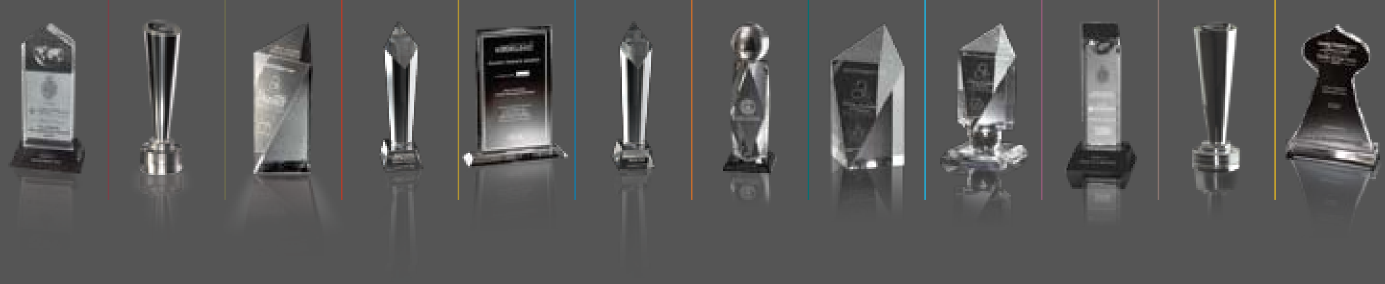

Another YEAR OF CONTINUOUS ACHIEVEMENTS

ANNUAL REPORT '07

دار الاستثمار
Investment Dar

Another RETURN ON IVESTMENTS

CONSOLIDATED FINANCIAL STATEMENTS & INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2007

INVESTMENT DAR CO. AND ITS SUBSIDIARIES
STATE OF KUWAIT


ISLAMIC FINANCE AWARDS
Most Innovative Islamic Financing Transaction
ICG
GCC Economic Awards
1st Annual
4 - 5 March 2007, Kuwait
The WIFIC Recognition Awar
2007
AWARDED TO
INVESTMENT DAR
THE WORLD ISLAMIC BANKING CONFERENCE
The Industry Leadership Award 2007
AWARDED TO
Adnan A. Al Musallam

CONTENTS

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AL - AHLI BUREAU
CERTIFIED ACCOUNTANTS
P.O. Box 5689, Safat 13057, Kuwait
Tel. (965) 2461218 - 2432263
Fax (965) 2465378

The Investment Dar Company - KSC. (Closed)
Kuwait

Independent auditors' report

Report to the shareholders of The Investment Dar Company - KSC. (Closed)

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 2007, and the consolidated income statements, 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.

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.

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.

Report on Other 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 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 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
R.A.A. No. 62A
Bader & Co. PricewaterhouseCoopers

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

Kuwait: 13 March 2008

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2007

(ALL AMOUNTS IN KUWAITI DINARS)

	Note	2007	2006
Assets			
Cash and cash equivalents	5	33,385,657	114,211,308
Murabaha and Wakala investments	6	173,373,360	64,156,540
Investments at fair value through profit and loss	7	81,731,132	131,484,579
Investments available for sale	8	141,945,095	221,414,014
Finance receivables	9	130,326,831	197,927,050
Other receivables	10	62,672,838	54,157,786
Land and real estate held for trading		-	320,135
Investment properties	11	113,404,245	80,830,463
Land and real estate under development	12	3,580,927	38,252,437
Investment in associates	13	519,925,395	138,815,614
Intangible assets	14	13,029,069	12,702,954
Property and equipment	15	8,867,825	6,506,352
Total Assets		1,282,242,374	1,060,779,232
Liabilities and equity			
Liabilities			
Payables and other credit balances	16	54,464,425	21,105,455
Murabaha and Wakala payable	17	760,341,543	598,400,915
Islamic Sukuk	18	55,859,747	66,196,382
Employees' end of service indemnity		1,323,763	1,449,193
Total Liabilities		871,989,478	687,151,945
Equity			
Equity attributable to the shareholders of the Parent Company			
Share capital	19	76,332,088	71,006,593
Share premium		116,968,443	116,968,443
Treasury shares	20	(11,389,645)	(9,794,002)
Statutory reserve	21, 22	37,044,566	24,019,950
Voluntary reserve	21, 22	37,044,566	24,019,950
General reserve	21, 22	15,000,000	15,000,000
Change in fair value reserve	21, 22	(1,666,938)	11,536,921
Foreign currency translation reserve	21, 22	(14,531,494)	675,143
Gain on sale of treasury shares	21, 22	2,314,517	188,135
Retained earnings		115,115,427	55,518,993
Total		372,231,530	309,140,126
Minority interest		38,021,366	64,487,161
Total Equity		410,252,896	373,627,287
Total Liabilities and Equit		1,282,242,374	1,060,779,232

The accompanying notes from (1) to (39) form an integral part of these consolidated financial statements.

Adnan A. Al-Musallam
CHAIRMAN & MANAGING DIRECTOR

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 2007

(ALL AMOUNTS IN KUWAITI DINARS)

	Note	2007	2006
Revenues			
Finance income		27,620,714	31,670,614
Investment income	23	63,410,820	36,472,138
Group's share of profits from associates	13	74,924,032	7,745,254
Investment services revenue	24	4,582,361	23,483,386
Land and real estate revenue	25	37,148,959	58,698,245
Other income	26	12,658,329	4,503,028
		220,345,215	162,572,665
Expenses and other charges			
Finance cost		61,435,600	40,930,813
General and administrative expenses	27	21,954,946	17,560,243
Provision for impairment		2,959,867	5,250,891
Depreciation and amortization		1,490,870	1,524,947
Contribution to Kuwait Foundation for the Advancement of Science		966,235	552,313
National Labor Support Tax		3,185,739	2,213,706
Zakat expense	28	77,874	-
Board of Directors' remuneration		150,000	150,000
		92,221,131	68,182,913
Net profit for the year		128,124,084	94,389,752
Attributable to:			
Shareholders of the Parent Company		125,866,316	92,006,998
Minority interest		2,257,768	2,382,754
		128,124,084	94,389,752
Earnings per share attributable to the shareholders of the Parent Company (fils)	29	166.53	138.47

The accompanying notes from (1) to (39) form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2007

(ALL AMOUNTS IN KUWAITI DINARS)

	Equity attributable to the shareholders of the Parent Company						Minority interest	Total equity
	Share capital (Note 19)	Share premium	Treasury shares (Note 20)	Reserves (Note 21,22)	Retained earnings	Total		
Balance as of 1 January 2006	50,718,995	25,674,252	(2,936,352)	40,227,190	63,331,317	177,015,402	16,819,875	193,835,277
Change in fair value of investments available for sale	-	-	-	8,301,573	-	8,301,573	-	8,301,573
Foreign currency translation reserve	-	-	-	667,882	-	667,882	-	667,882
Effect of acquisition of associate (note 13)	-	-	-	-	(12,097,620)	(12,097,620)	-	(12,097,620)
Transfer to Zakat for year 2005	-	-	-	(2,684,329)	-	(2,684,329)	-	(2,684,329)
Total income recognized directly in equity	-	-	-	6,285,126	(12,097,620)	(5,812,494)	-	(5,812,494)
Net profit for the year	-	-	-	-	92,006,998	92,006,998	2,382,754	94,389,752
Total income recognized during the year	-	-	-	6,285,126	79,909,378	86,194,504	2,382,754	88,577,258
Cash dividends for year 2005	-	-	-	-	(17,595,355)	(17,595,355)	-	(17,595,355)
Dividends of bonus shares for year 2005	10,143,799	-	-	-	(10,143,799)	-	-	-
Dividends in kind for year 2005	-	-	-	-	(31,242,900)	(31,242,900)	-	(31,242,900)
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
Transferred to reserves	-	-	-	28,739,648	(28,739,648)	-	-	-
Proceeds from increase in share capital	10,143,799	91,294,191	-	-	-	101,437,990	-	101,437,990
Net movement of investments in subsidiaries	-	-	-	-	-	-	45,284,532	45,284,532
Balance as of 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 from (1) to (39) form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT.)

FOR THE YEAR ENDED DECEMBER 31, 2007

(ALL AMOUNTS IN KUWAITI DINARS)

	Equity attributable to the shareholders of the Parent Company						Minority interest	Total equity
	Share capital (Note 19)	Share premium	Treasury shares (Note 20)	Reserves (Note 21,22)	Retained earnings	Total		
Balance as of 1 January 2007	71,006,593	116,968,443	(9,794,002)	75,440,099	55,518,993	309,140,126	64,487,161	373,627,287
Change in fair value of investments available for sale	-	-	-	(3,378,319)	-	(3,378,319)	-	(3,378,319)
Foreign currency translation reserve	-	-	-	(15,206,637)	-	(15,206,637)	-	(15,206,637)
Effect of acquisition of associates (Note 13)	-	-	-	(9,825,540)	5,721,214	(4,104,326)	-	(4,104,326)
Gain on sale of treasury shares	-	-	-	2,126,382	-	2,126,382	-	2,126,382
Zakat for 2006 from subsidiaries	-	-	-	-	(1,679,508)	(1,679,508)	-	(1,679,508)
Zakat for 2006	-	-	-	(3,988,024)	-	(3,988,024)	-	(3,988,024)
Total profit recognized directly in equity	-	-	-	(30,272,138)	4,041,706	(26,230,432)	-	(26,230,432)
Net profit for the year	-	-	-	-	125,866,316	125,866,316	2,257,768	128,124,084
Total profit recognized during the year	-	-	-	(30,272,138)	129,908,022	99,635,884	2,257,768	101,893,652
Cash dividends for year 2006	-	-	-	-	(34,948,837)	(34,948,837)	-	(34,948,837)
Dividends of bonus shares for year 2006	5,325,495	-	-	-	(5,325,495)	-	-	-
Purchase of treasury shares	-	-	(27,081,833)	-	-	(27,081,833)	-	(27,081,833)
Sale of treasury shares	-	-	25,486,190	-	-	25,486,190	-	25,486,190
Transferred to reserves	-	-	-	30,037,256	(30,037,256)	-	-	-
Net movement on investments in subsidiaries	-	-	-	-	-	-	(28,723,563)	(28,723,563)
Balance as of 31 December 2007	76,332,088	116,968,443	(11,389,645)	75,205,217	115,115,427	372,231,530	38,021,366	410,252,896

The accompanying notes from (1) to (39) form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2007

(ALL AMOUNTS IN KUWAITI DINARS)

	Note	2007	2006
Cash flows from operating activities			
Net profit for the year		128,124,084	94,389,752
Adjustments:			
Depreciation and amortization		1,490,870	1,524,947
Provision for impairment		2,959,867	5,250,891
Group's share of profits from associates		(74,924,032)	(7,745,254)
Gain on sale of investments available for sale	23	(1,025,616)	(6,991,868)
Gain on sale of shares in associates	23	(998,634)	(1,623)
Gain on sale of land and real estate under development and investment Properties	25	(21,355,569)	(48,576,326)
Foreign exchange gains		(4,255,679)	-
Gain on sale of subsidiaries	23	(50,630,563)	(25,818,837)
Impairment of available for sale investments		71,704	68,988
Dividends income		(1,886,918)	(1,003,681)
Murabaha income		(10,459,898)	(8,210,621)
Change in fair value of investment properties		(15,042,755)	(10,023,828)
Finance cost		61,435,600	40,930,813
Employees end of service indemnity		679,716	715,004
Operating income before changing in working capital		14,182,177	34,508,357
Investments at fair value through profit and loss		(2,355,647)	(45,018,858)
Finance receivables		(29,970,286)	(39,241,050)
Other receivables		(21,494,857)	15,634,777
Land and real estate held for trading		-	(3,191)
Payables and other credit balances		124,869,913	3,590,389
Payment of employees end of service indemnity		(184,127)	(54,873)
Net cash generated from/ (used in) operating activities		85,047,173	(30,584,449)

consolidated statement of cash flows (Cont.)

for the year ended december 31, 2007

(all amounts in kuwaiti dinars)

	Note	2007	2006
Cash flows from investing activities			
Murabaha and Wakala investments		(114,929,132)	(49,152,227)
Murabaha income		10,459,898	8,210,621
Net payment for purchase of investment in associates		(305,236,315)	(66,917,449)
Net Proceeds from sale/ (payment for purchase) of investments available for sale		57,369,445	(78,844,345)
Proceeds from sale of a subsidiaries	23	80,621,916	84,885
Dividend income received		1,886,918	1,003,681
Net proceeds from sale / (payment for purchase) of investment properties		53,647,676	(16,725,677)
Net payment for purchase of land and real estate under development		(20,837,946)	(52,642,256)
Payments for purchase of intangible assets		(671,237)	(4,375,662)
Payment for purchase of property and equipment		(3,853,485)	(1,897,528)
Net cash used in investing activities		(241,542,262)	(261,255,957)
Cash flows from financing activities			
Net receipts from Murabaha and Wakala payables		167,355,993	266,604,892
Net (payments to) / receipts from Islamic Sukuk		(8,216,792)	37,623,127
Finance cost paid		(50,524,936)	(40,930,813)
Proceeds from share capital increase		-	101,437,990
Payment for purchase of treasury shares		(27,081,833)	(12,273,330)
Proceeds from sale of treasury shares		27,612,572	5,603,815
Cash dividends paid		(34,789,599)	(17,413,223)
Net cash generated from financing activities		74,355,405	340,652,458
Net change in minority interest		1,314,033	38,047,492
Net change in cash and cash equivalents		(80,825,651)	86,859,544
Cash and cash equivalents at beginning of the year		114,211,308	27,351,764
Cash and cash equivalents at end of the year	5	33,385,657	114,211,308

The accompanying notes from (1) to (39) form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

(ALL AMOUNTS ARE IN KUWAITI DINARS UNLESS OTHERWISE STATED)

1. Incorporation of the Group

The Investment Dar Company is a Closed Kuwaiti Shareholding Company ("The Parent 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 in April 1999.

The Parent Company's headquarter office is domiciled in Kuwait Re-Insurance Tower, Building 2, Block 5, Sharq, Kuwait.

The activities of the Parent Company and its subsidiaries which mentioned in Note 36 (together referred to as the Group) are carried out in accordance with Noble Islamic Sharia'a Principles.

The principle activities of the Group are, trading in Murabaha investments with local and international Islamic financial institutions land and real estate and managing financial portfolios and investment funds for others. The Group is also engaging in selling and leasing of motor vehicles and real estate properties to consumers based on Musawama, Murabaha, Ijara and Wakala contracts.

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

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (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 IAS39 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 the fair value of investment properties, financial assets at fair value through profit or 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 judgment in the process of applying the accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates have significant impact on the consolidated financial statements are disclosed in Note (4).

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:

- **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.
  - The complementary amendment to IAS 1, 'Presentation of financial statements – Capital disclosures', disclosures relating to taxation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended december 31, 2007

(all amounts are in kuwaiti dinars unless otherwise stated)

- IFRIC Interpretation 10 Interim Financial Reporting and Impairment, prohibits the impairment losses recognised 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's financial statements.

These changes and additional disclosures will enable users to evaluate The significance of financial instruments for the Group's financial position and performance, the nature and extent of risks arising from financial instruments to which the Group is exposed during the year and at the reporting date, and how the Group manages those risks and the Group's objectives, policies and process for managing capital.

• **The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the Group's Operations:**

- 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 consolidated financial statements.
- 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 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

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.

nter-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.

Transactions and minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, when there is a difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

Associates

Associate companies are entities over which the Group has significant influence but not control. Generally, 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 initial recognition based on the purpose of acquiring these financial assets. The Group classifies its financial assets as "at fair value through profit and loss", "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 profit and loss 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 profit and loss 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.

Receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Group's receivables comprise finance receivables, investments in Murabaha and Wakala and cash and its equivalents.

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 which could be sold when liquidity is needed or upon changes in rates of profit.

Recognition and De-recognition

Financial instruments are recognized when the Group becomes a party in a contractual agreement related to the financial instrument. Regular purchases and sales of financial assets are recognised on the trade date,

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

(ALL AMOUNTS ARE IN KUWAITI DINARS UNLESS OTHERWISE STATED)

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 financial 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 statement of income. Subsequently, available for sale financial assets and financial assets at fair value through profit or loss are re-measured 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. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss, while other changes are recognised in equity. When available-for sale financial assets are sold or impaired, the accumulated changes in fair value recognised in equity are transferred to the statement of income.

Fair values

The fair values of quoted instruments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm’s length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models. The available for sale investment which its fair value can not be identified are recorded by cost less impairment.

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 is established to cover the receivables’ credit risk 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 instructions from the Central Bank of Kuwait, a minimum general provision of 1% of all finance receivables, which are not subject to specific provision, is provided.

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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 the 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 valuator 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.

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

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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 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortized cost using the effective yield method.

2.12 Islamic debt instruments

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

2.13 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. 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.

2.14 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost.

2.15 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 disposed; gains are credited to a separate un-distributable account in equity "gain on sale of treasury shares». Any realised losses are charged to the same account in the limit of its credit balance, any additional losses are charged to retained earning 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.

2.16 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 are recognised on a straight-line basis over the lease term.

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

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

Management fees are recognised when earned.

2.17 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.

2.18 Foreign currencies

The functional currency of the Group is the Kuwaiti Dinar, which is also the presentational currency of the consolidated financial statements. 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 transactions 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 recognised in the foreign currency translation reserve in equity.

2.19 Zakat

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

2.20 Dividend distribution

Dividend distribution to the Parent Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Parent Company's shareholders.

2.21 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. Financial Risk Management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value profit return risk, cash flow profit return risk and price risk), credit risk and liquidity risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The Group has an independent process whereby risks are identified, measured and monitored. The head of risk management unit is responsible for monitoring this process. The head of risk management has independent access to the Board of Directors. Following is the general frame work of the risk management policies applied in the Group:

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- **Risk management structure**
  - Board of Directors

    The Board of Directors of the Parent Company is responsible for the overall risk management approach and for approving risk strategies and principles. The Board of Directors of the Parent Company receives a comprehensive risk report every quarter which is designed to provide all the necessary information to assist in assessing the financial risks of the Group.
  - Risk management department

    The Parent Company's risk management unit is responsible for implementing and maintaining risk management procedures to ensure the existence of an independent control process over the risk management procedures.
  - Treasury department

    Treasury is responsible for managing the Group's assets and liabilities. It is also responsible for funding and liquidity management.
  - Risk management and reporting systems

    Monitoring of financial risks is managed through reports provided by risk management department and through limits set by the Board of Directors. These limits reflect the business strategy and market environment of the Group as well as the Parent Company's Board of Directors risk appetite.

(A) Market risk

(I) **Foreign exchange risk**

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar, Sterling Pound, Bahraini Dinar and Saudi Riyal. Foreign exchange risk arises when future commercial transactions on a recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

Management has set up a policy to require Group companies to manage their foreign exchange risk against their functional currency. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies. The Group's monitors the financial position of the main foreign currencies on a regular basis and tries to maintain stable positions of the different foreign currencies.

A 5% appreciation of the following foreign currencies against the Kuwaiti Dinar with all other variables held constant, net profit for the year would have been affected as shown in the schedule presented below:

	2007		2006	
Description	**On Income Statement**	**On Equity**	**On Income Statement**	**On Equity**
USD				
Cash & cash equivalents	99,823	-	87,300	-
Trade receivables	268,737	-	-	-
Murabaha & Wakala investments	852,911	-	-	-
Investments available for sale	-	130,740	-	138,596
Murabaha & Wakala payables	(6,872,662)	-	(4,556,325)	-

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	2007		2006	
Description	**On Income Statement**	**On Equity**	**On Income Statement**	**On Equity**
Islamic sukuk	(2,792,987)	-	(3,309,819)	-
	(8,444,178)	130,740	(7,778,844)	138,596
GBP				
Cash & cash equivalents	79,366	-	44,642	-
Murabaha & Wakala investments	110,023	-	-	-
Other debit balances	1,084,724	-	-	-
Investment in associates	-	4,756,491	-	851,915
	1,274,113	4,756,491	44,642	851,915
BHD				
Cash & cash equivalents	-	-	204	-
Investments at fair value through P&L	12,737	-	-	-
Investment in associates		7,713,873	-	3,050,842
Other debit balances	626,850	-	-	-
	639,587	7,713,873	204	3,050,842
SAR				
Cash & cash equivalents	192,638	-	2,325,000	-
Murabaha & Wakala investments	801,451	-	-	-
Other debit balances	367,516	-	-	-
Murabaha & Wakala payables	(1,496,579)	-	-	-
	(134,974)	-	2,325,000	-

A 5% depreciation of the above currencies against the Kuwaiti Dinar would have had equal, but opposite, effects on the amounts shown above, assuming all other variables remain constant.

The following is the Group's net positions of foreign currencies

	2007				
	USD	**GBP**	**BHD**	**SAR**	**Other**
Net Exposure	(166,268,780)	120,612,083	167,069,208	22,282,202	(646,664)

	2006				
	USD	**GBP**	**BHD**	**SAR**	**Other**
Net Exposure	(152,804,941)	892,849	69,096,349	46,500,000	3,209,775

(II) **PRICE RISK**

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet either as available for sale or at fair value through profit or loss. To manage this risk, the Group diversifies its portfolio.

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The Group has special policies related to the valuation of any investment opportunity. These policies are conducted through the authority and responsibilities matrix approved by the Group's board of directors.

Most of the Group's investments are represented in unquoted mutual funds – The Group's monitors the prices of those funds through these is any impairment in the value of these investments and take the necessary actions periodic reports of the net assets value issued by those funds.

Interims for available for sale investments, the Group on regular basis makes the necessary studies to identifying whether there is impairment in the value of these investments and take the necessary actions.

The table below summarises the impact of decreases of the KSE Index on the Group's profit for the year and on equity. The analysis is based on the assumption that KSE index had decreased by 10% with all other variables held constant.

	Effect on Income Statement		Effect on Equity	
	2007	2006	2007	2006
Investments at fair value through profit or loss	(646,349)	(742,242)	-	-
Investments available for sale	-	-	-	(192,553)

(iii) **Profit Rate risk**

The Group is exposed to the risk of changes in the cash flows as a result from the change in the profit rates on its Islamic Sukuk which bears variable profit rate. The Group manages this risk dynamically through preparing several scenarios for changes in profit rates and its effect on the net profit. These Scenarios take into consideration the re-finance process and the renewal of the existing facilities. The Group is not exposed to the risk of fluctuations in the cash flows as a result from the change in the profit return on its Wakala & Murabaha Payables as these contracts are with fixed profit rate and do not expose the Group to the risk of reprising the deals at specific contractual dates. The Group is not exposed to the risk of fluctuations in the cash flows from their assets as a result from the change in the profit rates as the deals to create finance receivables and Murabaha and Wakala Investments are done in accordance with Islamic Sharia'a Principles which creates profit to the Group allocated on the term of the deal based on the effective profit rate.

The fair value of the finance receivables and the investments in Wakala and Murabaha has been disclosed in Notes (9.6).

(B) Credit risk

Credit risk is the risk that the Group will incur a loss because its customers, clients or counterparties failed to discharges their contractual obligations.

Credit risk is managed on Group basis. Credit risk arises from cash, cash equivalents, deposits with banks and financial institutions, finance receivables and Wakala & Murabaha receivables.

The Group manages the credit risk related to cash, deposits at banks, Wakala and Murabaha investments through dealing with local and foreign financial institutions with a good reputation in the market.

The Group manages the credit risk related to finance receivables through putting credit policies that avoiding the credit concentration through diversifying the finance receivables portfolio among a great number of clients, and by identifying the necessary collateral as well as the authorized limits to approve the transaction. The Group periodically monitors the credit policy and any changes on such policy are approved by the board of directors.

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The Group uses the collateral to reduce the exposure of credit risk to an acceptable level. The credit policy identifies the type of collateral required for each kind of transaction as well as the valuation basis for the collateral and the frequency of this valuation. In accordance with the Group's credit policy, the accepted collateral is cash, letters of guarantee issued by banks, investment in securities and real estate properties. As part of the monitoring process, the Group on a regular basis monitors the value of the collateral to ensure that its value exceeds the balance of the finance receivables.

The Group has classified its clients based on the degree of risk exposed to as follows:

High quality: This represents in the clients who expose the Group to normal risks, those are covered by more than 100% through the collateral presented by them.

Median quality; This represents in the clients who do not provide sufficient collaterals.

As of 31 December 2007, the finance receivables which are fully secured 36% (2006 – 8%).

The table below shows the maximum exposure to credit risk for the components of the balance sheet. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

	Gross maximum exposure	
	2007	**2006**
Cash & cash equivalents	33,385,657	114,211,308
Murabaha & Wakala investments	173,373,360	64,156,540
Finance receivables	130,326,831	197,927,050
Due from related parties	25,345,513	8,963,680
	362,431,361	385,258,578

(C) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The table below analyses the Group's financial liabilities into relevant maturity Groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	2007			
	Within 3 months	**From 3 months to 1 year**	**From 1 to 5 years**	**More than 5 years**
Liabilities				
Payables and other credit balances	54,464,425	-	-	-
Murabaha and Wakala payables	191,153,129	393,278,324	205,118,661	1,417,905
Islamic Sukuk	1,010,608	5,377,369	49,471,770	-
Employee's end of service indemnity	-	-	-	1,323,763

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	2006			
	Within 3 months	**From 3 months to 1 year**	**From 1 to 5 years**	**More than 5 years**
Liabilities				
Payables and other credit balances	21,105,455	-	-	-
Murabaha and Wakala payables	167,021,461	311,296,028	111,246,959	33,588,408
Islamic Sukuk	3,864,634	11,276,720	51,055,028	-
Employee's end of service indemnity	-	-	-	1,449,193

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the costs of capital. In order to maintain or adjust the capital structure, the Group monitors capital on the basis of gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity as shown in the consolidated balance sheet plus net debt.

During 2007, the Group's strategy, which is unchanged from the year 2006, was to maintain the ratio within 60% & 70%.

The gearing ratio as of 31 December 2007 and 2006 is as follows:

	2007	2006
Total borrowings	816,201,290	664,597,297
Less: cash and cash equivalent	33,385,657	114,211,308
Net debt	782,815,633	550,385,989
Total equity	410,252,896	373,627,287
Total capital	1,193,068,529	924,013,276
Gearing ratio %	%65.6	59.6%

3.3 Fair value estimation

The fair value of financial instruments traded in active markets is based on the current bid price. The fair value of unquoted investments is determined by using the fair value of similar investments or by using discounted cash flows or by using other methods. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date..

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities and financial assets for disclosure purposes is estimated by discounting the future contractual cash flows at the current market yield rate that is available to the Group for similar financial instruments. The fair value of financial assets and liabilities are disclosed in its related notes.

4. Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will by definition, seldom equal the related actual results. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

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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.

Significant accounting estimates

Estimated impairment of goodwill

The Group tests whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note (2.10). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates mainly represents in the discount rate factor and the expected cash flows for the cash generating unit.

Impairment losses on finance receivable

The Group reviews the finance receivables portfolio to assess impairment on regular basis. In determining whether an impairment loss 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. The methodology and assumptions used for estimating both the amount and timing if future cash flows are reviewed regularly to reduce any differences between loss estimated and the actual loss experienced.

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 financial aspects.

5. Cash and cash equivalents

	2007	2006
Cash at banks and financial institutions	32,540,229	111,350,884
Cash at investment portfolios	576,467	2,602,053
Cash on hand	268,961	258,371
	33,385,657	114,211,308

6. Murabaha and Wakala investments

6.1 This balance represents the amounts deposited in local and foreign financial institutions in accordance with Murabaha and Wakala agreements. The average effective rate of return as of 31 December 2007 is 8.6% (8.2% - 31.December 2006). Murabaha and Wakala investments income amounted to KD 10,459,898 for the year

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ended 31 December 2007 (2006: KD 8,210,621) are recorded as part of finance income in the statement of income.

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

The following is the analysis of Murabaha and Wakala investments by currency:

	2007	2006
Kuwait Dinar	99,149,919	60,737,562
US Dollar	57,400,627	3,418,978
British Pound	2,200,465	-
Saudi Riyal	16,029,029	-
	174,780,040	64,156,540
General Provision	(1,406,680)	-
	173,373,360	64,156,540

The movement on the provision of year is represented in the amount charged to the statement of income.

6.3 During the year, in accordance with Central Bank of Kuwait, instructions a general provision of 1% is formed for all balances of Murabaha and wakala that are deposited in any institutions other than banks.

7. Investments at fair value through profit and loss

	2007	2006
Held for trading investments	114,172	31,600,140
Investments designated at fair value through profit and loss at inception	81,616,960	99,884,439
	81,731,132	131,484,579

	2007	2006
Investments in local shares - quoted	5,168,513	18,031,552
Investments in local shares – unquoted	13,457,708	43,304,322
Investments in foreign shares – quoted	-	77,574
Investments in foreign shares – unquoted	634,980	19,741,632
Investments in local funds – quoted	-	856,308
Investments in local funds – unquoted	62,469,931	47,418,291
Investments in foreign funds – unquoted	-	2,054,900
	81,731,132	131,484,579

7.1 Change in the fair value of the investments at fair value through profit and loss is recorded as part of investment income (Note 23)

7.2 The fair value of the quoted investments is determined based on their current bid prices in an active market. The fair value of the unquoted investments is determined based on the last traded price on those investments. The fair value of the investments in funds is determined by reference to the net asset value of those funds as of 31.December 2007 and as of 31 December 2006.

7.3 Investments at fair value through profit and loss are denominated into the following currencies:

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	2007	2006
Kuwaiti Dinar	81,096,152	109,610,473
Saudi Riyal	-	19,741,632
Other	634,980	2,132,474
	81,731,132	131,484,579

8. Investments available for sale

	2007	2006
Investments in local shares – quoted	565,195	29,467,573
Investments in local shares – unquoted	125,391,910	173,501,645
Investments in foreign shares – unquoted	2,887,246	4,946,933
Investments in local funds – unquoted	1,917,293	1,701,997
Investments in local portfolios	11,183,451	11,795,866
	141,945,095	221,414,014

8.1 Investments available for sale include an amount of KD 139,462,607 as of 31 December 2007 (KD 143,977,016 as of 31 December 2006.) represents investments in unquoted shares recorded by cost less impairment in value as it was not possible to identify its fair value.

8.2 Investments in unquoted local shares include an amount of KD 78,750,000 as of 31.December.2007 (KD 78,750,000 as of 31 December 2006) which represents the Group's share in the capital of a company with percentage more than 20%. Since the Group does not have significant influence on the financial and operating policies of this company, this investment has been classified as an investments available for sale.

8.3 The impairment in the available for sale investments during the year ended 31 December 2007 has amounted to KD 71,704 (nil during the year ended 31 December 2006).

8.4 The fair value of the quoted investments is determined based on their current bid prices in an active market. The fair value of the unquoted investments is determined based on the last traded price on those investments. The fair value of the investments in funds is determined by reference to the net asset value of those funds as of 31.December 2007 and as of 31 December 2006.

8.5 Investments available for sale are denominated into the following currencies:

	2007	2006
Kuwaiti Dinar	139,330,300	218,642,028
US Dollar	2,614,795	2,771,986
	141,945,095	221,414,014

9. Finance receivables

Following is the break down of finance receivables:

	2007	2006
Cost	165,393,542	241,558,460
Deferred revenues	(17,553,386)	(22,775,874)
	147,840,156	218,782,586
Provision for impairment	(17,513,325)	(20,855,536)
	130,326,831	197,927,050

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9.1 Finance receivables are representing facilities presented by the Group to its customers in forms of Murabaha, Istesna and Ijara contracts.

9.2 All the carrying amount of the finance receivables are denominated in the Kuwaiti Dinar.

9.3 The average yield rate on finance receivables is 12% as of 31 December 2007 (14.25% as of 31 December 2006).

9.4 The fair value of the finance receivables has amounted to KD 131,805,022 as of 31 December 2007 (KD 186,761,137 as of 31 December 2006). This fair value has been determined based on the discounted cash flow analysis by using a rate of return with 14%

9.5 The finance receivables which are less than three months past due are not considered impaired unless the management has valid reasons to justify its impairment. The total amount of the finance receivables which are past due but not impaired has amounted to KD 13,361,505 as of 31 December 2007 (KD 11,505,765 as of 31.December 2006). The Group's policy is to start providing provision for impairment against the receivables which are past due for more than three months in accordance with the Central Bank of Kuwait instructions.

The following is the aging analysis of the finance receivables:

	31 December 2007	
	Balance of Finance receievables	Provision for impairment
Less than three months		
General prevision	130,721,841	(3,116,291)
More than three months and less than six months		
Specific provision	2,306,222	(461,246)
More than six months and less than one year	1,752,609	(876,304)
More than a year	13,059,484	(13,059,484)
	147,840,156	(17,513,325)

	31 December 2006	
	Balance of Finance receievables	Provision for impairment
Less than three months		
General prevision	173,936,757	(3,832,188)
More than three months and less than six months		
Specific provision	10,285,180	(1,312,625)
More than six months and less than one year	13,748,978	(1,552,772)
More than a year	20,811,671	(14,157,951)
	218,782,586	(20,855,536)

9.6 The fair value of guarantees obtained by the group against finance receivable is KD 26,605,000 as of 31 December 2007 (KD 48,006,361 as of 31 December 2006).

9.7 The Group follows the Central Bank of Kuwait regulations in terms of when calculating the specific provisions. The requirement of the Central Bank of Kuwait is to form 1% as general provision against all facilities that do not have specific provisions.

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9.8 Following is the break down of the provision impairment:

	Specific provision	General provision	Total
Balance as of 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 of 31 December 2006	(16,101,749)	(4,753,787)	(20,855,536)
Balance as at 1 January 2007	(16,101,749)	(4,753,787)	(20,855,536)
Effect of sale of a subsidiary	536,369	1,856,609	2,392,978
Provisions no longer required	674,672	-	674,672
Amounts wrote of the books	1,327,920	-	1,327,920
Amounts charged during the year	(834,246)	(219,113)	(1,053,359)
Balance as of 31 December 2007	(14,397,034)	(3,116,291)	(17,513,325)

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group's policy is to deduct the fair value of the collaterals before calculating the provisions for impairment.

9.9 The following is the degree of exposure to the Credit risk for the finance receivable:

	KD 1,000 Not matured nor impaired		
	High Qualitiy	**Medium Qualitiy**	**Total**
2007			
Finance receivables:			
Corporate finance	11,109	27,367	38,476
Consumer and installment finance	19,585	28,887	48,472
Commercial finance	60,892	-	60,892
	91,586	56,254	147,840
2006			
Finance receivables:			
Corporate finance	19,450	11,065	30,515
Consumer and installment finance	20,897	14,390	35,287
Commercial finance	135,091	17,890	152,981
	175,438	43,345	218,783

10. OTHER RECEIVABLES

	2007	2006
Receivables from investment deals	16,766,833	36,321,745
Due from related parties	25,345,513	8,963,680
Advance payments for purchase of investments and real estate	3,561,200	2,311,946
Suppliers – advance payments	2,272,717	287,901
Advance payment under option contracts	5,452,293	-
Letters of guarantee	1,940,034	1,940,034
Accrued income	2,565,738	1,052,580
Miscellaneous debit balances	4,768,510	3,279,900
	62,672,838	54,157,786

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10.1 Receivables from investment deals represent the accrued balance from sale of some investments.

10.2 Due from related parties include an amount of KD 15,688,923 represents advance payments to Aston Martin Holding (an associate) as an interest-free loan to finance its operation, this amount is due within on year from the balance sheet date.

10.3 Advance payment under option contracts represents the amount paid in accordance with option contract to purchase investment in United Kingdom. The option period is for 15 months and ends on 11 March 2009. The Group at the end of the option period has the right to recover the advance payment plus profit rate equals 7% if it decided not to execute the deal. As neither the investment nor the option has an active market, it was not possible to estimate the fair value of any of them on the balance sheet date.

11. Investment properties

	2007	2006
Balance at beginning of the year	80,830,463	66,918,658
Additions	133,939,773	31,084,634
Disposals	(121,947,902)	(12,708,169)
Transferred from / (to) land and real estate under development	19,248,435	(14,488,488)
Change in fair value Note (25)	15,042,755	10,023,828
Effect of sale of a subsidiary	(13,709,279)	-
Balance at end of the year	113,404,245	80,830,463

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

12. Land and real estate under development

	2007	2006
Balance at beginning of the year	38,252,437	24,196,155
Additions	3,449,117	25,136,561
Disposals	(11,453,257)	(25,568,767)
Transfer (to) / from investment properties	(19,248,435)	14,488,488
Effect of sale of a subsidiary	(7,418,935)	-
Balance at end of the year	3,580,927	38,252,437

13. Investments in associates

	Ownership %	2007	Ownership %	2006
Bahrain Islamic Bank B.S.C.	40	70,689,311	40	44,391,923
Al-Dar National Real Estate K.S.C.C.	26	15,240,550	20	11,649,820
Boubyan Bank K.S.C.C.	20	148,842,021	-	-
Safwan General Trading Co. K.S.C.C	20	3,572,201	-	-
Manazel Holding Company K.S.C.C.	25	25,484,143	23	24,783,731
Oqyana Real Estate Co. K.S.C.C.	18	59,857,733	-	-
Aston Martin Holding Co. W.L.L.	54	71,592,425	-	-
Al Bilad Real Estate Company W.L.L.	33	76,762,916	33	16,624,912

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	Ownership %	2007	Ownership %	2006
Khabari Holding Company K.S.C.C.	23	19,604,171	23	19,447,235
Park Lane Properties Limited Company W.L.L.	38	20,832,162	38	17,038,296
Ewaa Real Estate Company K.S.C.	38	3,035,748	38	3,000,000
Al Dar International For Studies & Consultancy Company K.S.C.C.	50	994,405	50	994,405
Brand Integrated Marketing Communication Advertising Co. W.L.L.	43	760,542	43	760,542
Credit Rating and Collection Company A.S.C.	39	2,131,650	-	-
Commercial Vehicle International W.L.L.	49	122,500	-	-
Proman for Projects Management Company W.L.L.	50	402,917	50	124,750
		519,925,395		138,815,614

13.1 During the year ended 31 December 2007, Bahrain Islamic Bank increased its share capital by 100% at 300 Bahraini fils per share. The Group has fully underwritten its share in this increase by an amount of KD 25,268,798. The Group has recorded its share of profit of Bahrain Islamic Bank based on the audited financial statements as of 31 December 2007. The carrying amount of Bahrain Islamic Bank includes goodwill amounting to KD 16,223,903 as of 31 December 2007 and as of 31 December 2006.

13.2 During the year ended 31 December 2007, the Group had acquired on stages 20% of Boubyan Bank. The Group has reclassified this investment from investments available for sale to investment in associate. This has resulted to an increase in the opening balance of the change in the fair value reserve by an amount of KD 2,037,747 and an increase in the retained earnings by KD 429,864 which represents the Group's share in results of Boubyan Bank less change in fair value charged to profit and loss in previous years, and the decrease in the fair value reserve. The Group's share in results of Boubyan Bank is based on the audited financial statements for the year ended 31.December 2007.

The Group is in the process of allocating the purchase price over the identifiable assets and liabilities of the associate and identify the good will (if any). The excess of cost over the Group's share of the net book value of this investment has amounted to KD 120,494,036 as of 31 December 2007.

13.3 During the year ended 31 December 2007, the Group had acquired on stages 20% of Safwan General Trading Company. The Group has reclassified this investment from investments at fair value through profit and loss to investment in associate. This has resulted to a decrease in the opening balance of the retained earnings by an amount of KD 746,790 which represents the Group's share in results of this associate less change in fair value charged to profit and loss in previous years, and the decrease in the fair value reserve. The Group's share in results of Safwan General Trading Company is based on the audited financial statements for the year ended 31 December 2007.

The Group is in the process of allocating the purchase price over the identifiable assets and liabilities of the associate and identify the good will (if any). The excess of cost over the Group's share of the net book value of this investment has amounted to KD 2,163,652 as of 31 December 2007.

13.4 During the year ended 31 December 2007, the Group had acquired an additional share in Oqyana Real Estate Company. This resulted in reclassifying the investment from investment available for sale and investment at fair value through profit or loss to investment in associate. The effect of reclassification is represented in the increase in retained earnings by an amount of KD 6,038,140 which represents the Group's share in results of

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Oqyana Real Estate Company less change in fair value charged to profit and loss in previous years, and the decrease in the fair value reserve by amount of KD 11,863,287. Although, the Group owns less than 20% of the share capital of this company, it exercises significant influence over the financial and operational policies of the company; through representation in the Board of Directors, accordingly the investment is classified as investment in associate. The carrying amount of the investment includes goodwill amounting to KD 7,385,051 as of 31 December 2007.

13.5 During the year, the Group and on behalf of a consortium of investors has signed an agreement to purchase 100% of Aston Martin Holding Company's ordinary shares which owns 87.5% of the share capital of Aston Martin Lagonda (The Company is specialised in sports vehicles manufacturing). In accordance with the final agreements between the shareholders, the Group's share in Aston Martin is 54%. The Group believes that it has significant influence rather than a control over the financial and operational policies of the company as the Group does not have the majority in the board of directors; therefore, it is classified as an investment in associate. The Group now is in the process of allocating the purchase price over the fair value of the identifiable assets and liabilities of the associate and identifying goodwill (if any). The investment has recorded by its cost as no audited financial statements have been issued until the date of issuance of the financial consolidated statements.

13.6 During the year ended 31 December 2007, the Group recorded an amount of KD 64,669,637 which represents the Group's share of profit of Al-Bilad Real Estate Company based on audited financial statements as of 31 December 2007. The share of profit resulted from the revaluation of the associate's investment properties as of 31 December 2007 based on independent valuations, as stated in the approved financial statements of the company and its auditor.

13.7 During the year, the Group has increased its investment in Park Lane Properties with an amount of KD 4,592,000. This investment is recorded by its cost as no audited financial statements have been issued until the date of issuance of the consolidated financial statements.

13.8 During the year ended 31 December 2007; the Group has participated in incorporating Credit Rating and Collection Company (A.S.C.) by an amount of KD 2,131,650 as of 31 December 2007 which equals 39 % of its capital.

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

	Net profit/ (loss)	**Net assets**	**Fair value**
Bahrain Islamic Bank B.S.C.	6,778,865	56,759,009	91,641,507
Al Dar National Real Estate K.S.C.C.	-	15,232,881	15,467,208
Safwan General Trading Company K.S.C.C.	245,477	1,408,549	3,401,700
Boubyan Bank K.S.C.C.	2,644,581	27,195,984	151,413,276
Manazel Holding Company K.S.C.C.	221,305	19,996,202	Unquoted
Oqyana Real Estate Company K.S.C.C.	(290,575)	52,928,259	Unquoted
Aston Martin Holding W.L.L.	-	74,297,654	Unquoted
Khabari Holding Company K.S.C.C.	340,827	17,300,295	Unquoted
Al-Bilad Real Estate Investment Company W.L.L.	64,669,637	81,294,549	Unquoted
Park Lane Properties Limited Company W.L.L.	-	20,832,162	Unquoted
Ewaa Real Estate Company K.S.C.C.	35,748	2,435,748	Unquoted
Al Dar International For Studies and Consultancy Company K.S.C.C.	-	994,405	Unquoted

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	Net profit/ (loss)	Net assets	Fair value
Brand Integrated Marketing Communication Advertising Company W.L.L.	-	760,542	Unquoted
Credit Rating and Collection Company A.S.C.	-	2,131,650	Unquoted
Commercial Vehicle International W.L.L.	-	122,500	Unquoted
Proman for Projects Management Company W.L.L.	278,167	402,917	Unquoted
	74,924,032	374,093,306	Unquoted

14. Intangible assets

14.1 Intangible assets include leasehold land amounted of KD 895,697 as of 31 December 2007 (KD 956,342 as of 31 December 2006). The lease contract is renewable annually.

14.2 The balance of intangible assets includes goodwill of KD 12,196,087 as of 31 December 2007 (KD 11,351,939 as of 31 December 2006) resulted from acquisition of subsidiaries.

15. Property and equipment

This item includes an amount of KD 2,953,946 which represents the cost of constructing a building and the cost of land in Al Rai as of 31 December 2007 (KD 2,066,199 as of 31 December 2006).

16. Payables and other credit balances

	2007	2006
Trade payables	3,934,880	7,606,026
Accrued expenses	4,553,885	1,718,532
Accrued Zakat	5,541,349	1,342,028
Kuwait Foundation for the Advancement of Sciences	966,235	552,313
National Labour Support Tax	3,166,005	3,785,811
Board of Directors Remuneration	150,000	150,000
Accrued dividends	86,994	182,132
Payable on real estate purchases	25,020,171	-
Due to related parties	7,545,639	-
Others	3,499,267	5,768,613
	54,464,425	21,105,455

16.1 Payables and other credit balances mature within one year from the date of the balance sheet and do not carry profit rates. Accordingly, its fair value approximately equals its book value as of 31 December 2007 and as of 31 December 2006.

16.2 Accrued Zakat includes statutory Zakat amounting to KD 78,874 as of 31 December 2007, based on the Ministry of Finance's resolution (1% of the Group's net profit based on 22 days of the first year).

17. Murabaha and Wakala payables

17.1 These represent amounts received from counterparties in accordance with Murabaha and Wakala contracts. These liabilities carry a fixed finance cost rate. The average effective rate is 8.3% for the year ended 31 December 2007 (7.9% for the year ended 31 December 2006).

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17.2 The carrying amounts of Murabaha and Wakala payables as of 31 December 2007 and as of 31.December 2006 approximately equal its fair value as it carries cost rates that is equivalent to the market rates.

17.3 Murabaha and Wakala payables are denominated into the following currencies:

	2007	2006
Kuwaiti Dinar	591,562,299	503,333,067
US Dollar	137,453,230	95,067,848
Saudi Riyal	29,931,577	-
Euro	1,394,437	-
	760,341,543	598,400,915

18. Islamic Sukuk

		2007	2006
18.1	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 90-day Libor rate for the first three years, and 1.75% over the 90-day Libor rate for the fourth and 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.	39,629,764	42,290,692
	Islamic Sukuk amounted to $100 million for a period of five years starting maturity from 27 April 2006 payable semi-annually with an interest of 2% above 90-day Libor.	16,229,983	23,905,690
		55,859,747	66,196,382

18.2 Islamic Sukuk are secured by assignment of finance receivables amounting to KD 18,251,420 as of 31.December 2007 (KD 30,495,918 as of 31 December 2006).

18.3 The exposure of the Group's Islamic Sukuk to rate of finance cost and the contractual re-pricing dates at the balance sheet dates are assessed every six months.

18.4 The fair value of the Islamic Sukuk equals its carrying amount as of 31 December 2007 and 31.December 2006 as it carries floating variable rates equals approximately the market rates.

19. Share capital

On 26 March 2007, the general assembly of the shareholders of the Parent Company approved the increase in share capital of the Parent Company by issuing 7.5% bonus shares, accordingly, the issued and paid up capital is increased to KD 76,332,088 distributed over 763,320,876 shares with 100 fils par value each as of 31 December 2007 (KD 71,066,593 distributed over 710,065,932 shares with a par value 100 fils as of 31 December 2006).

On 3 April 2007, the share capital increase was authenticated in the commercial register.

20. Treasury shares

	2007	2006
Number of treasury shares (share)	12,860,676	10,979,200
Ownership percentage (%)	1.68	1.55
Market value	12,860,676	13,833,792

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21. RESERVES

	Statutory reserve	Voluntary Reserve	General reserve	Changes in fair value reserve	Foreign currency translation reserve	Gain on sale of treasury shares	Total
Balance as of 1 January 2006	14,527,648	13,430,755	9,026,178	3,235,348	7,261	-	40,227,190
Transfer to Zakat for year 2005 (Note 38)	-	(2,684,329)	-	-	-	-	(2,684,329)
Changes in fair value of investments available for sale	-	-	-	8,301,573	-	-	8,301,573
Foreign currency translation reserves	-	-	-	-	667,882	-	667,882
Gain on sale of treasury shares	-	-	-	-	-	188,135	188,135
Transfers to reserves (Note 22)	9,492,302	13,273,524	5,973,822	-	-	-	28,739,648
Balance as of 31 December 2006	24,019,950	24,019,950	15,000,000	11,536,921	675,143	188,135	75,440,099
Transfer to Zakat for year 2006 (Note 38)	-	(3,988,024)	-	-	-	-	(3,988,024)
Change in fair value of investments available for sale	-	-	-	(3,378,319)	-	-	(3,378,319)
Effect of purchasing associates	-	-	-	(9,825,540)	-	-	(9,825,540)
Foreign currency translation reserve	-	-	-	-	(15,206,637)	-	(15,206,637)
Gain on sale of treasury shares	-	-	-	-	-	2,126,382	2,126,382
Transferred to reserves (Note 22)	13,024,616	17,012,640	-	-	-	-	30,037,256
Balance as of 31 December 2007	37,044,566	37,044,566	15,000,000	(1,666,938)	(14,531,494)	2,314,517	75,205,217

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22. Statutory, voluntary, and general reserves

22.1 Statutory reserve

In accordance with the Kuwait 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 and Zakat expense is transferred to statutory reserve. Statutory reserve is not distributable to shareholders; however, the reserve could be utilized to secure for payment of a dividend of 5% of share capital in years when retained earnings are not sufficient for payment of dividends. 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.

22.2 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 the transfer of an amount of KD 17,012,640 of net profit for the year ended 31 December 2007 (KD 13,273,524 for the year ended 31 December 2006).

22.3 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 the 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 nil of net profit for the year ended 31.December.2007 (KD 5,973,822 from gain sale of treasury shares for the year ended 31 December 2006).

23. Investment income

	2007	2006
Gain on sale of investments at fair value through profit or loss	2,858,598	330,303
Change in fair value of investments at fair value through profit and loss	6,082,195	2,394,814
Gain on sale of investments available for sale	1,025,616	6,991,868
Gain on sale of shares in associates	998,634	1,623
Dividends income	1,886,918	1,003,681
Impairment loss	(71,704)	(68,988)
Gain on sale of subsidiaries	50,630,563	25,818,837
	63,410,820	36,472,138

23.1 Change in fair value of investments at fair value through profit and loss includes an amount of KD 5,327,976 for the year ended 31 December 2007 (KD 2,491,918 for the year ended 31 December 2006) which pertains to unquoted funds. Their fair value has been determined based on the net asset value of these funds.

23.2 Disposal of a subsidiary

During the year ended 31 December 2007, the Group has sold its share in Al-Madar Finance & Investment Company (K.S.C.C.) and its subsidiaries (Al Shomokh Al Arabi General Trading & Contracting Company W.L.L., Bawabet El-Emaar for General Trading & Contracting Company W.L.L. and Dar Al Thoraya Real Estate Company

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K.S.C.C.) in a public auction in Kuwait Stock Exchange Market with a sale price amounted to KD 91,490,053 and with a net profit recognized amounted to KD 50,630,563.

The following is the cash generated from sale of the subsidiaries as of the date of sale on 26.June.2007.

Assets	
Cash and cash equivalents	10,868,137
Murabaha investment	3,942,158
Financial investment at fair value through profit or loss	49,183,705
Investment available for sale	3,338,693
Finance receivables, forward deals and other debit balances	95,171,623
Land and investment properties	21,006,456
Other assets	346,264
Total Assets	183,857,036
Liabilities	
Payables and other credit balances	98,512,212
Murabaha and Wakala payables	13,826,719
Other liabilities	621,019
Total liabilities	112,959,950
Net assets	70,897,086
(Less)	
Minority interest	(30,037,596)
The Group's net share in Al-Madar for Finance and Investment Company	40,859,490
Add	
Gain on sale	50,630,563
Total sale price	91,490,053
(Less)	
Cash and cash equivalents in the subsidiaries	(10,868,137)
Proceeds from sale of a subsidiary	80,621,916

(An amount of KD 24,135,985 represents the gain resulted from distribution some of the Group's right in Al-Madar Finance and Investment Company (subsidiary) in the year ended 31 December 2006 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).

24. Investment services revenue

	2007	2006
Management fees on portfolios and investments	947,497	1,200,366
Funds' management fees	3,129,791	1,466,177
Sales commissions	179,665	15,433,417
Research and consultancy	325,408	5,383,426
	4,582,361	23,483,386

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25. Land and real estate revenue

	2007	2006
Gain on sale of land and real estate under development	1,413,809	46,925,538
Gain on sale of investment properties	19,941,760	1,650,788
Change in fair value of investment properties	15,042,755	10,023,828
Rental income	512,573	98,091
Effect of sale of subsidiary	238,062	-
	37,148,959	58,698,245

26. Other income

	2007	2006
Gain from foreign exchange differences	10,484,980	2,221,991
Operating lease income	643,270	1,041,291
Collection of receivables written off in previous years	158,760	194,464
Collection fees	420,495	426,741
Provision no longer required	5,496	3,484
Miscellaneous income	856,441	615,057
Effect of sale of subsidiary	88,887	-
	12,658,329	4,503,028

27. General and administrative expenses

General and administrative expenses included staff costs of KD 7,938,777 for the year ended 31.December 2007 (KD 8,112,981 for the year ended 31 December 2006).

28. Zakat Expense

During the year ended 31 December 2007, the executive regulations of Zakat has been issued and which stipulates that, each Kuwaiti shareholding company should deduct 1% of its net profit as Zakat and should be forwarded to Ministry of Finance. The amount of Zakat expense has been calculated on the basis of the Group's profit multiplied by the number of days starting from the date of issuing the executive regulations on 9 December 2007 to 31 December 2007.

29. Earnings per share attributable to the shareholders of the Parent Company

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:

	2007	2006 (Restated)
Net profit for the year attributable to the shareholders of the Parent Company	125,866,316	92,006,998
Weighted average number of issued and outstanding shares during the year/ (share)	755,819,409	664,468,785
Earnings per share (Fils)	166.53	138.47

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Issued bonus shares has been accounted for while calculating earnings per share for the two years ended 31 December 2007/2006 from the beginning of the two years.

30. Dividends

2007 Dividends:

The Board of Directors proposed cash dividends of 70 fils per share and issue of bonus shares with 25% of the paid up capital which is 25 shares for each 100 shares of the Parent Company for the year ended 31December 2007. This proposal is subject to the approval of the shareholders in their general assembly meeting.

2006 Dividends:

The general assembly of the shareholders on 26 March 2007 has approved the Board of Directors proposal of cash dividend of 50 fils per share and issue of bonus shares with 7.5% of the paid up capital which is 7.5 shares for each 100 shares of the Parent Company for the year ended 31 December 2006.

31. Related parties transactions

Related parties represent 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 2007 and 31 December 2006.

The related parties transactions and outstanding balances relating to these related parties are as follows (credit)/debit:

	2007	2006
Transactions		
Finance income	-	869,035
Cash Dividend	826,648	586,451
Finance cost	2,425,295	76,971
Purchases for resale	3,453,149	1,691,112
Key management benefits	1,118,902	1,055,267

	2007	2006
Balances		
Investments at fair value through profit or loss	60,797,770	8,927,896
Finance Receivables	5,286,197	-
Other debit balances	9,103,332	8,898,464
Murabaha payables	52,943,944	14,929,527
Trade payables	97,257	1,055,002
Creditors and other credit balances	6,735,662	-

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

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32. Segment distribution

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

Finance segment: represents financial arrangements in supplying consumers and companies of all their miscellaneous needs as per contracts complying with the Islamic Sharia'a principles.

Real estate segment: represented in sale of land and real estate held for trading or after developing them, cash or through Istesnaa' 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 2007 / 2006 is as follows:

	Finance		Real Estate		Investment		Unallocated items		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Segment revenues	40,279,043	28,047,656	37,148,959	58,613,610	142,917,213	75,911,399	-	-	220,345,215	162,572,665
Segment expenses	(17,029,135)	(15,341,991)	(14,059,175)	(21,088,243)	(55,262,103)	(27,311,713)	(5,870,718)	(4,440,966)	(92,221,131)	(68,182,913)
Segment results	23,249,908	12,705,665	23,089,784	37,525,367	87,655,110	48,599,686	(5,870,718)	(4,440,966)	128,124,084	94,389,752
Segment assets	132,599,548	195,897,283	116,985,172	119,403,035	977,189,034	611,859,643	55,468,620	133,619,271	1,282,242,374	1,060,779,232
Segment liabilities	-	-	-	-	-	-	871,989,478	687,151,945	871,989,478	687,151,945

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33. Geographical distribution of assets and liabilities

	Assets as of 31 December		Liabilities as of 31 December	
	2007	2006	2007	2006
State of Kuwait	875,228,951	909,648,959	661,018,912	463,710,575
Other GCC countries	266,183,239	126,268,290	101,682,197	180,129,593
Europe	138,216,861	17,645,377	99,182,809	43,311,777
North America	-	2,087,925	-	-
Other countries	2,613,323	5,128,681	10,105,560	-
	1,282,242,374	1,060,779,232	871,989,478	687,151,945

34. Capital commitments

	2007	2006
Uncalled capital installments of investment in securities	240,000	3,337,988
Collateral for outstanding Aston Martin Al-Hassan loan	16,718,683	-
New Group's headquarter project	-	1,919,540
	16,958,683	5,257,528

35. Contingent liabilities

	2007	2006
Letter of guarantees	760,093	760,093

36. Subsidiaries

The consolidated financial statements include the financial statements of the Parent Company and the following subsidiaries:

Serial No.	Company's name	Legal form	Ownership % 2007	Ownership % 2006	
1	Al Madar Finance Investment Company	K.S.C.C	-	62	Out of which 2% by virtue of letter of renunciation
2	Al Shomokh Al Arabi General Trading & Contracting Company	W.L.L.	-	62	Out of which 2% by virtue of letter of renunciation
3	Bawabet El emar for General Trading & Contracting Co.	W.L.L.	-	62	Out of which 2% by virtue of letter of renunciation
4	Dar Al Thoraya Real Estate Company	K.S.C.C	-	62	Out of which 2% by virtue of letter of renunciation
5	Adam Real Estate (Kingdom of Bahrain)	W.L.L.	-	100	Out of which 10% by virtue of letter of renunciation
6	Wared Lease and Finance Company	K.S.C.C	100	100	Out of which 4% by virtue of letter of renunciation
7	Wared Rental Car - Drive	K.S.C.C	87	-	
8	Autociti Company for sale and purchase cars and car's spare parts	W.L.L.	100	-	
9	Super Service Auto Care Company	K.S.C.C	51	-	
10	Al Dar Asset Management Company	K.S.C.C	100	100	Out of which 4% by virtue of letter of renunciation

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Serial No.	Company's name	Legal form	Ownership % 2007	Ownership % 2006	
11	ADAM International Real Estate Company (Kingdom of Bahrain)	B.W.L.L.	100	-	Out of which 10% by virtue of letter of renunciation
12	Wethaq Takaful Insurance Company	K.S.C.C	67	67	
13	Credit Rating and Collection Company	K.S.C.C	73	85	
14	Al Dar International Fund Collection Company	K.S.C.C	100	100	Out of which 2% by virtue of letter of renunciation
15	Investment Dar Bank (Kingdom of Bahrain)	B.W.L.L	79	-	Out of which 48% by virtue of letter of renunciation
16	Al Dar Holding Company	K.S.C.H	100	100	Out of which 2% by virtue of letter of renunciation
17	Al Mulkeya Holding Company	K.S.C.H	100	100	Out of which 2% by virtue of letter of renunciation
18	Masha'er General Trading & Contracting Company	W.L.L	100	100	by virtue of letter of renunciation
19	Saudi Joint Company (Kingdom of Saudi Arabia)	S.S.C	74	74	
20	Manafe'a Real Estate Company	W.L.L	100	100	by virtue of letter of renunciation
21	Al Raya Kuwait Real Estate Company	W.L.L	100	100	Out of which 50% by virtue of letter of renunciation
22	Al Nahda Global Real Estate Company	K.S.C.C	100	100	Out of which 4% by virtue of letter of renunciation
23	Al Araqa for Real Estate Management Company	K.S.C.C	100	100	Out of which 4% by virtue of letter of renunciation
24	Dar Al Medyaf For General Trading & Construction Company	W.L.L	100	-	
25	Regional Steps For General Trading & Construction Company	W.L.L	100	-	
26	Al Turath Al Areeq for General Trading & Contracting Company	W.L.L	100	100	Out of which 1% by virtue of letter of renunciation
27	Premium Choice for General Trading & Contracting Company	W.L.L	100	100	Out of which 1% by virtue of letter of renunciation
28	Premium Opportunities for General Trading & Contracting Company	K.S.C.C	100	100	Out of which 1% by virtue of letter of renunciation
29	Al Dar Regional for Trading & Construction Works Company	K.S.C.C	100	100	Out of which 2% by virtue of letter of renunciation
30	The Developing Intellect for General Trading & Construction Company	W.L.L	100	100	Out of which 1% by virtue of letter of renunciation
31	The Ingenuity Intellect for General Trading & Construction Company	W.L.L	100	100	Out of which 1% by virtue of letter of renunciation
32	Dar First Real Estate Company (Kingdom of Saudi Arabia)	W.L.L.S	100	100	Out of which 1% by virtue of letter of renunciation
33	Al Kayan Al Fekry Advertising Company	K.S.C.C	90	-	
34	Yass Media Services Company	W.L.L	89	-	
35	International Education Services Company	K.S.C.C	51	51	
36	Al Dar Vehicles International Company	K.S.C.C	100	100	Out of which 4% by virtue of letter of renunciation
37	Dar First Health Company	K.S.C.C	100	100	Out of which 4% by virtue of letter of renunciation
38	Kuwait Warehousing Company	K.S.C.C	100	100	Out of which 4% by virtue of letter of renunciation
39	Al Dar for Warehousing Servicing Company	K.S.C.C	100	100	Out of which 4% by virtue of letter of renunciation
40	Al Dar Capital (Jersey)	L.L.C	100	-	

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Serial No.	Company's name	Legal form	Ownership %	
			2007	2006
41	Investment Dar (UK)	L.L.C	100	-
42	Investment Dar (Jersey)	L.L.C	100	-
43	Al Dar Capital (UK)	L.L.C	100	-
44	Clock House (UK)	L.L.C	100	-
45	Clock House (Jersey)	L.L.C	100	-
46	Al Dar Automotive (UK)	L.L.C	100	-

During the year ended 31 December 2007, Al-Madar finance and Investment Company and its subsidiaries were sold Note(23.2).

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.

37. OFF 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 251,823,878 as of 31 December 2007 (KD 375,577,881 as of 31 December 2006). Out of which an amount of 22,226,408 KD as of 31 December 2006 (KD 18,913,264 as of 31 December 2006) related to related parties.

38. 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 2007. This proposal is subject to the approval of general assembly of the shareholders. (The General assembly has approved an amount of KD 3,988,024 for the year ended 31 December 2006).

The Group has calculated the statutory Zakat in accordance with Law No. 46 for the year 2006 (Shareholding and closed companies participation in the state's income).

39. COMPARATIVE FIGURES

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