance sheet date.

6.3 During the year, in accordance with Central Bank of Kuwait, instructions a general provision of 1% is formed for all Murabha and wakala deposit with any parties other than except banks.

7. Investments at fair value through profit and loss

7.1 This balance includes investments in local quoted shares amounting to KD 894,075 as of 31 December 2007, pledged against Islamic instruments (Note13) (KD 1,066,500 as of 31 December 2006).

7.2 The change in fair value of the investment at fair value through profit and loss is recorded as a part from the investments income (Note 13).

7.3 The fair value of the quoted shares is determined based on the last bid price.

8. Receivables and other debit balances

	2007	2006
Margin deposit for the letter of guarantee*	6,082,026	6,271,334
Due from related parties Note (11,18)	9,828,529	3,450,150
Paid to require subsidiary	700,000	-
Trade receivables (Net)	453,515	681,005
Accrued income	393,650	198,004
Prepaid expenses	98,676	39,330
Others	32,018	15,012
	17,588,414	10,654,835

*This represents restricted amounts at one of the local banks against L/G issued to others (Note 24).

Receivable and other debt balance as of 31 December 2007, 2006 are approximately equal to the fair value at this dates.

9. Available for sale investments

	2007	2006
Investments in quoted shares	-	3,557,200
Investments in unquoted shares	14,577,647	24,549,585
Investments in funds	786,731	3,911,909
	15,364,378	32,018,694

9.1 The fair value of the quoted securities is determined based on the last bid price on the market where these securities are traded.

9.2 Investments in unquoted shares include an amount of KD 605,841 as of 31 December 2007 (KD 951,091 as of 31 December 2006) carried at cost less impairment losses in value.

9.3 The impairment in value of the available for sale investments during the year ended 31 December 2007 amounted to KD 360,124 (nil during the year ended 31 December 2006).

9.4 Investments in unquoted shares include investments with an amount of KD 13,971,806 as at 31 December 2007 (KD 23,598,497 as at 31 December 2006), The fair value of these shares are determined based on the multiplier Market Index of the investments sector for the listed companies in Bahrain Stock Exchange. There is no indication on the impairment in value of these investments as at 31 December 2007.

9.5 Investments available for sale are denominated into the following currencies

	2007	2006
Kuwaiti Dinar	570,158	7,642,850
Bahraini Dinar	13,971,806	23,598,497
US Dollar	822,414	777,347
	15,364,378	32,018,694

10. Investments in associates

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

	Ownership %	2007	Ownership %	2006
Ajal Holding Company K.S.C.C	34.90	26,078,329	36.32	29,356,320
Grand Real Estate Project Company – K.S.C.C	15.80	20,487,234	19.43	18,944,677
Gulf Petroleum Investment Company – K.S.C.C	26.74	19,212,176	34.29	15,609,540
Osoul Finance & Lease Company – W.L.L	27.39	18,903,341		-
Ajal Finance & Investment Company – K.S.C.C	46.67	5,952,093		-
Marrafee' Al Emdad international Projects Company - K.S.C.C	45.00	3,348,928		-
Management Services Group company – W.L.L	60.00	650,000	60.00	650,000
Oscar for General Trading and Constructions - W.L.L.	28.34	512,218	28.34	673,712
		95,144,319		65,234,249

10.1 The Group has recorded its share of results from Grand Real Estate Project Company, Gulf Petroleum Investment Company and Osoul Finance & Lease Company based on unaudited interim financial statements for the period ended 30 September 2007.

10.2 The investment in Grand Real Estate Projects Company (K.S.C.C.) include Goodwill amounted to KD 5,736,500 as at 31 December 2007 (KD 4,496,007 – 2006). Although the group share in Grand real estate projects company is less than 20%, the group has influence on the financial and operation policies of the company.

10.3 The investment in Gulf Petroleum Investment Company (K.S.C.C.) includes Goodwill amounted to KD 10,042,774 as of 31 December 2007, (KD 9,594,007As of 31 December 2006).

10.4 During the year, the group has increased its shares in Osoul Leasing & Finance Company to 27.39 %, accordingly the investments has been reclassified from available for sale investments, the group currently is in the process of allocating the purchase price over the fair value of identifiable assets and liabilities of the acquired company at the acquisition date in order to calculate the goodwill.

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

10.6 During the year, the group sold 17.5% from its investments in Marafee'Al Emdad international Projects (K.S.C.C) realized a profit amounted to KD 266,815, resulting for a decrease in the ownership percentage from 62.5% to 45% accordingly the investments have been reclassified from investments unconsolidated subsidiary to investments in associate.

10.7 During the year the Group consolidated the financial statements of Anam international for General trade & contracting – (W.L.L) (unconsolidated subsidiary as of 31 December 2006) which include its share of 46.67% from Ajal Finance & Investment Company.

10.8 The following is a summary of the parent company shares from net assets & result of operation of the associates based on recent available financial statement:

	2007			
	Fair value	**Net assets**	**Shares of results**	**Date of the last available financial statement**
Ajal Holding Company – K.S.C.C	Unquoted	26,078,329	(459,332)	31 Dec 2007
Grand Real Estate Project Company – K.S.C.C	17,813,079	14,750,734	3,783,543	30 Sep 2007
Gulf Petroleum Investment Company - K.S.C.C	20.110,345	9,169,402	3,092,994	30 Sep 2007
Osoul Finance & Lease Company – K.S.C.C	15,599,013	18,903,341	2,060,657	30 Sep 2007
Ajal Finance & Investment Company – W.L.L	Unquoted	5,952,093	191,142	31 Dec 2007
Marafee' Al Emdad international Project Company – K.S.C.C	Unquoted	3,348,928	868,616	31 Dec 2007
Management Services Group – W.L.L	Unquoted	650,000	-	31 Dec 2007
Oscar for General Trading and Construction – W.L.L.	Unquoted	512,218	(161,492)	31 Dec 2007

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

10.9 A portion of Parent Company's investment in Grand Real Estate Company and Gulf Petroleum Investment Company amounting KD 17,554,778 and KD 14,519,194 respectively are pledged against Islamic debt instruments (note 13).

10.10 During last years, there are, unrealized gain of KD 2,382,278 resulted from transactions with the associates are eliminated. During the current year a portion from this unrealized profit amounted to of KD 425,483 has been realized as a result of sale to a third party out of the Group to the extent of the ownership percentage of the Group in the associates.

11. Investment in subsidiaries

	2007	Ownership	2006
Marafee' Al Emdad international Project Company- K.S.C.C	-		62.5%
Marafeè Holding International Company- K.S.C.C	100%		100%
Isdarat Holding Company- K.S.C.C	-		100%
Al - Anam International for General Trade & Contracting	100%		100%

11.1 During the year the group sold 17.5 % from its investments in MArafi Ali Emdad International Projects (K.S.C.C) resulting for a decrease in the ownership percentage from 62.5% to 45% accordingly the amendments have been reclassified to investments in associates (note 10).

11.2 The Group sold 95% from its shares in Isdarat Holding Company- K.S.C.C to Grand Real Estate Project Company (associate) resulting to a gain on sale amounted to KD 2,690,466. Unrealized gain amounted to KD 467,032 resulted from this transaction is eliminated to the extent of the Group share in Grand company. The investment has been reclassified to available for sale investments. The amount due from this transaction is classified as amount due from related party (note 8). The maturity date of this amount is within one year. This transaction has been eliminated from the cash flow statement as it is non cash transaction.

11.3 The Parent Company did not prepare consolidated financial statements to include its financial statements and its subsidiaries' financial statements. The subsidiaries are immaterial and there were no financial statements available for those subsidiaries as at that date. The Parent company management decided to prepare consolidated financial statements of the Parent company and for its subsidiaries mentioned above as the financial statements of these subsidiaries become available. The consolidation has not prepared retrospectively as it is immaterial.

12. Payables and other credit balances

	2007	2006
Proceeds from subscriptions in companies	-	9,577,316
Due to related parties	808,632	3,585,295
Claims Provision	5,555,577	6,582,488
Investment funds payable	2,005,286	2,005,286
Dividends payable	4,157,336	2,488,795
Fiduciary assets payable	-	1,992,608
Accrued expense	1,099,065	1,270,637
Others	1,344,952	1,454,422
	14,970,848	28,956,847

13. Islamic debt instruments

	2007	2006
Convertible Islamic sukuk into ordinary shares	52,574,296	-
Murabaha contracts	-	1,425,000
Wakala contracts	7,091,805	34,848,866
Mudarba contracts	6,087,662	6,352,437
	65,753,763	42,626,303

13.1 The average effective yield rate is 8% as of 31 December 2007 (8% as of 31 December 2006).

13.2 The Murabaha and Wakala payables are secured against shares of the investments in associates.

13.3 The Islamic instruments fair value as of 31 December 2007 are approximately equals to its carrying value.

13.4 The following summary is the foreign currencies positions for Islamic instrument as of 31 December:

	2007	2006
US Dollar	59,526,506	6,352,436
Kuwaiti Dinar	6,227,257	36,273,867
	65,753,763	42,626,303

13.5 On 7 June 2007, the Group obtained finance from the global market through an Islamic Mudaraba Sukuk convertible to shares that will be matured on 10 July 2012 with a total value of KD 57,607,500 (equivalent to USD 200 million).

The summary of the conditions of transferring Sukuk into ordinary shares is represented in:

- Early voluntary conversion of the Sukuk to shares could be exercised on January, April, July and October in each year starting from 2008 at maximum value of USD 10 Million in each date.

- Unlimited early voluntary conversion of Sukuk to shares: could be exercised on April 2010, 2011, 2012 for the outstanding Sukuk balance.

- Contingent voluntary redemption to Sukuk which can be exchanged into shares: could be exercised on April 2009, where the shares price increase to 140 % of the weighted average price of Parent Company Shares. Sukuk conversion price to normal shares is 500 fils (US $1.738).

In case the company could not transfer the shares to the Sukuk certificate holders, the shares not transferred fair value amount will be paid to the Sukuk holders.

- Sukuk are due to early voluntary redemption in case the Group did not commit to any of the conditions mentioned in the agreement with the Sukuk holders in which one of them is the significant change in the parent company's shareholding structure.

- Sukuk are secured with a mortgage of the shares of associated companies amounted to KD 49,722,282 (note 7) and investments at fair value through profit or loss amounted by KD 1,675,000 (note 10).

The carrying amount of Sukuk as of 30 September 2007 is as follows:

	31 December 2007
Proceed from convertible Sukuk issue	57,607,500
Less: issue cost	(1,450,548)
Net proceed from issue of convertible Sukuk	56,156,952
Recognized in equity	(1,838,232)
Carrying amount of liabilities in initial recognition	54,318,720
Finance cost carried on income statement during the period	2,378,338
Finance cost paid	(1,310,412)
Foreign currencies	(2,812,540)
Net book value for Sukuk as of 31 December 2007	52,574,296

14. Share capital

During the year, the employees have subscribed fully in the issued share of employees stock options plan for a total of 13,960,000 shares at 217 fils per share through paying the nominal value of shares of KD 1,396,000 and premium share of KD 1,633,320.

The Shareholders General Assembly held on 30 May 2007, approved the increase in capital by issue bonus shares at 10% which equal 33,214,800 share.

Accordingly the issued and fully paid up capital is KD 36,536,280 distributed over 365,362,800 shares as of 31 December 2007 (paid is KD 31,818,800 as of 31 December 2006).

15. Treasury shares

	2007	2006
Number of treasury shares (share)	21,820,186	14,261,533
Ownership percentage (%)	5.97	4.48
Market value	9,311,773	7,130,767

16. Statutory reserve

In accordance with the Commercial Companies Law and the Parent Company's Articles of Association, 10% of net profit before KFAS and Board of Directors' remuneration, National Labour Support Tax and Zakat 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 parent share capital, the General Assembly is permitted to utilize amounts in excess of 50% of the company share capital in aspects seen appropriate for the benefit of the parent Company and its shareholders.

17. Voluntary reserve

In accordance with the Parent 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, Board of Directors remuneration, National labour Support Tax and Zakat for the year ended 31 December 2007. These proposals are subject to approval of the general assembly of the shareholders.

18. Investments revenue

	2007	2006
(Loss)/ gain from sale of investments at fair value through profit and loss	(664,170)	(478,958)
Change in fair value of investments at fair value through profit and loss	(712,504)	135,497
Gain from sale of available for sale investments	8,749,334	14,639,241
Impairment in value of investment available for sale	(360,124)	-
Dividends income	114,344	263,941
Murabaha income	2,497,611	119,852
	9,624,491	14,679,537

On 15 May 2007, The Group sold unquoted shares amounted to KD 9,345,000 to a related party, this amount is due on instalments ended 15 August 2008. The remaining amount due is recorded as due from related party (note 8). The group has collected an amount KD 5,000,000 as of 31 December 2007. This transaction has resulted a realized profit amounted to KD 7,954,369. These shares have been deposit in portfolio managed by a related party on behalf to the buyer and the portfolio is pledged in favor of the Group as a collateral until repayment of sale price.

19. Management, consulting and subscription fees

During the year, the company has marketed securities owned to related party against marketing commission. As per the contract conditions and to the extent of the securities quantities which have been marketed, the company is entitled to earn commission amounting to KD 1,286,725.

20. 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:

	2007	2006
Net profit for the year	21,165,071	23,637,698
Weighted average No. of issued and outstanding shares during the year (share)	341,198,792	338,372,398
Earnings per share (fils)	62.03	69.86

Bonus shares have been taken into consideration when calculating the weighted average number of shares issued, paid and outstanding for the years ended 31 December 2007/2006.

- **Diluted 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).

	2007	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)	-	346,273,738
Diluted earning per share (fils)	-	68.26

21. 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 2007.

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

	2007	2006
Transactions		
Management fees	1,592,189	198,004
Murabaha income	2,497,611	222,143
Finance cost	1,084,991	922,152
Gain on sale of investment in associate	4,642,651	2,803,264
Gain on sale of available for sale investments	7,954,369	1,845,309
Key management benefits	683,145	950,234
Gain on sale of subsidiaries	2,729,471	-

	2007	2006
Balances		
Murabaha receivable	37,008,137	16,421,120
Investment in Mudaraba	606,698	3,793,582
Due from related parties	9,828,529	3,450,150
Accrued revenues	1,198,146	198,004
Due to related parties	147,825	3,585,295
Mudaraba and wakala payable	10,345,409	11,038,032
Investment fund payables	2,005,286	2,005,286
Fiduciary assets payables	-	1,992,608

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 2007 (KD 38,938,000 as of 31 December 2006), which are included under off balance sheet items (Note 26).

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

22. Dividends

On 31 March 2008 The Board of Directors has proposed a cash dividends with10% which is 10 fils per share and bonus shares with 25% of the paid up capital which is 25 shares for each 100 shares for the year ended 31 December 2006.

On 30 May 2007 Shareholders' General Assembly meeting held approved cash dividends of 30% of the paid up capital for the year ended 31 December 2006 and approved the cash divideds with 20% which is 20 fils per share and bonus shares with 10% of the paid up capital with 10 shares for each 100 shares for the year ended 31 December 2006.

23. Geographical distribution of assets and liabilities

	Assets		Liabilities	
	2007	2006	2007	2006
State of Kuwait	158,245,847	130,612,553	20,376,020	63,131,700
Other GCC countries	15,235,847	23,598,497	60,620,833	8,658,947
	173,481,694	154,211,050	80,996,853	71,790,647

24. Contingent liabilities

- At the date of balance sheet, there are letters of guarantees amounted to KD 5,753,024 as of 31 December 2007 issued to others (KD 2,837,656 as of 31 December 2006).
- The Group 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 in United States when the Company was acting as an agent on behalf of its clients. A full provision has been formed against those verdicts issued.
- During the year the Group has reversed a provision amounted KD 766,742 classified as other income in the income statement for the current year as there is a appeal verdict issued in favour of the Group. The case is still pending in the courts at the stage of discrimination rule, the lawyer of the group believes that it is probable that the Group will win the case.
- The Group lost one of the cases and this has resulted to a losses of amount of KD 1,021,015 was charged to the consolidated income statement during the year ended 31 December 2007.

25. Employees stock options 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 of the parent company under the proposed employee stock option plan (ESOP). At 28 July 2006, the Board of Directors approved the employees stock option plan as the subscribe price is KD 217 fils per share.

During the year ended in 31 December 2007, the term of issuance the shares, vesting period and qualifies employees have been determined and completed. The employees have fully subscribed in issued share and paid in cash. The cost of applying this plan is determined as the difference between the fair value of shares and amount paid in subscription, as per the requirement of IFRS "2" (share based payment). The cost of applying the plan amounted to KD 2,694,280 has been changed to current period statement of income as of 31 December 2007. There is no option outstanding for this plan as at 31 December 2007.

26. Off balance sheet items

The Group manages portfolios on behalf of others which are not included in the consolidated balance sheet. The total net value of these managed assets on behalf of others amounted to KD 210,905,142 as of 31 December 2007 (KD 176,354,000 as of 31 December 2006).

27. Comparative figures

Comparative figures have been reclassified to conform with the current presentation of the financial statements as of 31 December 2007.