ANNUAL REPORT 2006

KD
USD **1,000,000,000**

(A retrospective on Today's Success)

دار الاستثمار
Investment Dar

INVESTMENT DAR CO. AND ITS SUBSIDIARIES
STATE OF KUWAIT

Consolidated Financial Statements & Independent Auditor's Report

FOR THE YEAR ENDED 31 DECEMBER 2006

Contents

Bader & Co. PricewaterhouseCoopers
P.O. Box 20174, Safat 13062
Dar Al-Awadi Complex, 7th Floor
Ahmed Al-Jaber Street, Sharq - Kuwait
Telephone: (965) 2408844
Facsimile: (965) 2408855
E-mail: pwc.kwt@kw.pwc.com

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

The Investment Dar Company - KSC. (Closed)
Kuwait

Independent auditors' report to the shareholders

We have audited the accompanying consolidated financial statements of The Investment Dar Company – (K.S.C.C.) "Parent Company" and its subsidiaries "together referred to as the Group" which comprise the consolidated balance sheet as of 31 December 2006, and the consolidated statements of income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes. The consolidated financial statements for the year ended 31 December 2005 were audited by Bader & Co. PricewaterhouseCoopers and another auditor, whose report dated 8 March 2006 expressed an unqualified report.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the 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 parent 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 evaluating the overall presentation of the consolidated financial statements.

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

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 2006, 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.

Other regulatory matters

Furthermore, in our opinion, proper books of accounts have been kept by the 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 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 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 2006.

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

Safi A. Al-Mutawa
License No. 138 - A
of KPMG Safi Al-Mutawa & Partners
Member firm of KPMG International

13 February 2007
Kuwait

Consolidated Balance Sheet

AS AT 31 DECEMBER 2006

(All amounts are in Kuwaiti Dinars)

	Note	2006	2005
Assets			
Cash and cash equivalents	3	114,211,308	27,351,764
Murabaha investments	4	64,156,540	14,301,595
Financial investments at fair value through profit and loss	5	131,484,579	114,191,889
Investments available for sale	6	221,414,014	127,345,216
Finance receivables	7	195,791,963	161,801,804
Other receivables	8	56,292,873	71,914,093
Land and real estate held for trading		320,135	316,944
Investment properties	9	80,830,463	66,918,658
Land and real estate under development	10	38,252,437	24,196,155
Investment in associates	11	138,815,614	52,279,921
Investment in unconsolidated subsidiaries		-	665,000
Intangible assets	12	12,702,954	2,724,367
Property and equipment	13	6,506,352	5,621,276
Total Assets		**1,060,779,232**	**669,628,682**
Liabilities and Equity			
Liabilities			
Payables and other credit balances	14	21,105,455	114,635,065
Murabaha and Wakala payable	15	598,400,915	331,796,023
Islamic Sukuk	16	66,196,382	28,573,255
Employees' end of service indemnity		1,449,193	789,062
Total Liabilities		687,151,945	475,793,405
Equity			
Equity attributable to the shareholders of the Parent Company			
Share capital	17	71,006,593	50,718,995
Share premium		116,968,443	25,674,252
Treasury shares	18	(9,794,002)	(2,936,352)
Statutory reserve	20, 19	24,019,950	14,527,648
Voluntary reserve	20, 19	24,019,950	13,430,755
General reserve	20, 19	15,000,000	9,026,178
Change in fair value reserve	20, 19	11,536,921	3,235,348
Foreign currency translation reserve	20, 19	675,143	7,261
Gain on sale of treasury shares	20, 19	188,135	-
Retained earnings		55,518,993	63,331,317
Total equity attributable to the shareholders of the Parent Company		309,140,126	177,015,402
Minority interest		64,487,161	16,819,875
Total Equity		373,627,287	193,835,277
Total liabilities and Equity		1,060,779,232	669,628,682

The accompanying notes (1) to (38) form an integral part of these consolidated financial statements.

Adnan A. Al-Musallam

Chairman and Managing Director

Consolidated Statement of Income

FOR THE YEAR ENDED 31 DECEMBER 2006

(All amounts are in Kuwaiti Dinars)

	Note	2006	2005
Revenue			
Finance income		23,459,993	20,118,472
Investments income	21	18,863,922	33,675,438
Gain on partial disposal of subsidiaries	22	25,818,837	6,648,684
Group's share of profits of associates	11	7,745,254	5,318,593
Investment services revenues	23	23,483,386	14,654,328
Land and real estate revenues	24	58,698,245	38,499,722
Other income	25	4,503,028	1,895,314
		162,572,665	120,810,551
Expenses and other charges			
Finance cost		40,930,813	17,883,511
General and administrative expenses	26	17,560,243	11,405,436
Provision for doubtful debts		5,250,891	2,824,543
Depreciation and amortization		1,524,947	1,092,180
Kuwait Foundation for the Advancement of Sciences "KFAS"		552,313	393,500
National Labor Support Tax "NLST"		2,213,706	1,562,771
Board of Directors' remuneration		150,000	150,000
		68,182,913	35,311,941
Net profit for the year		94,389,752	85,498,610
Attributable to:			
Shareholders of the Parent company		92,006,998	80,490,935
Minority interest		2,382,754	5,007,675
		94,389,752	85,498,610
Earnings per share attributable to the shareholders of the parent company (fils)	27	141.20	124.62

The accompanying notes (1) to (38) form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2006
(All amounts are in Kuwaiti Dinars)

	Equity Attributable to the Shareholders of the Parent Company						Minority interests	Total equity
	Share capital (Note 17)	Share premium	Treasury shares (Note 18)	Reserves (Note 19, 20)	Retained earnings	Total equity attributable to the shareholders of the parent company		
Balance as at 31 December 2004 as previously reported	50,718,995	25,674,252	(443,707)	14,779,445	22,496,885	113,225,870	2,742,017	115,967,887
Effect of change in accounting policy	-	-	-	(314,297)	314,297	-	-	-
Effect of acquisition of an associate	-	-	-	-	(1,420,998)	(1,420,998)	-	(1,420,998)
Restated balance as at 31 December 2004	50,718,995	25,674,252	(443,707)	14,465,148	21,390,184	111,804,872	2,742,017	114,546,889
Cash dividends for year 2004	-	-	-	-	(12,520,580)	(12,520,580)	-	(12,520,580)
Dividends in kinds for year 2004	-	-	-	-	(9,509,780)	(9,509,780)	-	(9,509,780)
Transferred for Zakat for year 2004	-	-	-	(1,096,893)	-	(1,096,893)	-	(1,096,893)
Purchase of treasury shares	-	-	(12,614,197)	-	-	(12,614,197)	-	(12,614,197)
Sale of treasury shares	-	-	10,121,552	7,916,622	-	18,038,174	-	18,038,174
Net movement in subsidiaries	-	-	-	-	-	-	9,070,183	9,070,183
Change in fair value	-	-	-	2,665,275	-	2,665,275	-	2,665,275
Transferred as a result of sale of investments during the year	-	-	-	(219,455)	-	(219,455)	-	(219,455)
Foreign currency translation reserve	-	-	-	(22,949)	-	(22,949)	-	(22,949)
Net profit recognized directly in equity	-	-	-	10,339,493	-	10,339,493	-	10,339,493
Net profit for the year	-	-	-	-	80,490,935	80,490,935	5,007,675	85,498,610
Total recognized profit of the year	-	-	-	10,339,493	80,490,935	90,830,428	5,007,675	95,838,103
Transfer to reserves	-	-	-	16,519,442	(16,519,442)	-	-	-
Balance as at 31 December 2005	50,718,995	25,674,252	(2,936,352)	40,227,190	63,331,317	177,015,402	16,819,875	193,835,277

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2006

(All amounts are in Kuwaiti Dinars)

	Equity Attributable to the Shareholders of the Parent Company						Minority interests	Total equity
	Share capital (Note 17)	Share premium	Treasury shares (Note 18)	Reserves (Note 19, 20)	Retained earnings	Total equity attributable to the shareholders of the parent company		
Balance as at 31 December 2005	50,718,995	25,674,252	(2,936,352)	40,227,190	63,331,317	177,015,402	16,819,875	193,835,277
Cash dividends for year 2005 (Note 28)	-	-	-	-	(17,595,355)	(17,595,355)	-	(17,595,355)
Bonus share dividends for year 2005 (Note 28)	10,143,799	-	-	-	(10,143,799)	-	-	-
Dividends in kinds for year 2005 (Note 28)	-	-	-	-	(31,242,900)	(31,242,900)	-	(31,242,900)
Transferred for Zakat for year 2005	-	-	-	(2,684,329)	-	(2,684,329)	-	(2,684,329)
Proceeds from share capital increase - cash	10,143,799	91,294,191	-	-	-	101,437,990	-	101,437,990
Purchase of treasury shares	-	-	(12,273,330)	-	-	(12,273,330)	-	(12,273,330)
Sale of treasury shares	-	-	5,415,680	188,135	-	5,603,815	-	5,603,815
Net movement in subsidiaries	-	-	-	-	-	-	45,284,532	45,284,532
Change in fair value	-	-	-	8,301,573	-	8,301,573	-	8,301,573
Effect of interest in associate (Note 11)	-	-	-	-	(12,097,620)	(12,097,620)	-	(12,097,620)
Foreign currency translation reserve	-	-	-	667,882	-	667,882	-	667,882
Net profit recognized directly in equity	-	-	-	6,473,261	-	6,473,261	-	6,473,261
Net profit for the year	-	-	-	-	92,006,998	92,006,998	2,382,754	94,389,752
Total recognized profit of the year	-	-	-	6,473,261	92,006,998	98,480,259	2,382,754	100,863,013
Transfer to reserves	-	-	-	28,739,648	(28,739,648)	-	-	-
Balance as at 31 December 2006	71,006,593	116,968,443	(9,794,002)	75,440,099	55,518,993	309,140,126	64,487,161	373,627,287

The accompanying notes (1) to (38) form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2006
(All amounts are in Kuwaiti Dinars)

	2006	2005
Cash flows from operating activities		
Net profit for the year	94,389,752	85,498,610
Adjustments:		
Depreciation and amortization	1,524,947	1,092,180
Provision for doubtful debts	5,250,891	2,824,543
Gain on sale of investment available for sale	(6,991,868)	-
Group's share of profits of associates	(7,745,254)	(5,318,593)
Gain on sale of shares in associates	(1,623)	-
Gain on sale of lands and real estate and investment properties	(48,576,326)	(26,810,899)
Dividends	(1,003,681)	(913,382)
Murabaha income	(8,210,621)	(407,218)
Net revenue from investments at fair value through profit and loss	(2,725,117)	(32,424,838)
Change in fair value of investment properties	(10,023,828)	(11,431,507)
Finance cost	40,930,813	17,883,511
End of service indemnity	715,004	304,773
Kuwait Foundation for the Advancement of Science "KFAS"	552,313	393,500
National Labour Support tax "NLST"	2,213,706	1,562,771
Board of Directors' remuneration	150,000	150,000
Operating income before changing in working capital	60,449,108	32,403,451
Net payment for purchase of investments at fair value through profit and loss	(68,112,578)	(53,977,751)
Finance receivables	(39,241,050)	24,826,242
Other receivables	15,634,777	(60,694,462)
Land and real estate held for trading	(3,191)	195,046
Payables and other credit balances	1,217,870	102,294,018
Payment of employees end of service indemnity	(54,873)	(215,685)
Payment for Kuwait Foundation for the Advancement of Science "KFAS"	(393,500)	(198,734)
Payment for National Labour Support Tax "NLST"	-	(615,132)
Payment for Board of Directors remuneration	(150,000)	(110,000)
Net cash generated from operating activities	(30,653,437)	43,906,993
Cash flows from investing activities		
Murabaha investments	(49,152,227)	(13,761,494)
Murabaha income	8,210,621	407,218
Net payment for purchase of investment in associates	(66,917,449)	(45,540,314)
Net payment for purchase of investments available for sale	(78,775,357)	(119,826,288)
Net payment for purchase of investment in unconsolidated subsidiary	84,885	(665,000)
Dividends	1,003,681	913,382
Net (payment) for purchase/ proceed from sale of investment properties	(16,725,677)	27,784,739
Net payment for purchase of land and real estate under development	(52,642,256)	(22,480,154)
Payment for purchase of property and equipment	(1,897,528)	(4,559,651)
Payments for purchase of intangible assets	(4,375,662)	(363,706)
Net cash used in investing activities	(261,186,969)	(178,091,268)
Cash flows from financing activities		
Net receipts from Murabaha and Wakala payables	266,604,892	122,610,614
Net receipts from Islamic Sukuk	37,623,127	28,573,255
Finance cost paid	(40,930,813)	(17,883,511)
Proceeds from share capital increase	101,437,990	-
Payment for purchase of treasury shares	(12,273,330)	(12,614,197)
Proceeds from sale of treasury shares	5,603,815	18,038,174
Cash dividends paid	(17,413,223)	(12,433,414)
Net cash generated from financing activities	340,652,458	126,290,921
Net change in minority interest	38,047,492	9,070,183
Net increase in cash and cash equivalents	86,859,544	1,176,829
Cash and cash equivalents at beginning of the year	27,351,764	26,174,935
Cash and cash equivalents at end of the year	114,211,308	27,351,764

The accompanying notes (1) to (38) form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2006

(All amounts are in Kuwaiti Dinars unless otherwise stated)

1. Incorporation of the Group

The Investment Dar Company ("The Parent company") is a Closed Kuwaiti Shareholding Company established in Kuwait in 1994 and is registered as an investment company with the Central Bank of Kuwait on 27 August 1995. The shares of the Parent company were listed on Kuwait Stock Exchange on April 1999.

The Parent company's headquarter office is domiciled at Ahmed Al-Jaber Street, Sharq, Kuwait.

The activities of the parent Company and its subsidiaries (together referred to as "The Group") are carried out in accordance with Noble Islamic Shari'ah Principles. The principle activities of the Group are selling and leasing of motor vehicles and real estate properties to consumers based on Musawama, Murabaha, Ijara and Wakala contracts. The Group is also engaged in Murabaha investments with local Islamic financial institutions, trading in land and real estate and managing financial portfolios and investment funds for others.

The consolidated financial statements were authorised for issue by the Board of Directors on 13 February 2007 and are subject to the approval of the shareholders in the general assembly meeting of the Parent company.

2. Basis of preparation and significant accounting policies

The principle accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented.

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) as adopted for use in the State 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 provisions, which have been replaced by the Central Bank of Kuwait's requirements for a minimum general provision as described in note (2.3).

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, financial assets at fair value through profit or 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 judgment in the process of applying the company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates have significant impact on the financial statements, are disclosed in Note (33).

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

- Amendments and adjustments are mandatory for the year ended 31 December 2006.
- The Parent company applied the amendments and adjustments that are related to its activities, especially amendments on IAS (39), and which had no material impact on the Group's financial statements.

The following IASB Standards and Interpretations have been issued but are not yet effective, and have not yet been adopted by the Group:

IFRS 7 Financial Instruments: Disclosures

IAS 1 Capital disclosure

IFRIC 8 Scope of IFRS 2

IFRIC 10 Interim Financial Reporting and Impairment

IFRIC 11 IFRS 2 – Group and Treasury Share Transactions

The application of IFRS 7, which will be effective the next financial year will result in amended and additional disclosures relating to financial instruments and associated risks. The application of amendments and other interpretations mentioned above are not expected to have a material impact on the consolidated financial statements of the Group.

Notes to the Consolidated Financial Statements
FOR THE YEAR ENDED 31 DECEMBER 2006
(All amounts are in Kuwaiti Dinars unless otherwise stated)

2.2 Consolidation

Subsidiaries

Subsidiaries are all entities over which the Group 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 controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases (Note 35 shows the list of subsidiaries).

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. 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 Group'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 Group.

Associates

Associates are 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 extent of the Group'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 Group.

2.3 Financial Instruments

Classification

The Group classifies its financial assets upon acquisitions based on the purpose of acquiring these investments. The Group has classified its financial assets as "at fair value through profit and loss", "finance receivables" and "available for sale investments".

Financial assets at fair value through profit and loss

This classification is divided into two sub categories: financial assets held for trading, and those designated at fair value through statement of income at acquisition. Financial assets held for trading are those assets acquired principally for the purpose of selling in the short term. The financial assets designated at fair value through statements of income at acquisition are classified in this category, if they are managed and their performance is evaluated and internally reported on a fair value basis in accordance with risk management approved by the management or investment strategy.

Finance receivables

These 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 either designated in this category or not included in any of the above categories and are principally, those acquired to be held for an indefinite period of time and can be sold when liquidity is needed or upon changes in rates of profit.

Recognition and De-recognition

Purchases and sales of financial assets are recognised on the purchase date, on which the Group commits to deliver or receive the financial instrument. Financial assets are derecognised when the right to receive cash flows from the assets has expired or has been transferred and the Group has substantially transferred all risks and rewards of ownership.

Measurement

All financial assets are initially recognised at fair value plus transaction costs for all assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

Subsequently, available for sale financial assets and financial assets at fair value through profit and loss are remeasured at fair value. Finance receivables are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss are included in the income statement for the year in which they arise. Changes in fair value of financial assets classified as available for sale are recognised 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 values

The fair values of quoted investments are based on current bid prices. The fair value of unquoted investments is determined by the market value of similar investment, discounted cash flows, or using other pricing alternative. Available for sale investments with undeterminable market values are recorded at cost less impairment in value.

Impairment in value

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 that the securities are impaired. 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 recognized in the profit or loss- is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement. A specific provision for impairment to address is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of specific provision is the difference between the asset’s carrying amount and the present value of the estimated cash flows, including disposal of the amounts recoverable from guarantees and collateral, discounted at the effective interest rate. The amount of the provision is recognized in the income statement.

In addition, in accordance with Central Bank of Kuwait instructions, a minimum provision of 2% of all finance receivables, which are not subject to specific provision, after disposing of certein categories of collatral as instructed by the Central Bank of Kuwait.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2006

(All amounts are in Kuwaiti Dinars unless otherwise stated)

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 cash flow statement.

2.5 Land and real estate held for trading

Land and real estate acquired for resale are classified as held for trading and are carried out at the lower of cost and net realisable value. Net realisable value is the estimated selling price less estimated selling costs.

2.6 Investment properties

Properties not occupied by the Group and acquired for long-term leases or for capital appreciation in future are classified as investment properties.

Investment properties are stated at cost on acquisition and re-measured at fair value. Fair value is determined by an independent registered valuer on each balance sheet date. Gains or losses arising from change in fair value are recognised in the statement of income.

2.7 Land and real estate under development

Land and real estate under development are recognized at cost, which includes development costs. When the development process is completed, the land and real estate are classified either as investment properties or land and real estate held for trading or as property for the Group's self-occupation as per management intention regarding the future use of these properties.

2.8 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 the 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. Recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Computer Software

Costs of computer software, which are expected to have useful lives of more than one year, are carried out at cost and amortized on a straight-line basis over their expected useful lives of 3 years. All other software costs are charged to statement of income.

Leasehold right of land

Cost incurred to acquire leasehold rights is carried at cost and amortized on a straight-line basis over their expected useful lives up to 20 years.

2.9 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 calculated based on the estimated useful lives of the assets using the straight line method.

2.10 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 statement of income for the period in which they arise.

2.11 Murabaha and Wakala payables

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 amortized cost using the effective yield method. Cost of Murabaha and Wakala payables is expensed on a time proportion basis.

2.12 End of service's indemnity

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

The defined benefit plan is unfunded 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.

2.13 Treasury shares

Treasury shares represent the Parent company's own shares that have been issued, subsequently purchased by the Group 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 are reissued, gains are credited to a separate undistributable account in equity "gain on sale of treasury shares. Any realised 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 losses on sale of treasury shares.

2.14 Revenue recognition

Murabaha, Musawama, Wakala and Ijara income are recognised on a time proportion basis using the effective rate of return on outstanding balances for such transactions.

Operating lease income is recognised on a straight-line basis over the lease term.

Dividends income are recognized when right to receive payment is established.

Revenue from sale of land and real estate is recognised on the completion of the sale contract.

Management fees are recognised when earned.

2.15 Accounting for leases

Leases of assets under which a significant portion of the risks and benefits of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of income on a straight-line basis over the period of the lease.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2006
(All amounts are in Kuwaiti Dinars unless otherwise stated)

2.16 Foreign currencies

The functional currency of the Group 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 transaction at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income.

Net assets 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 recognized in foreign currency translation reserve in equity.

2.17 Zakat

Based on the recommendation of the Shari'ah Supervisory Board, the Group started to calculate Zakat based on Weaa Al-Zakat which consists of assets and liabilities that are subject to Zakat. Zakat is deducted from the voluntary reserve.

2.18 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 these consolidated financial statements.

3. Cash and cash equivalents

	2006	2005
Cash with banks and financial institutions	111,350,884	19,042,669
Cash in investment portfolios	2,602,053	8,228,624
Cash on hand	258,371	80,471
	114,211,308	27,351,764

4. Murabaha investments

This balance represents the amounts deposited in local financial institutions in accordance with Murabaha agreements. The average effective rate of return as at 31 December 2006 is 8.20% (8.33%- 31 December 2005).

5. Investments at fair value through profit and loss

	2006	2005
Held for trading investments	31,600,140	13,751,501
Investments designated at fair value through statement of income at acquisition	99,884,439	100,440,388
	131,484,579	114,191,889

	2006	2005
Investments in local shares - quoted	18,031,552	43,174,818
Investments in local shares - unquoted	43,304,322	51,074,130
Investments in foreign shares - quoted	77,574	78,396
Investments in foreign shares - unquoted	19,741,632	662,342
Investments in local funds - quoted	856,308	843,071
Investments in local funds - unquoted	47,418,291	16,347,244
Investments in foreign funds - unquoted	2,054,900	2,011,888
	131,484,579	114,191,889

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2006

(All amounts are in Kuwaiti Dinars unless otherwise stated)

6. Investments available for sale

	2006	2005
Investments in local shares - quoted	29,467,573	2,215,632
Investments in local shares - unquoted	173,501,645	122,739,244
Investments in foreign shares - unquoted	4,946,933	2,135,340
Investments in local funds - unquoted	1,701,997	255,000
Investments in local portfolios	11,795,866	-
	221,414,014	127,345,216

Investments available for sale include an amount of KD 143,977,016 as at 31 December 2006 (KD 124,874,584 as at 31 December 2005) represents investments in unquoted shares carried at cost less impairment losses since it was not possible to measure its fair values as at 31 December 2006.

Investments in unquoted local shares include an amount of KD 78,752,000 represent the Group's share in the Capital of a company with percentage more than 20%. As the Group does not have significant influence on the financial and operating policies of this company. These investments have been classified as available for sale investments.

7. Finance receivables

	2006	2005
Cost	216,647,499	177,406,449
Provision for doubtful debts	(20,855,536)	(15,604,645)
	195,791,963	161,801,804

The average yield rate on finance receivables is 14.25% as at 31 December 2006 (13.27% as at 31 December 2005). Following is the breakdown of the provision for doubtful debts:

	Specific provision	General provision	Total
Balance as at 1 January 2006	11,017,893	4,586,752	15,604,645
Amounts charged during the year	5,083,856	167,035	5,250,891
Balance as at 31 December 2006	16,101,749	4,753,787	20,855,536
Balance as at 1 January 2005	9,248,346	3,846,960	13,095,306
Amounts written off	(315,205)	-	(315,205)
Amounts charged during the year	2,084,752	739,792	2,824,544
Balance as at 31 December 2005	11,017,893	4,586,752	15,604,645

8. Other receivable

	2006	2005
Suppliers – advance payments	287,901	1,103,659
Advance payments to purchase land, real estate and investments	2,311,946	10,023,764
Due from forward sales contracts	2,135,087	-
Accrued income	1,052,580	9,010,686
Due from related parties	8,963,680	7,207,602
Receivables from investment transactions	36,321,745	5,000,000
Letters of guarantee	1,940,034	1,675,920
Kuwait Clearing Company	651,208	62,575
Prepaid expenses	501,919	127,972
Other debit balances	2,126,773	37,701,915
	56,292,873	71,914,093

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2006
(All amounts are in Kuwaiti Dinars unless otherwise stated)

Suppliers - advance payments balance represent advances paid for purchasing goods under cancellable contracts.

Due from related parties represents amounts paid on behalf of related parties on investment transactions.

Receivables from investment transactions represent the accrued balance due from the sale of some investments.

Due from forward sales contracts represents the amount financed from the value of forward sales bought for the clients.

9. Investment properties

	2006	2005
Opening balance of the year	66,918,658	26,218,687
Additions	31,084,634	21,145,990
Disposals	(12,708,169)	(35,610,521)
Transferred (to)/ from land and real estate under development	(14,488,488)	41,223,028
Transferred from property and equipment	-	2,509,967
Change in fair value	10,023,828	11,431,507
	80,830,463	66,918,658

Investments properties are carried at fair value which has been determined by independent valuers.

10. Land and real estate under development

	2006	2005
Opening balance of the year	24,196,155	22,611,662
Additions	25,136,561	54,397,385
Disposals	(25,568,767)	(18,426,537)
Transfer from/ (to) investment properties	14,488,488	(41,223,028)
Transfer from advance payments	-	6,836,673
Ending balance of the year	38,252,437	24,196,155

11. Investments in associates

	Ownership %	2006	Ownership %	2005
Bahrain Islamic Bank B.S.C	40.00	44,391,923	25.88	24,937,888
Al-Dar National Real Estate K.S.C.	20.14	11,649,820	-	-
Manazel Holding Company K.S.C.C.	23.27	24,783,731	-	-
Khabary Holding Company (Al Dar First Holding previously) K.S.C (Closed)	22.80	19,447,235	22.80	19,325,107
Al-Bilad Real Estate Company W.L.L.	32.50	16,624,912	-	-
Park Lane Limited Company	38.00	17,038,296	-	-
Ewaa Real Estate Company K.S.C.	38.00	3,000,000	-	-
Al Dar International For Studies & Consultancy Company K.S.C.C.	50.00	994,405	50.00	1,203,003
Brand Integrated Marketing Communication Advertising Company W.L.L.	42.86	760,542	42.86	760,542
Proman for Projects Management Company W.L.L.	49.90	124,750	49.90	49,900
Wethaq Takaful Insurance Company K.S.C.C.	-	-	40.72	6,003,481
		138,815,614		52,279,921

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2006

(All amounts are in Kuwaiti Dinars unless otherwise stated)

11.1 During the year ended 31 December 2006, the Group completed the acquisition of 40% of the share capital of Bahrain Islamic Bank. The investment balance includes goodwill with an amount of KD 16,108,926 as at 31 December 2006.

The Group has recorded its share in results of Bahrain Islamic Bank which amounted to KD 4,488,417 based on audited financial statements for the year ended 31 December 2006.

11.2 During the year ended 31 December 2006, the Group has added to its acquisition in Manazel Holding Company's shares to reach the total of 23.26% as at 31 December 2006. Accordingly the Group has become exercising significant influence over this investee which resulted in reclassifying the investment at fair value through profit and loss to investment in associate.

The effect of the reclassification is represented in the increase in the opening balance of retained earning by an amount of KD 912,203 which represent the Groups share in the changes in retained earnings at the associate after each acquisition transaction.

Goodwill resulted at each acquisition transaction date has been recalculated. The total goodwill amounted to KD 5,481,084 as at 31 December 2006.

The Group has recorded its share in results of Manazel Holding Company which amounted to KD 1,361,178 based on unaudited financial statements prepared by the management of that company for the year ended 31 December 2006.

11.3 The investment balance in Khabary Holding Co. (Al Dar First Holding Co. previously) includes goodwill with an amount of KD 2,299,832 as at 31 December 2006 (KD 2,299,832 as at 31 December 2005).

The Group has recorded its share in results of Khabary Holding Co. (previously Al-Dar first holding Co.) K.S.C.C. which amounted to KD 1,724,705 based on unaudited financial statements prepared by the management of that company for the financial year ended 31 December 2006.

11.4 During the year ended 31 December 2006. the Group participated in establishing Ewaa Real Estate Co. (K.S.C.), Al-Bilad Real Estate Co. (W.L.L.) and Park Lane Co. for real estate – Jersey - associated companies. The Group did not record it's share in the associate's results since no financial statements have been issued yet.

11.5 The Group has recorded its share in results of Al Dar International for Studies & Consultancies, which amounted to KD (208,599) based on unaudited financial statements prepared by the management of that company for the year ended on 31 December 2006.

11.6 During the year ended on 31 December 2006 the share of the Group in Wethaq Takaful Insurance Co. (K.S.C.C.) has increased and accordingly it has become a subsidiary and has been consolidated in the consolidated financial statements.

11.7 During the year ended 31 December 2006, as the Group's share in Al Dar National Real Estate Company reach the total of 20.14% and has become exercising significant influence over this company which resulted in reclassifying the investment in Al Dar National Real Estate Company at fair value through profit and loss to investment in associate.

The effect of reclassification represented in the decrease in the balance of retained earning by an amount of KD 13,009,823 which represent the change in fair value charged to income statement during the year ended 31 December 2005, less Group's share in results of this associate.

The Group has recorded its share in results of this associate which amounted to KD 379,553 based on the unaudited financial statements for the year ended 31 December 2006.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2006
(All amounts are in Kuwaiti Dinars unless otherwise stated)

11.8 The following is a summary of the Group's share of the net assets and results of operations of the associates:

	Net Profit/ (loss)	Net Assets	Fair Value
Bahrain Islamic Bank (B.S.C)	4,488,417	44,391,923	53,794,823
Al Dar National Real Estate K.S.C.C.	379,553	11,649,820	14,888,626
Manazel Holding Company K.S.C.C	1,361,178	24,783,731	Unquoted
Khabary Holding Company (Al Dar First Holding Company previously) (K.S.C- Closed)	1,724,705	19,447,235	Unquoted
Al-Bilad Real Estate Investment Company W.L.L.	-	16,624,912	Unquoted
Park Lane Limited Company	-	17,038,296	Unquoted
Ewaa Real Estate Company (K.S.C.C)	-	3,000,000	Unquoted
Al Dar International For Studies and Consultancy Company (K.S.C- Closed)	(208,599)	994,405	Unquoted
Brand Integrated Marketing Communication Advertising Company W.L.L.	-	760,542	Unquoted
Proman for Projects Management Company W.L.L.	-	124,750	Unquoted
	7,745,254	138,815,614	

12. Intangible assets

- Intangible assets include net book value of Leasehold land amounted of KD 956,342 as at 31 December 2006 (KD 1,016,987 as at 31 December 2005) on which the parent company's building in Shuwaikh is built. The lease contract is renewable annually.

- Intangible assets includes goodwill of KD 11,351,939 as of 31 December 2006 resulted from an acquisition of a subsidiaries out of which an amount of KD 5,927,950 related to Wethaq Takaful Insurance Company which has been transferred from investment in associate to investment in subsidiary during the year.

13. Property and equipment

This item include an amount of KD 2,066,199 which represent the cost of constructing a building and the cost of land in Al Rai as at 31 December 2006 (KD 1,425,434 as at 31 December 2005).

14. Payables and other credit balances

	2006	2005
Trade payables	7,606,026	2,254,813
Accrued expenses	1,718,532	767,310
Accrued Zakat	1,342,028	320,475
Kuwait Foundation for the Advancement of Science (KFAS)	552,313	393,500
National labour support tax	3,785,811	1,562,771
Board of directors' remuneration	150,000	150,000
Advances under option contracts	-	100,000,000
Accrued dividends	182,132	83,570
Others	5,768,613	9,102,626
	21,105,455	114,635,065

The advances under option contracts are represented in amounts received in accordance with agreements that give the purchaser (Oqyana Real Estate Company) the right to purchase a group of properties (World Island Project) when the technical and economic studies of these properties are concluded.

During the year ended 31 December 2006 these sale transactions were finalized.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2006

(All amounts are in Kuwaiti Dinars unless otherwise stated)

15. Murabaha and Wakala payables

These represent Murabaha and Wakala contracts that mature over a period of two to four years. The average effective yield rate is 7.93% for the year ended 31 December 2006 (7.20% for the year ended 31 December 2005).

16. Islamic Sukuk

	2006	2005
Islamic Sukuk amounted to $150 million for a period of five years maturing on 20 September 2011 paid as one installment, due at end of the period. Sukuk returns are due every six months at 1.25% over the Libor rate for six months for the period from the first year till the third year, and 1.75% over Libor rate for six months for the period from the forth year till the fifth year. These Sukuk give the right of redemption for the Parent company and the investor after a period of three years from the issuance date.	43,269,858	-
Islamic Sukuk amounted to $100 million for a period of five years starting maturity from 27 April 2006 payable semiannually with an interest of 2% above Libor for six month payable every six months	22,926,524	28,573,255
	66,196,382	28,573,255

Sukuk are guaranteed by assignment of debt to finance receivables amounting to KD 30,495,918 in addition to properties and leased vehicles amounting to $157.5 million as of 31 December 2006.

17. Share capital

The general assembly meeting of the shareholders of the Parent company held on 29 March 2006 approved the proposal of the Board of Directors of the Parent company to increase the Parent company's capital by issuing bonus shares of 20% and also to increase the share capital with a cash increase of 20% of the paid up share capital with a par value of 100 fils per share in addition to share premium with an amount of 900 Kuwaiti fils per share.

Accordingly, the Parent company's issued and paid up capital is amounting to KD 71,006,593 distributed over 710,065,932 shares with a par value of 100 fils as at 31 December 2006 (KD 50,718,995 distributed over 507,189,952 shares with a par value of 100 fils as at 31 December 2005).

On 9 May 2006, the share capital increase has been registered in the commercial register.

18. Treasury shares

	2006	2005
Number of treasury shares (share)	10,979,200	4,450,500
Ownership percentage (%)	1.55	0.88
Market value	13,833,792	7,832,880

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2006
(All amounts are in Kuwaiti Dinars unless otherwise stated)

19. Reserves

	Statutory Reserve	Voluntary Reserve	General Reserve	Changes in Fair Value Reserve	Gain on Sale of Treasury Shares	Foreign Currency Translation Reserve	Total
Balance as at 31 December 2004 as previously reported	6,267,927	6,267,927	1,000,000	1,103,825	109,556	30,210	14,779,445
Effect of change in accounting policy	-	-	-	(314,297)	-	-	(314,297)
Restated balance as at 31 December 2004	6,267,927	6,267,927	1,000,000	789,528	109,556	30,210	14,465,148
Transfer to Zakat for year 2004	-	(1,096,893)	-	-	-	-	(1,096,893)
Changes in fair value of investments available for sale	-	-	-	2,665,275	-	-	2,665,275
Transferred as a result of sale of investment available	-	-	-	(219,455)	-	-	(219,455)
Foreign currency translation reserves	-	-	-	-	-	(22,949)	(22,949)
Gain on sale of treasury shares	-	-	-	-	7,916,622	-	7,916,622
Transfers to reserves	8,259,721	8,259,721	8,026,178	-	(8,026,178)	-	16,519,442
Balance as at 31 December 2005	14,527,648	13,430,755	9,026,178	3,235,348	-	7,261	40,227,190
Transfer to Zakat for year 2005 (Note 37)	-	(2,684,329)	-	-	-	-	(2,684,329)
Change in fair value of investments available for sale	-	-	-	8,301,573	-	-	8,301,573
Foreign currency translation reserve	-	-	-	-	-	667,882	667,882
Gain on sale of treasury shares	-	-	-	-	188,135	-	188,135
Transferred to reserves (Note 20)	9,492,302	13,273,524	5,973,822	-	-	-	28,739,648
Balance as at 31 December 2006	24,019,950	24,019,950	15,000,000	11,536,921	188,135	675,143	75,440,099

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2006

(All amounts are in Kuwaiti Dinars unless otherwise stated)

20. Statutory, voluntary, and general Reserves

Statutory reserve

In accordance with the Commercial Companies Law and the Parent 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 payment of dividend. 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 Parent company and its shareholders.

Voluntary reserve

In accordance with the Parent company's Articles of Association, a percentage of Group's 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 an amount of KD 13,273,524 of net profit before KFAS, National labour Support Tax and Board of Directors remuneration for the year ended 31 December 2006 (KD 8,259,721 for the year ended 31 December 2005).

General reserve

In accordance with the Parent company's Articles of Association, an amount of net profit proposed by the Board of Directors and approved by the General Assembly is transferred to general reserve. Such transfer may be discontinued by a resolution of the General Assembly based on a proposal put forward by the Board of Directors. The Board of Directors proposed a transfer of KD 5,973,822 of net profit for the year ended 31 December 2006 (KD 8,026,178 from gain on sale of treasury shares reserve as at 31 December 2005).

21. Investment Income

	2006	2005
Profit from sale of investments at fair value through profit and loss	330,303	8,795,481
Change in fair value of investments at fair value through profit or loss	2,394,814	23,629,357
Profit from sale of investments available for sale	6,991,868	-
Impairment in value for investments available for sale	(68,988)	(70,000)
Dividends	1,003,681	913,382
Murabaha income	8,210,621	407,218
Profits from sale of shares in associate	1,623	-
	18,863,922	33,675,438

Change in fair value of investments at fair value through profit and loss include an amount of KD 2,491,918 pertains to unquoted shares. Its fair value has been determined based on the latest available deals.

22. Gain on partial disposal of a subsidiaries

An amount of KD 24,135,985 represents the gain resulted from distributing some of the group's right in Al-Madar Finance Co. (subsidiary) (Note 28) in the year ended 31 December 2006 (KD 6,648,438 in the year ended 31 December 2005) in addition to an amount of KD 1,682,852 in the year ended 31 December 2006 which represents gain from sale of the shares of the Group in some subsidiaries.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2006
(All amounts are in Kuwaiti Dinars unless otherwise stated)

23. Investment services revenues

	2006	2005
Management fees on portfolios and investments	716,824	3,737,880
Underwriting Fees	483,542	9,441,066
Funds' management fees	1,466,177	743,246
Sales commissions	15,433,417	144,560
Research and consultancy	5,383,426	587,576
	23,483,386	14,654,328

24. Land and real-estate revenues

	2006	2005
Gain on sale of land and real estate under development	46,925,538	13,490,691
Gain on sale of investment properties	1,650,788	13,320,208
Change in fair value of investment properties	10,023,828	11,431,507
Rent income	98,091	257,316
	58,698,245	38,499,722

25. Other income

	2006	2005
Gain from foreign exchange differences	2,221,991	48,158
Operating lease income	1,041,291	671,139
Collection of receivables written off in previous years	194,464	327,192
Collection fees	426,741	194,322
Gain on sale of property and equipment	3,484	1,418
Miscellaneous income	615,057	653,085
	4,503,028	1,895,314

26. General and administrative expenses

General and administrative expenses include staff costs of KD 8,112,981 for the year ended 31 December 2006 (KD 4,689,916 for the year ended 31 December 2005).

27. Earnings per share

Earnings per share are calculated by dividing the net profit attributable to the shareholders of the Parent company by the weighted average number of outstanding shares during the year as follows:

	2006	2005 (Restated)
Net profit for the year attributable to the shareholders of the Parent company	92,006,998	80,490,935
Weighted average number of issued and outstanding shares during the year/ (share)	651,629,235	645,895,038
Earnings per share/(fils)	141.20	124.62

Issued bonus shares and the right issue effect in the share capital increase has been accounted for while calculating earnings per share for the two years ended 31 December 2006/2005 from the beginning of the two years.

28. Dividends

2006 Dividends:

Board of Directors proposed a cash dividend of 50 fils per share for the year ended 31 December 2006.

The Board of Directors have also proposed an issue of bonus shares with 7.5% of the paid up capital which is 7.5 shares for each 100 shares of The Investment Dar Company.

2005 Dividends:

The General Assembly meeting of the shareholders held on 29 March 2006 approved cash dividends of 35 fils per share for the year ended 31 December 2005, in addition to 70 shares of the subsidiary's owned shares (Al Madar For Investment and Finance Company K.S.C.C.) per 1,000 shares of The Investment Dar Company after excluding treasury shares.

The General Assembly also approved the dividends of bonus shares with 20% of the paid up capital which is 20 shares for each 100 shares of The Investment Dar Company.

29. Related parties transactions

Related parties represents Group's shareholders who have representatives in the Board of Directors, members of the Board of Directors and Senior Management. In the normal course of business and approval of Group's management, the Group entered into transactions with related parties during the year ended 31 December 2006.

The related parties transactions and outstanding balances relating to these related parties are as follows:

	2006	2005
Transactions		
Finance income	869,035	1,833,901
Gain from sale of share in subsidiaries	25,789,137	6,648,438
Investment income	586,451	-
Finance cost	(76,971)	(69,164)
Purchase for resale	(1,691,112)	(6,082,393)
Balances		
Trade receivables	-	47,161
Due from related parties	8,898,464	7,207,602
Suppliers - advance payment	-	44,490
Trade payable	1,055,002	17,970
Murabaha payable	14,929,527	11,779,696
Investments at fair value through profit and loss	8,927,896	14,952,836
Key management benefits	980,171	735,318
Key management – Termination benefits	75,096	78,248

The Group also manages financial portfolios on behalf of a related party, net assets of these portfolios amounted to KD 18,913,264 as at 31 December 2006 (KD 52,589,361 as at 31 December 2005), and are held as off balance sheet items.

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2006
(All amounts are in Kuwaiti Dinars unless otherwise stated)

30. Segment distribution

The group carries out most of its activities in Kuwait through three major business segments:

- Finance segment: represented in supplying consumers and companies of all their miscellaneous needs as per contracts complying with the Islamic Shari'ah principles.
- Real estate segment: represented in sale of land and real estate held for trading or after developing them, cash or through Istesna'a' contracts.
- Investment segment: represented in management of real estate portfolios and investment funds on behalf of third parties and management of the Group's investments.

An information analysis according to segments for the financial year 2006 / 2005 is as follows:

	Finance		Real Estate		Investment		Unallocated items		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Segment revenues	28,047,656	22,013,786	58,613,610	38,499,722	75,911,399	60,297,043	-	-	162,572,665	120,810,551
Segment expenses	(15,341,991)	(8,161,499)	(21,088,243)	(9,333,757)	(27,311,713)	(14,618,233)	(4,440,966)	(3,198,452)	(68,182,913)	(35,311,941)
Segment results	12,705,665	13,852,287	37,525,367	29,165,965	48,599,686	45,678,810	(4,440,966)	(3,198,452)	94,389,752	85,498,610
Segment assets	195,897,283	162,905,463	119,403,035	91,431,757	611,859,643	379,034,240	133,619,271	36,257,222	1,060,779,232	669,628,682
Segment liabilities	-	-	-	-	-	-	687,151,945	475,793,405	687,151,945	475,793,405

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2006

(All amounts are in Kuwaiti Dinars unless otherwise stated)

31. Geographical distribution of assets and liabilities

	Assets as at 31 December		Liabilities as at 31 December	
	2006	2005	2006	2005
State of Kuwait	990,105,622	620,175,755	463,710,575	474,230,616
Other GCC countries	62,853,665	46,391,405	180,129,593	1,562,789
Europe	603,339	445,503	43,311,777	-
North America	2,087,925	162,265	-	-
Other countries	5,128,681	2,453,754	-	-
	1,060,779,232	669,628,682	687,151,945	475,793,405

32. Financial risk management

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

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.

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. Trade receivables are considered the most of the assets exposed to credit risk. The Group mitigate this risk by dealing with a large number of customers, setting up credit limits, monitoring periodically the outstanding balances and by securing appropriate collaterals when deemed necessary.

Foreign currency risk

Represented in the risk of fluctuations in foreign exchange rates, the cash flows of the Group or values of assets and liabilities in foreign currencies may be adversely affected. Generally, the Group 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 Group's exposure 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.

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices either these fluctuations are caused by the special factors link to financial instruments or the Company issuing such instrument or by other factors affecting the market.

Liquidity risk

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2006
(All amounts are in Kuwaiti Dinars unless otherwise stated)

32. Financial risk management (cont'd)

The maturity analysis of financial assets and liabilities as at 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	114,211,308	-	-	-	114,211,308
Murabaha investments	-	64,156,540	-	-	64,156,540
Financial investments at fair value through profit and loss	-	31,600,140	99,884,439	-	131,484,579
Investments available for sale	-	-	221,414,014	-	221,414,014
Finance receivables	39,158,391	19,579,197	78,316,785	58,737,590	195,791,963
Other receivables	56,292,873	-	-	-	56,292,873
Land and real estate held for trading	-	320,135	-	-	320,135
Investment properties	-	-	80,830,463	-	80,830,463
Land and real estate under development	-	-	-	38,252,437	38,252,437
Investments in associates	-	-	-	138,815,614	138,815,614
Other assets	-	-	6,994,650	12,214,656	19,209,306
Total assets	209,662,572	115,656,012	487,440,351	248,020,297	1,060,779,232
Liabilities					
Payables and other credit balances	21,105,455	-	-	-	21,105,455
Murabaha and Wakala payables	158,824,824	304,161,055	135,415,036	-	598,400,915
Islamic Sukuk	3,864,634	11,276,720	51,055,028	-	66,196,382
Employees' end of service indemnity	-	-	1,449,193	-	1,449,193
Total liabilities	183,794,913	315,437,775	187,919,257	-	687,151,945
Net surplus / (deficit) liquidity	25,867,659	(199,781,763)	299,521,094	248,020,297	373,627,287

The maturity analysis of financial assets and liabilities as at 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	27,351,764	-	-	-	27,351,764
Murabaha investments	2,488,149	10,529,638	1,283,808	-	14,301,595
Financial investments at fair value through profit and loss	-	13,751,501	100,440,388	-	114,191,889
Investments available for sale	-	-	127,345,216	-	127,345,216
Finance receivables	42,944,111	79,709,047	19,302,442	19,846,204	161,801,804
Other receivables	71,467,864	444,559	1,670	-	71,914,093
Land and real estate held for trading	-	316,944	-	-	316,944
Investment properties	-	-	66,918,658	-	66,918,658
Land and real estate under development	-	-	-	24,196,155	24,196,155
Investments in associates	-	-	-	52,279,921	52,279,921
Investments in unconsolidated subsidiaries	-	-	665,000	-	665,000
Other assets	-	-	5,257,195	3,088,448	8,345,643
Total assets	144,251,888	104,751,689	321,214,377	99,410,728	669,628,682
Liabilities					
Payables and other credit balances	14,635,065	-	100,000,000	-	114,635,065
Murabaha and Wakala payables	109,492,688	129,400,449	86,266,966	6,635,920	331,796,023
Islamic Sukuk	-	3,852,022	24,721,233	-	28,573,255
Employees' end of service indemnity	-	-	789,062	-	789,062
Total liabilities	124,127,753	133,252,471	211,777,261	6,635,920	475,793,405
Net surplus / (deficit) liquidity	20,124,135	(28,500,782)	109,437,116	92,774,808	193,835,277

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2006

(All amounts are in Kuwaiti Dinars unless otherwise stated)

33. Significant accounting estimates and judgments

In accordance with the accounting policies under IFRS adopted by the Group, management is required to make the following judgements and estimations, that may effect the carrying values of assets and liabilities.

Judgements

Classification of financial instruments

Management has to decide upon acquisition of a financial instrument whether it should be classified as carried at fair value through profit and loss or available for sale. In making that judgement the Group considers the primary purpose for which it is acquired and how it intends to manage and report its performance. Such judgement determines whether it is subsequently measured at cost or at fair value and if the changes in fair value of instruments are reported in the income statement or directly in equity.

Evidence of impairment

When there is a significant or prolonged decline in the fair value of available for sale investments, the management uses estimations and objective evidences to assess whether impairment exists.

At each balance sheet date, management determines whether there is an impairment of the available for sale investment values.

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

Estimation uncertainty

33.1 Significant accounting estimation & assumptions

The Group determines estimations 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 values of the assets and liabilities during the next financial year are as follows:

Fair value of unquoted equity investments

Valuation techniques for 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 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.

Impairment losses on finance receivable

The Group reviews non performing finance receivables 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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2006
(All amounts are in Kuwaiti Dinars unless otherwise stated)

33.2 Critical judgement in applying the Group's accounting policies

Impairment of available for sale financial assets

The Group follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement 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.

34. Capital commitments

	2006	2005
New Group's headquarter project	1,919,540	-
Cost of development of land and real estates	-	12,773,045
Uncalled capital installments of investment in securities	3,337,988	52,000
	5,257,528	12,825,045

35. Subsidiaries

The consolidated financial statements includes of the financial statement of the Parent company and the subsidiaries:

Serial No.	Company's Name	Legal form	Ownership % 31 December 2006	Ownership % 31 December 2005	
1	Al Madar Finance and Investment Co.	K.S.C.C.	62	72	Out of which 2% by virtue of letter of renunciation
2	Wethaq Takaful Insurance	K.S.C.C.	67.37	-	
3	Credit Rating and Collection Co.	K.S.C.C.	85.48	86.10	
4	Al Dar Asset Management Co.	K.S.C.C.	100	99.8	Out of which 4% by virtue of letter of renunciation
5	Wared Lease and Finance Co.	K.S.C.C.	100	100	Out of which 4% by virtue of letter of renunciation
6	Al Shomokh Al Arabi General Trading & Contracting Co.	W.L.L.	62	72	Out of which 2% by virtue of letter of renunciation
7	Bawabet Elemar for General Trading & Contracting Co.	W.L.L.	-	72	Out of which 2% by virtue of letter of renunciation
8	Dar Al Thoraya Real Estate Co.	K.S.C.C.	62	72	Out of which 2% by virtue of letter of renunciation
9	Al Raya Kuwait Real Estate Co.	W.L.L.	100	100	Out of which 50% by virtue of letter of renunciation
10	Al-Turath Al-Areeq for General Trading & Contracting Co.	W.L.L.	100	100	Out of which 1% by virtue of letter of renunciation
11	Masha'er General Trading & Contracting Co.	W.L.L.	100	100	by virtue of letter of renunciation
12	Manafe'a Real Estate Co.	W.L.L.	100	100	by virtue of letter of renunciation
13	Al Dar Holding Co.	K.S.C.C.	100	100	Out of which 2% by virtue of letter of renunciation

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2006

(All amounts are in Kuwaiti Dinars unless otherwise stated)

14	Al-Mulkeya Holding Co. (Kuwait & Al Rafdeen Holding Co. previously)	K.S.C.C.	100	100	Out of which 2% by virtue of letter of renunciation
15	ADAM Real Estate Co.	B.S.C.C.	100	100	Out of which 10% by virtue of letter of renunciation
16	Al Dar Regional for Trading & Construction works Co.	K.S.C.C.	100	100	Out of which 2% by virtue of letter of renunciation
17	International Education Services Co.	K.S.C.C.	51	51	
18	Al Dar Vehicles International Co.	K.S.C.C.	100	100	Out of which 4% by virtue of letter of renunciation
19	Dar First Health Company	K.S.C.C.	100	100	Out of which 4% by virtue of letter of renunciation
20	Premium Choice for General Trading & Contracting Co.	W.L.L.	100	100	Out of which 1% by virtue of letter of renunciation
21	Al Dar International Fund Collection Co.	K.S.C.C.	100	100	Out of which 2% by virtue of letter of renunciation
22	Premium Opportunities for General Trading & Contracting Co.	K.S.C.C.	100	100	Out of which 1% by virtue of letter of renunciation
23	Al-Nahda Global Real Estate Company	K.S.C.C.	100	-	Out of which 4% by virtue of letter of renunciation
24	Al-Araqa for Real Estate Management	K.S.C.C.	100	-	Out of which 4% by virtue of letter of renunciation
25	Kuwait Warehousing Company	K.S.C.C.	100	-	Out of which 4% by virtue of letter of renunciation
26	Al Dar for Warehousing Services Company	K.S.C.C.	100	-	Out of which 4% by virtue of letter of renunciation
27	The Developing Intellect for General Trading & Construction Company	W.L.L.	100	-	Out of which 1% by virtue of letter of renunciation
28	The Ingenuity Intellect for General Trading & Construction Company	W.L.L.	100	-	Out of which 1% by virtue of letter of renunciation
29	Dar First Real Estate	W.L.L.S.	100	-	Out of which 1% by virtue of letter of renunciation
30	Saudi Joint Company	S.S.C.	74	-	

During the year ended 31 December 2006, the share of the Group in Wethaq Takaful Insurance Company KSCC has increased from 40.72% as at 31 December 2005 to 67.37% and the Group started controlling the operating & financing activities of that company. Accordingly that company has been reclassified as a subsidiary as at 30 June 2006 and has been consolidated starting from the date, the Group gained control.

The Investment Dar Company's sharing in Al Dar Finance Co. (K.S.C.C.) decreased as a result of dividends paid by The Investment Dar for the year ended in 31 December 2005. 70 shares of Al Dar Finance for every 100 shares of The Investment Dar's shares. Accordingly The Investment Dar's sharing decreased in Al Shomokh Al Arabi General Trading & Contracting Co., (W.L.L) and Bawabet Elemar for General Trading & Contracting Co., (W.L.L) and Dar Al Thoraya Real Estate Company (K.S.C.C.) as those are subsidiaries of Al Dar Finance Co. And during the year ended 31 December 2006, the Group has sold its investment in Bawabet Elamer for General Trading and Contracting Co.

The Parent Company effectively controls the ownership of the above-mentioned subsidiaries. Legal formalities to complete the transfer of ownership of shares owned, by virtue of letter of renunciation as indicated above, were not complete as of the consolidated balance sheet date. All subsidiaries have been established in Kuwait except for ADAM Real Estate Co. (B.S.C. - Closed) in the Kingdom of Bahrain and Dar First Real Estate Company W.L.L. and the Saudi Joint Company S.S.C in the Kingdom of Saudi Arabia.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2006
(All amounts are in Kuwaiti Dinars unless otherwise stated)

36. Off consolidated balance sheet items

The Group manages portfolios on behalf of others which are not included in the balance sheet of the Group. The net assets of these portfolios amounted to KD 375,577,881 as at 31 December 2006 (KD 272,491,241 - as at 31 December 2005). Out of which an amount of KD 18,913,264 as at 31 December 2006 (KD 64,056,176 as at 31 December 2005) related to related parties.

37. Zakat

Based on Board of Directors proposal, the Parent company deducts its Zakat from the voluntary reserve.

The Board of Directors will propose to deduct the Zakat from the voluntary reserve for the year ended 31 December 2006. This proposal is subject to the approval of general assembly of the shareholders. (The General assembly has approved an amount of KD 2,684,329 for the year ended 31 December 2005).

38. Comparative figures

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