Consolidated financial statements and independent auditors' report

International Financial Advisors – KSC (Closed) and Subsidiaries

Kuwait

31 December 2006

Contents

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Independent auditors' report

To the shareholders of
International Financial Advisors – KSC (Closed)
Kuwait

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of International Financial Advisors (A Kuwaiti Closed Shareholding Company) ("the parent company") and its subsidiaries (the group), which comprise the consolidated balance sheet as at 31 December 2006, and the related consolidated statements of income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and the explanatory notes.

Management's Responsibility for the Consolidated 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. 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting 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 financial position of the group as at 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards applied in the State of Kuwait.

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the group and the consolidated financial statements, together with the contents of the report of the parent company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the 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 violations of the law nor of the articles of association have occurred during the year ended that might have had a material effect on the business of the group or on its financial position.

We further report that, during the course of our audit we have not become aware of any material violations made during the year of the provisions of Law 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations.

Anwar Y. Al-Qatami, F.C.C.A.
(Licence No. 50-A)
of Grant Thornton – Anwar Al-Qatami & Co.

Ali Abdul Rahman Al Hasawi
(Licence No. 30-A)
of BDO Burgan International Accountants

Kuwait
14 February 2007

Consolidated statement of income

	Notes	Year ended 31 Dec. 2006 KD	Year ended 31 Dec. 2005 KD
Income			
Interest income		**4,763,511**	930,997
Fees and commissions		**1,353,391**	4,642,035
Dividend income		**3,916,641**	577,936
Net income from hoteliers and related services		**3,837,944**	1,161,596
Net (loss)/gain from investments at fair value through statement of income	8	**(49,704,845)**	53,972,518
Gain on sale of investment properties		**-**	1,793,343
Unrealised gain on investment properties	14	**623,877**	24,564,385
Gain on sale of investments available for sale		**5,378,185**	-
Gain on sale of shares in subsidiary companies	5	**5,155,353**	102,341,091
Share of profit from an associate		**909,275**	1,657,846
Gain on sale of trading properties		**5,869,458**	2,592,901
Loss on sale of investment in associate		**-**	(928,444)
Other income		**1,032,435**	1,346,018
Total income		**(16,864,775)**	194,652,222
Expenses and other charges			
Interest expenses		**5,972,182**	4,204,623
Staff and related costs		**2,818,557**	2,614,384
Other operating expenses		**6,211,119**	5,930,019
Depreciation		**589,490**	462,983
Loss on legal case		**-**	5,061,256
Total expenses and other charges		**15,591,348**	18,273,265
(Loss)/profit before KFAS, National Labour Support Tax, Directors' remuneration and taxation on overseas subsidiaries		**(32,456,123)**	176,378,957
Board of directors remuneration		**-**	(100,000)
Taxation on overseas subsidiaries		**(613,256)**	(613,808)
Contribution to KFAS		**-**	(1,025,135)
National Labour Support Tax		**-**	(2,465,557)
(Loss)/profit for the year		**(33,069,379)**	172,174,457
Attributable to :			
Shareholders of the parent company		**(24,225,427)**	152,561,129
Minority interest		**(8,843,952)**	19,613,328
(Loss)/profit for the year		**(33,069,379)**	172,174,457
(LOSS)/EARNINGS PER SHARE	6	**(57.21) Fils**	345.16 Fils

The notes set out on pages 8 to 28 form an integral part of these consolidated financial statements.

Consolidated balance sheet

	Notes	31 Dec. 2006 KD	31 Dec. 2005 KD
Assets			
Cash and cash equivalent	7	**30,478,013**	54,015,981
Investments at fair value through statement of income	8	**116,191,101**	147,225,109
Other assets	9	**29,649,503**	59,272,843
Loans receivable	10	**24,765,298**	1,286,431
Due from related parties	11	**12,490,489**	5,479,678
Investments available for sale	12	**61,107,266**	42,811,695
Trading properties	13	**12,894,282**	3,438,766
Investment properties	14	**42,117,084**	29,747,641
Investment in associated companies	15	**11,954,548**	1,386,625
Investment in unconsolidated subsidiaries		**645,100**	645,268
Goodwill	16	**2,110,724**	106,593
Advances for purchase of properties	17	**14,577,968**	14,577,968
Property, plant and equipment	18	**63,307,816**	44,012,966
Total assets		**422,289,192**	404,007,564
Liabilities and equity			
Liabilities			
Other liabilities	19	**42,960,222**	39,604,718
Due to related parties	11	**2,536,886**	7,580,947
Due to shareholders	20	**365,010**	165,690
Term loans from a related party	21	**2,834,141**	33,816,758
Bank loans	22	**95,715,796**	30,671,944
Advances received from customers	23	**65,753,220**	41,144,180
Total liabilities		**210,165,275**	152,984,237
Equity			
Equity attributable to the shareholders of the parent company			
Share capital	24	**45,000,000**	29,993,265
Share premium	24	**11,973,061**	11,973,061
Treasury shares	24	**(35,608,502)**	(31,068,414)
Statutory and voluntary reserve	25	**45,124,412**	45,124,412
Cumulative changes in fair value		**11,295,454**	5,654,301
Treasury share profit reserve		**6,244,910**	6,617,938
Foreign exchange translation reserve		**(867,193)**	29,449
Retained earnings		**95,382,685**	140,212,794
Total equity of the parent company shareholders		**178,544,827**	208,536,806
Minority interest		33,579,090	42,486,521
Total equity		**212,123,917**	251,023,327
Total liabilities and equity		**422,289,192**	404,007,564
Fiduciary accounts	26	**160,135,029**	162,608,871

Jassem Mohammed Al-Bahar
Chairman and Managing Director

Saleh Saleh Al-Selmi
Vice-Chairman and Deputy Managing Director

The notes set out on pages 8 to 28 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Equity attributable to shareholders of the parent company										
	Share capital KD	**Share premium KD**	**Treasury shares KD**	**Statutory and voluntary reserve KD**	**Cumulative changes in fair value KD**	**Treasury shares profit reserve KD**	**Foreign exchange translation reserve KD**	**Retained earnings KD**	**Total KD**	**Minority interest KD**	**Total KD**
Balance as at 31 December 2005	29,993,265	11,973,061	(31,068,414)	45,124,412	5,654,301	6,617,938	29,449	140,212,794	208,536,806	42,486,521	251,023,327
Purchase of treasury shares	-	-	(8,265,712)	-	-	-	-	-	(8,265,712)	-	(8,265,712)
Sale of treasury shares	-	-	3,725,624	-	-	-	-	-	3,725,624	-	3,725,624
Loss on sale of treasury shares	-	-	-	-	-	(373,028)	-	-	(373,028)	-	(373,028)
Translation reserve	-	-	-	-	-	-	(896,642)	-	(896,642)	-	(896,642)
Net loss recognised directly in equity	-	-	-	-	-	(373,028)	(896,642)	-	(1,269,670)	-	(1,269,670)
Loss for the year	-	-	-	-	-	-	-	(24,225,427)	(24,225,427)	(8,843,952)	(33,069,379)
Total recognised loss for the year	-	-	-	-	-	(373,028)	(896,642)	(24,225,427)	(25,495,097)	(8,843,952)	(34,339,049)
Changes in fair values of investments available for sale	-	-	-	-	5,465,266	-	-	-	5,465,266	-	5,465,266
Share of changes in fair values from associates	-	-	-	-	175,887	-	-	-	175,887	-	175,887
Bonus shares issued	15,006,735	-	-	-	-	-	-	(15,006,735)	-	-	-
Dividends paid	-	-	-	-	-	-	-	(5,597,947)	(5,597,947)	-	(5,597,947)
Changes in minority interest	-	-	-	-	-	-	-	-	-	(63,479)	(63,479)
Balance as at 31 December 2006	**45,000,000**	**11,973,061**	**(35,608,502)**	**45,124,412**	**11,295,454**	**6,244,910**	**(867,193)**	**95,382,685**	**178,544,827**	**33,579,090**	**212,123,917**

Consolidated statement of changes in equity (continued)

	Equity attributable to shareholders of the parent company										
	Share capital KD	Share premium KD	Treasury shares KD	Statutory and voluntary reserve KD	Cumulative changes in fair value KD	Treasury shares profit reserve KD	Foreign exchange translation reserve KD	Retained earnings KD	Total KD	Minority interest KD	Total KD
Balance as at 31 December 2004	23,993,265	11,973,061	(288,088)	13,899,636	6,805,603	406,898	(55,089)	28,476,441	85,211,727	5,490,468	90,702,195
Purchase of treasury shares	-	-	(44,080,103)	-	-	-	-	-	(44,080,103)	-	(44,080,103)
Sale of treasury shares	-	-	13,299,777	-	-	-	-	-	13,299,777	-	13,299,777
Profit on sale of treasury shares	-	-	-	-	-	6,211,040	-	-	6,211,040	-	6,211,040
Translation reserve	-	-	-	-	-	-	84,538	-	84,538	-	84,538
Net income recognised directly in equity	-	-	-	-	-	6,211,040	84,538	-	6,295,578	-	6,295,578
Profit for the year	-	-	-	-	-	-	-	152,561,129	152,561,129	19,613,328	172,174,457
Transferred to reserves	-	-	-	31,224,776	-	-	-	(31,224,776)	-	-	-
Total recognised income for the year	-	-	-	31,224,776	-	6,211,040	84,538	121,336,353	158,856,707	19,613,328	178,470,035
Reversal of the group's share in the cumulative changes in fair value of an associate	-	-	-	-	(2,158,620)	-	-	-	(2,158,620)	-	(2,158,620)
Changes in fair value of investments available for sale	-	-	-	-	1,007,318	-	-	-	1,007,318	-	1,007,318
Bonus shares issued	6,000,000	-	-	-	-	-	-	(6,000,000)	-	-	-
Dividends paid	-	-	-	-	-	-	-	(3,600,000)	(3,600,000)	-	(3,600,000)
Changes in minority interest	-	-	-	-	-	-	-	-	-	17,382,725	17,382,725
Balance as at 31 December 2005	29,993,265	11,973,061	(31,068,414)	45,124,412	5,654,301	6,617,938	29,449	140,212,794	208,536,806	42,486,521	251,023,327

The notes set out on pages 8 to 28 form an integer part of the consolidated financial statements.

Consolidated statement of cash flows

	Note	Year ended 31 Dec. 2006 KD	Year ended 31 Dec. 2005 KD
OPERATING ACTIVITIES			
(Loss)/profit for the year		**(24,225,427)**	152,561,129
Adjustments:			
Unrealised gain on investment properties		**(623,877)**	(24,564,385)
Gain on sale of investments available for sale		**(5,378,185)**	-
Gain on sale of shares in subsidiary companies		**(5,155,353)**	(102,341,091)
Dividend income		**(3,916,641)**	(577,936)
Interest income		**(4,763,511)**	(930,997)
Interest expenses		**5,972,182**	4,204,623
Depreciation		**589,490**	462,983
Loss on sale of investment in associated companies		**-**	928,444
Share of profit from associated companies		**(909,275)**	(1,657,846)
		(38,410,597)	28,084,924
Changes in operating assets and liabilities:			
Investments at fair value through statement of income		**31,034,008**	(120,929,977)
Other assets		**(3,374,848)**	(6,465,842)
Loans receivable		**9,519,321**	(56,414)
Due from related parties		**(7,010,811)**	(4,848,955)
Advances received from customers		**24,609,040**	9,024,501
Goodwill		**(2,004,131)**	10,673
Trading properties		**(5,445,016)**	525,002
Other liabilities		**3,355,504**	25,621,022
Due to related parties		**(5,044,061)**	21,864,692
Cash from/(used in) operations		**7,228,409**	(47,170,374)
Dividend income received		**3,916,641**	577,936
Interest income received		**4,763,511**	930,997
Interest paid		**(5,972,182)**	(4,204,623)
Net cash from/(used in) operating activities		**9,936,379**	(49,866,064)
INVESTING ACTIVITIES			
Proceeds from sale of share in subsidiary companies		**7,522,957**	38,311,107
Investment in associated companies		**(9,658,648)**	106,788,001
Advances for purchase of properties		**-**	(10,231,620)
Net additions to property, plant and equipment		**(23,894,840)**	(18,200,234)
Proceeds from sale of investments available for sale		**8,762,760**	-
Net additions to investment properties		**(11,745,566)**	(4,895,181)
Purchase of investments available for sale		**(16,038,994)**	(30,661,186)
Acquisition of subsidiaries		**(3,903,222)**	(639,196)
Net cash (used in)/from investing activities		**(48,955,553)**	80,471,691
FINANCING ACTIVITIES			
Repayment of related party loans		**(30,982,617)**	(2,540,000)
Loan obtained from banks		**65,043,852**	5,171,944
Minority interest		**(7,371,644)**	23,312,332
Due to shareholders		**199,320**	(769)
Dividends paid		**(5,597,947)**	(3,600,000)
Purchase of treasury shares		**(8,265,712)**	(44,080,103)
Proceeds from sale of treasury shares		**3,352,596**	19,510,817
Translation reserve		**(896,642)**	84,538
Net cash from/(used in) financing activities		**15,481,206**	(2,141,241)
Net (decrease)/increase in cash and cash equivalents		**(23,537,968)**	28,464,386
Cash and cash equivalents at beginning of the year		**54,015,981**	25,551,595
Cash and cash equivalents at end of the year	7	**30,478,013**	54,015,981

The notes set out on pages 8 to 28 form an integral part of these consolidated financial statements.

Consolidated notes to the financial statements

31 December 2006

1 Incorporation and activities

International Financial Advisors – KSC (Closed) ("the parent company") is a Kuwaiti closed shareholding company incorporated on 31 January 1974 under the Commercial Companies Law No. 15 of 1960 and amendments thereto. The parent company is regulated by the Central Bank of Kuwait as an investment company. The address of the parent company's registered office is PO Box 4694, Safat 13047, State of Kuwait.

The parent company is principally engaged in providing financial advisory services, trading in local and international securities, borrowing, lending, issuing guarantees, managing investment funds and portfolio management and trading in future contracts.

Following is a list of subsidiary companies acquired and incorporated by the parent company.

IFA subsidiaries	Legal operating entity	Subsidiaries' ownership % in legal operating entity	Place of incorporation	Status of operation	Opening/ Acquisition date
Consolidated subsidiaries					
1) IFA Hotels & Resorts – KSC (Closed) (54.65%)	a) IFA Hotels & Resorts FZ – LLC	100%	UAE	Operating	2003
	b) IFA Hotels & Resorts – Jabel Ali Free Zone	100%	UAE	Operating	2005
	c) IFA Hotels & Resorts (SAL) Holdings	51%	Lebanon	Operating	2003
	d) IFA Zimbali Hotels & Resorts (Pty) Ltd.	100%	South Africa	Operating	2003
	e) IFA Hotels & Resorts Limited	85%	South Africa	Operating	2003
	f) IFA Hotels & Resorts 2 Limited	70%	Tanzania	Operating	2003
	g) IFA Hotels & Resorts 1 – Cayman Island	70%	Cayman Island	Under establishment	2006
	h) IFA Hotels & Resorts 3 Limited	100%	Mauritius	Under establishment	2006
2) Seven Seas Resorts Company – KSC (Closed) (54.29%)	-	-	Kuwait	Operating	2003
3) Gulf Real Estate Co. – WLL (46.32%)	-	-	Kuwait	Operating	2004

1 Incorporation and activities (continued)

IFA subsidiaries	Legal operating entity	Subsidiaries' ownership % in legal operating entity	Place of incorporation	Status of operation	Opening/ Acquisition date
4) Offset Consulting and Hotel Project Management Company (100%)	-	-	Kuwait	Operating	2003
5) IFA Aviation Company – WLL (75%)	-	-	Kuwait	Under establishment	2006
6) Radeem Real Estate Co. (100%)	-	-	Lebanon	Operating	2006
7) Dana Real Estate Co. (100%)	-	-	Lebanon	Operating	2006
Unconsolidated subsidiaries					
1) IFA Securities LLC (100%)	-	-	UAE	Under establishment	2006
2) IFA Brokerage Co.	-	-	Egypt	Under establishment	2006
3) IFA Assets Management & Portfolio Co.	-	-	Egypt	Under establishment	2006
4) IFA Lebanon – SAL (100%)	-	-	Lebanon	Not operating	2003

During the year the group acquired Radeem Real Estate Company and Dana Real Estate Company as wholly owned subsidiaries with a total consideration of USD13,500,000 equivalent to KD3,903,222.

The consolidated financial statements were authorised for issue by the board of directors on 14 February 2007 and they are subject to the approval of the general assembly of shareholders.

2 Adoption of new and revised International Financial Reporting Standards

In the current year, the group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and are effective for accounting periods beginning on 1 January 2006. The adaptation of these new and revised Standards and Interpretations has no significant impact on these consolidated financial statements.

At the date of authorisation of these consolidated financial statements, IFRS 7 Financial Instruments: Disclosures was in issue but not yet effective. The application of IFRS 7, which will be effective for the year ending 31 December 2007 will result in amended additional disclosures relating to financial instruments and associated risks.

3 Significant accounting policies

The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below:

Basis of preparation

The consolidated financial statements of the group have been prepared in accordance with the regulations of the Government of Kuwait for financial services institutions regulated by the Central Bank of Kuwait. These regulations require adoption of all International Financial Reporting Standards (IFRS) except for the IAS 39 requirements for a collective provision, which has been replaced by the Central Bank of Kuwait's requirement for a minimum general provision as described under the accounting policy for impairment of financial assets.

3 Significant accounting policies (continued)

The consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of investments carried at fair value through statement of income, available for sale and investment properties.

The consolidated financial statements have been presented in Kuwaiti Dinars.

The accounting policies are consistent with those used in the previous year.

Basis of consolidation
The consolidated financial statements comprise the financial statements of the parent company and its subsidiaries as of 31 December each year.

Subsidiaries are those enterprises controlled by the parent company. Control exists when the group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries, other than those that are acquired with a view to disposal within twelve months from the date of acquisition, are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

The financial statements of the subsidiaries are consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Any significant intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. The financial statements of subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Minority interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity. Acquisitions of minority interests are accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

Goodwill
Goodwill represents the excess of the cost of an acquisition over the group's share of the fair value of the net identifiable assets of the acquired subsidiary or associate as at the date of the acquisition. Goodwill arising on the acquisition of a subsidiary is recognised as a separate asset in the balance sheet. Goodwill arising on the acquisition of an associate is included within the carrying amount of the investment. Any excess, at the date of acquisition, of the Group's share in the fair value of the net identifiable assets acquired over the cost of the acquisition is recognised as negative goodwill.

Goodwill is stated at cost less impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment. Negative goodwill arising on an acquisition is recognised directly in the consolidated statement of income.

Revenue recognition
Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

Revenue from hoteliers and related services is recognised when the services are rendered.

Income from trading properties is recognised on sale commitment of properties is established, and using the percentage of completion method for properties sold but not delivered.

Interest income is recognised in the income statement as it accrues, taking into account the effective yield of the asset or an applicable floating rate.

3 Significant accounting policies (continued)

Revenue recognition (continued)
Fees and commissions income is recognised when earned.

Dividends income is recognised at the date when the right to receive payment is established.

Cash and cash equivalent
Cash and cash equivalent as stated in the statement of cash flows comprise bank balance and cash, short term deposits maturing within three months and due to bank balances.

Investments
Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in prices are classified as investments at fair value through statement of income. Investments at fair value through statement of income are measured initially at cost, excluding transaction costs and subsequently stated at fair value with any resultant gain or loss recognised in the consolidated statement of income.

Investment which are not held for trading are classified as available for sale investment. Available for sale investment are initially recorded at cost including cost of acquisition and then revalued to fair value and the resultant change in fair value is taken to equity. Any impairment in fair value is taken to the consolidated statement of income. Investments for which fair value cannot be determined are stated at cost less provision for impairment.

Fair values
Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transactions.

For securities traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date.

For securities where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same, or is based on the expected discounted cash flows, or determined by using valuations implied by significant financial events e.g. indicative bids, partial exits, or additional investments, or determined by using valuations implied by third party issuers having substantially the same line of business as the investee or other appropriate valuation techniques.

The determination of fair value is done for each investment individually.

Trading properties
Trading properties are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each property to its present condition including identifiable finance cost. Net realisable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal.

Investment properties
Investment properties are initially recorded at cost being its purchase price and any directly attributable acquisition cost. Subsequent to initial recognition investment properties are remeasured at fair value. Gain or loss arising from a change in fair value of investment properties are included in the consolidated statement of income in the year in which they arise.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the derecognition of an investment property are recognised in the consolidated statement of income in the year of derecoginition.

3 Significant accounting policies (continued)

Investment in associates
Associates are enterprise in which the group exerts significant influence including a holding of 20% to 50% of the voting power of the investee company. The consolidated financial statements include the group's share of the associates results using the equity method of accounting based on the latest audited financial statements.

Under the equity method of accounting, the initial investment is recorded at cost and the carrying amount is increased or decreased to recognise the group's share of profit or loss and other changes in the equity of the associated company. Distributions received from the associated company reduce the carrying amount of the investment.

An assessment of the investment in associated company is performed when there is an indication that the asset has been impaired or the impairment losses recognised in prior years no longer exist.

Interest in Joint Ventures
The Group's interest in its joint venture of subsidiary companies is accounted for by proportionate consolidation, which involves recognising a proportionate share of the joint venture's assets, liabilities, income and expenses with similar items in the consolidated financial statements on a line-by-line basis.

Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Lands are not depreciated.

Depreciation is calculated on a straight-line basis over the estimated useful lives as follows:

Freehold buildings	50 years
Building on leasehold land	over the term of lease
Plant and equipment	5 – 7 years
Furniture and fixtures	5 – 10 years
Motor vehicles	4 -5 years
Yacht	10 years
Aircraft	7 years

The carrying values of Property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

The commercial aircraft is depreciated over a seven years period after deducting the residual value estimated by professional aircraft valuers to be 85% of original value after that period.

Term loans
Term loans are carried on the balance sheet date at their principal amount. Interest is charged as an expense as it accrues, with unpaid amounts included in other liabilities and due to related parties.

Loans and advances
Loans and advances originated by the group by providing money directly to the borrower are stated at amortised cost net of interest suspended and provisions for impairment and credit losses.

Provisions
A provision (other than the provision for investments and loans receivables) is recognised in the balance sheet when the group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows that reflects current market assessments for such liabilities.

3 Significant accounting policies (continued)

Employees' end of service benefits
Provision is made for employees' end of service indemnity in accordance with the applicable Labour Laws based on employees' salaries and accumulated periods of service or on the basis of employment contracts, where such contracts provide extra benefits. The provision which is unfunded, is determined as the amount payable to employees as a result of involuntary termination of employment as of the balance sheet date.

Foreign currencies
Foreign currency transactions are recorded in Kuwaiti Dinars at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Kuwaiti Dinars at the rate of exchange prevailing on the balance sheet date. Resulting gains or losses on exchange are recorded as part of the results for the year.

Non-monetary assets and liabilities denominated in foreign currency, which are stated at historical cost or amortised cost are recorded at the exchange rate ruling at the date of transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Kuwaiti Dinars at the foreign exchange rates ruling at the dates that the values were determined.

Assets and liabilities of foreign subsidiaries are translated at the exchange rate prevailing at the balance sheet date. Income statement is translated at average rate of exchange for the year. The resulting exchange differences are taken directly to a separate component of shareholders' equity (foreign currency translation reserve) until the disposal of the subsidiaries.

Impairment and uncollectability of financial assets
An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset, or group of similar assets, may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss, based on the net present value of future anticipated cash flows, is recognised in the consolidated statement of income. For assets carried at amortised cost, future anticipated cash flows are discounted at the financial instrument's original effective interest rate. For assets carried at fair value, impairment is the difference between cost and fair value.

In addition, in accordance with the Central Bank of Kuwait instructions, a minimum general provision of 2% on all credit facilities and loans net of certain restricted categories of collateral, and not subject to specific provision, is provided.

The provision for impairment of loans and advances also covers losses where there is objective evidence that probable losses are present in components of the loans and advances portfolio at the balance sheet date. These have been estimated based on historical patterns of losses in each component, the credit ratings allocated to the borrowers and reflecting the current economic climate in which the borrowers operate.

Recognition and derecognition of financial assets and liabilities
A financial asset or a financial liability is recognised when the group becomes a party to the contractual provisions of the instrument. A financial asset (in whole or in part) is derecognised either when the group has transferred substantially all the risks and rewards of ownership or when it has neither transferred nor retained substantially all the risks and rewards and when it no longer has control over the asset or a proportion of the asset. A financial liability is de-recognised when the obligation specified in the contract is discharged, cancelled or expired.

Trade and settlement date accounting
All 'regular way' purchases and sales of financial assets are recognised on the trade date i.e. the date that the entity commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

3 Significant accounting policies (continued)

Treasury shares
The parent company's own shares are accounted for as treasury shares and are stated at cost. When the treasury shares are sold, gains are credited to a separate account in equity under "treasury shares profit reserve" which is non distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the treasury shares reserve account. No cash dividends are distributed on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

Use of estimates
The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of financial assets and liabilities at the date of the consolidated financial statements. The use of estimates is principally limited to the determination of fair valuation of unquoted investments and investment properties.

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.

4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the group's accounting polices, which are described in note 3, management is required to make judgements, estimates and assumption about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty
The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Valuation of unquoted equity investments
Valuation of unquoted equity investments is normally based on one of the following:
- recent arm's length market transactions;
- current fair value of another instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation.

4 Critical accounting judgements and key sources of estimation uncertainty (continued)

Critical judgements in applying accounting polices
In the process of applying the group's accounting policies, management has made the following significant judgements, apart from those involving estimations, which have the most significant effect in the amounts recognised in the consolidated financial statements:

Classification of real estate property
Management decides on acquisition of a real estate property whether it should be classified as trading, property held for development or investment property.

The group classifies property as trading property if it is acquired principally for sale in the ordinary course of business.

The group classifies property as property under development if it is acquired with the intention of development.

The group classifies property as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use.

Classification of investments
Management decides on acquisition of an investment whether it should be classified as held for trading, at fair value through statement of income, or available for sale.

The group classifies investments as trading if they are acquired primarily for the purpose of making a short term profit by the dealers.

Classification of investments as investment at fair value through statement of income depends on how management monitor the performance of these investments. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of income statement in the management accounts, they are classified as at fair value through statement of income.

All other investments are classified as available for sale.

5 Gain on sale of shares in subsidiary companies

	Year ended 31 Dec. 2006 KD	Year ended 31 Dec. 2005 KD
Gain on sale of 15% share in IFA Hotels & Resorts Limited (South Africa)	**5,231,778**	-
Net (loss)/gain on sale of shares in IFA Hotels & Resorts – KSCC	**(76,425)**	102,341,091
Total	**5,155,353**	102,341,091

6 (Loss)/earnings per share

Earning per share is calculated by dividing the net (loss)/profit for the year attributable to the parent company, by the weighted average number of shares outstanding of the parent company during the year after deducting treasury shares as follows:

	2006	2005
(Loss)/profit for the year attributable to the parent company (KD)	**(24,225,427)**	152,561,129
Weighted average number of shares issued (excluding treasury share) (shares)	**423,479,022**	441,998,746
(Loss)/earnings per share	**(57.21) Fils**	345.16 Fils

The weighted average number of shares was calculated for the year after due consideration to bonus shares.

7 Cash and cash equivalent

	2006 KD	2005 KD
Bank balances and cash	19,251,323	12,110,615
Fixed deposit	12,063,721	41,905,366
Due to bank	(837,031)	-
Cash and cash equivalents in the consolidated statement of cash flows	30,478,013	54,015,981

Included in bank balances and cash, an investment portfolio cash balance of KD2,587,440 (2005: KD115,079) pledged against bank loans.

8 Investments at fair value through statement of income

	2006 KD	2005 KD
Held for trading:		
Local		
Quoted shares	113,682,652	144,454,586
Unquoted shares	1,830,029	1,829,850
	115,512,681	146,284,436
Foreign		
Quoted shares	678,420	648,675
Unquoted shares	-	291,998
	678,420	940,673
Total	116,191,101	147,225,109

Local quoted shares with a carrying value of KD68 million are secured against bank facilities (Note 22).

The amounts included in the statement of income are:

	Year ended 31 Dec. 2006 KD	Year ended 31 Dec. 2005 KD
Realised (loss)/gain	(8,015,925)	24,231,192
Unrealised (loss)/gain	(41,688,920)	29,741,326
	(49,704,845)	53,972,518

9 Other assets

	2006 KD	2005 KD
Receivables on forward/future contacts	2,518,715	1,997,335
Trade receivables	7,492,379	8,417,264
Advances and prepayments	7,415,898	1,156,739
Kuwait Clearing Company receivables	4,842,092	-
Other receivables	7,380,419	5,287,352
Accounts receivables reclassified to margin loans	-	42,414,153
	29,649,503	59,272,843

10 Loans receivable

	2006	Effective interest rate	2005	Effective interest rate
	KD		KD	
Consumer	**55,647**	6%	54,545	6%
Real estate	**1,154,091**	6% - 10%	1,175,632	6% - 10%
Margin loans	**26,771,877**	6% - 10%	2,550,940	6% - 10%
Rescheduled	**1,111**	7% - 11%	1,111	7% - 11%
	27,982,726		3,782,228	
Provisions	**(3,217,428)**		(2,495,797)	
	24,765,298		1,286,431	

The movement in provisions is as follows:

	2006	2005
	KD	KD
Balance at 1 January	**2,495,797**	2,504,959
Provision charge for the year (included in other operating expenses)	**865,964**	-
Reversal of excess provision	**(141,421)**	-
Foreign currency exchange movement	**(2,912)**	(9,162)
Balance at 31 December	**3,217,428**	2,495,797

The policy of the parent company for the calculation of the provisions for loans receivable complies in all material respect with the provision requirements of the Central Bank of Kuwait.

11 Due from/to related parties

	2006	2005
	KD	KD
Due from related parties		
United Investment Company, Portugal	**2,040,451**	2,126,543
International Investment Projects Co. – KSC (Closed)	**12,978**	-
Al-Bab Trading Company – WLL	**1,463,702**	40,158
Kuwait International Investment Co. - SAK	**15,746**	7,651
Kuwait Real Estate Company – KSC	**-**	2,102,202
Kuwait Invest Holding Company – KSC (Closed)	**1,450,043**	150,270
Jeezan Real Estate Company – KSC (Closed)	**927,017**	604
Assjad Al Kuwait General Trading & Contracting Co. – WLL	**1,551,746**	-
Univest Group – KSC (Closed)	**886,708**	-
Manarat Al Ofuq General Trading Co. – WLL	**798,589**	-
Others	**3,343,509**	1,052,250
	12,490,489	5,479,678
Due to related parties		
International Finance Company – KSC (Closed)	**101,898**	114,407
Kuwait Real Estate Company – KSC	**861,246**	-
Offset General and Trading Co. – WLL	**-**	6,823,160
Al-Deera Holding Company – KSC (Closed)	**-**	533,660
Others	**1,573,742**	109,720
	2,536,886	7,580,947

12 Investment available for sale

The investment available for sale comprise of :

	2006 KD	2005 KD
Quoted shares	**18,544,186**	4,955,840
Unquoted shares	**42,563,080**	37,855,855
	61,107,266	42,811,695

Unquoted shares include KD30,571,193 (2005: KD24,479,259) that are carried at cost as at the balance sheet date due to unavailability of reliable sources to determine their fair value, out of which KD5,640,996 (2005: KD14,366,006) has been purchased during the year. Management is not aware of any circumstances that would indicate any impairment in the value of these investments on the balance sheet date.

13 Trading properties

	2006 KD	2005 KD
Residential flats in Dubai, UAE	**4,349,501**	418,703
Properties in South Africa	**8,544,781**	3,020,063
	12,894,282	3,438,766

Trading properties in Dubai represents the total cost of residential flats in buildings purchased from the developer in Dubai, UAE for trading purposes.

Trading properties in South Africa represents plots of lands purchased in South Africa for trading purposes and comprises land at cost and development expenditure attributable to unsold properties.

The group uses the percentage of completion method in recognising the income generated from selling these flats.

14 Investment properties

Investment properties represent the following:

	2006 KD	2005 KD
Lands in South Africa	**210,896**	273,701
Properties in the United Arab Emirates	**29,140,438**	29,228,940
Properties in Kuwait	**12,765,750**	245,000
	42,117,684	29,747,641

Investment properties in South Africa and the United Arab Emirates are stated at fair market value as valued by independent appraisers on 30 June 2006 being the fiscal year end of the respective subsidiary (IFA Hotels & Resorts – KSCC). Investment properties in Kuwait, all of which were acquired during the year are stated at cost.

Investment properties with a carrying value of KD15 million are secured against bank facilities (Note 22).

Unrealised gain on revaluation of investment properties amounted to KD623,877 (KD24,564,385 in 2005).

15 Investment in associated companies

Details of associates are as follows:

Name and particulars of the company	Interest in equity	2006 KD	2005 KD
Addax Bank (BSC) *(Registered in Bahrain and its principal activity is providing banking services)*	40%	2,575,999	1,386,625
Boschendal (Pty) Ltd. *(Registered in South Africa and its principal activity is providing banking services)*	19.25%	1,900,287	-
Raimon Land Public Company Limited *(Registered in Thailand and its principal activity is providing property construction and development)*	24.99%	7,478,262	-
		11,954,548	1,386,625

	2006 KD	2005 KD
Aggregate share of associates' balance sheets:		
Assets	18,260,132	1,766,079
Liabilities	(7,303,600)	(86,019)
Equity	10,956,532	1,680,060
Aggregate share of associates' profit:	909,275	1,657,846
Aggregate carrying amount of the unquoted associates	4,476,286	1,386,625
Aggregate carrying amount of Raimon Land Public Company Limited quoted shares	7,478,262	-
Total aggregate carrying amounts	11,954,548	1,386,625

The fair market value of Raimon Land Public Company Limited quoted shares is KD5,497,780.

16 Goodwill

	2006 KD	2005 KD
At 1 January	106,593	117,266
Arising on acquisition of share in IFA Hotels & Resorts – KSC (Closed)	1,885,998	-
Arising on acquisition of subsidiary in South Africa	131,414	-
Foreign exchange difference	(13,281)	(10,673)
At 31 December	2,110,724	106,593

17 Advances for purchase of properties

Advances for purchase of properties have been paid for the following:

	2006 KD	2005 KD
Land in Kuwait	14,577,968	14,577,968

Land in Kuwait represents advance payment made for purchase of land by one of the subsidiary companies of the group. The title deed of the above land will be transferred to the subsidiary company at the final settlement and after completion of legal procedures.

18 Property, plant and equipment

	Freehold land KD	Buildings on freehold land KD	Building on leasehold land KD	Plant and equipment KD	Furniture and fixture KD	Motor vehicles KD	Yacht KD	Aircraft KD	Capital work in progress KD	Total KD
Cost										
At 1 January 2006	137,178	2,483,705	851,646	875,596	777,948	167,698	2,062,981	-	37,755,595	45,112,34
Additions	-	249,929	2,415,966	76,176	327,714	11,576	452,600	6,925,261	14,151,909	24,611,13
Disposal	-	-	-	(165,166)	(28,319)	(23,442)	-	-	-	(216,92
Transferred to trading properties – South Africa	-	-	-	-	-	-	-	-	(4,011,500)	(4,011,50
Foreign exchange adjustment	-	(309,847)	(238,292)	(52,084)	(38,732)	8,929	-	-	-	(630,02
At 31 December 2006	**137,178**	**2,423,787**	**3,029,320**	**734,522**	**1,038,611**	**164,761**	**2,515,581**	**6,925,261**	**47,896,004**	**64,865,02**
Depreciation										
At 1 January 2006	-	125,435	43,557	436,169	272,845	72,359	149,016	-	-	1,099,38
Charge for the year	-	83,457	18,103	109,724	254,556	35,817	38,367	49,466	-	589,49
Relating to disposal	-	-	-	(62,520)	(9,528)	(15,296)	-	-	-	(87,34
Foreign exchange adjustment	-	(33,417)	(4,230)	(25,267)	4,957	14,442	(803)	-	-	(44,31
At 31 December 2006	**-**	**175,475**	**57,430**	**458,106**	**522,830**	**107,322**	**186,580**	**49,466**	**-**	**1,557,20**
Net carrying amount										
At 31 December 2006	**137,178**	**2,248,312**	**2,971,890**	**276,416**	**515,781**	**57,439**	**2,329,001**	**6,875,795**	**47,896,004**	**63,307,816**
At 31 December 2005	137,178	2,358,270	808,089	439,427	505,103	95,339	1,913,965	-	37,755,595	44,012,966

Building on leasehold land comprise a hotel known as the Zanzibar Beach Hotels and Resorts leased to IFA Hotels & Resort 2 Limited. These buildings have been constructe on land leased from the Zanzibar Revolutionary Government. The lease commenced on 2 November 2000 for an initial lease term of 33 years.

Capital work in progress represents hotels, residential flats and retail properties under construction in Dubai, UAE and the value of El-Abadieh Hills Project in Lebanon.

19 Other liabilities

	2006 KD	2005 KD
Interest payable	**200,130**	4,263,871
Dividend payable	**1,064,908**	515,887
Payable on purchase of land	**16,676,357**	15,053,690
Accounts payables	**4,277,145**	1,581,490
Accrued expenses	**1,857,606**	2,537,089
Directors remuneration	**-**	100,000
Kuwait Clearing Company payable	**-**	264,291
Kuwait Foundation for the Advancement of Science (KFAS)	**1,339,019**	1,190,573
National Labour Support Tax	**3,401,412**	3,652,391
Other payables	**14,143,645**	10,445,436
	42,960,222	39,604,718

Other payables include an amount of KD5,061,256 (AED63,464,048) provision for the loss of legal case in Ajman (United Arab Emirates) against the parent company and others. A decision was issued on 25 January 2006 by the appeal court in favour of the third party and accordingly a provision has been made in the consolidated financial statements for the ruled amount plus interest (Note 29) during the previous year.

20 Due to shareholders

	2006 KD	2005 KD
For capital reduction of shareholders loan	**365,010**	165,690

21 Term loans from a related party

Interest rate	Maturity	2006 KD	2005 KD
a) 2% over KIBOR	-	**-**	25,736,758
b) 2% over KIBOR	March 2008	**2,834,141**	8,080,000
		2,834,141	33,816,758

22 Bank loans

The group has the following bank facilities as at the balance sheet date.

		Base Currency	Maturity	2006 KD	2005 KD
a)	1.25% over LIBOR	USD	Dec. 2015	**34,696,800**	-
b)	1.5% over LIBOR	USD	June 2009	**25,299,750**	25,550,000
c)	3% over LIBOR	USD	June 2011	**2,927,543**	-
d)	2.5% over CBK discount rate	KD	May 2009	**20,000,000**	-
e)	3% over CBK discount rate	KD	Nov 2016	**6,000,000**	-
f)	4% + one month LIBOR	AED	May 2013	**5,055,792**	5,121,944
g)	Unsecured loan – South Africa	Rand	-	**1,735,911**	-
				95,715,796	30,671,944

The above loans are guaranteed against the mortgage of the following:
- Investment at fair value through statement of income KD68 million (Note 8)
- Treasury shares KD22 million (Note 24)
- Shares of a quoted subsidiary KD13 million
- Investment properties KD15 million (Note 14)

23 Advances received from customers

These balances represents amounts collected from customers in advance on the sale of residential flats currently under construction by the group.

24 Share capital

Share capital

The authorised share capital as at 31 December 2006 comprised of 450,000,000 share of KD 0.100 each, all issued and fully paid (2005: 299,932,652 shares of KD 0.100 each).

Share premium

Additional share capital of KD 3,000,000 at premium of 400 fils per share equivalent to KD 12,000,000 was issued during the year 2004 by issue of 20% stock rights to existing shareholders after approval in the Annual General Meeting held on 14 June 2004. Only 29,932,650 shares were subscribed for in this new issue, recognising share premium of KD11,973,061.

Treasury shares

As at 31 December 2006 the group held 32,257,275 (2005: 19,184,306) of its own shares, equivalent to 7.17% of the total issued share capital at that date. The market value of these shares at the balance sheet date was KD23,870,384 (2005: KD52,564,998). Treasury shares with an amount of KD22 million are secured against bank facilities (Note 22).

Issue of bonus shares

The shareholders have approved in their general assembly held on 5 June 2006 to distribute bonus shares at the rate of 50% of the paid-up capital, equivalent to KD15,006,735 or 150,067,350 shares at KD0.100 per share for the year ended 31 December 2005. (During 2005 approved the distribution at the rate of 25% or KD6,000,000 for 60,000,000 shares for the year ended 31 December 2004).

25 Statutory and Voluntary reserves

In accordance with the Commercial Companies Law and the parent company's Articles of Association, 10% of the profit for the year before contribution to KFAS, National Labour Support tax and directors fees is transferred to statutory reserve. The parent company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid up share capital.

Distribution of the reserve is limited to the amount required to enable the payment of a dividend of 5% of paid up share capital to be made in years when accumulated profits are not sufficient for the payment of a dividend of that amount.

The parent company's articles of association requires that 10% of the profit for the year before contribution to KFAS, National Labour Support tax and directors fees should be transferred to a voluntary reserve, and no transfer is required in a year when losses are made.

26 Fiduciary accounts

These accounts include term deposit and investment portfolios with the total amount of KD160,135,029 (2005: KD162,608,871) which are held by the group on behalf of its customers as margin guarantees against customer liabilities for trading related activities.

27 Proposed dividends

Subsequent to the balance sheet date, the directors have proposed not to distribute any dividends, which is subject to the approval of the shareholders at the annual general meeting.

During 2006, cash dividends of 20% or 20 Fils per share and bonus shares of 50% of paid up capital for the year ended 31 December 2005 were approved at the annual general meeting held on 5 June 2006 and were paid in 2006 following that approval.

28 Maturity analysis of assets and liabilities

The company's maturity profile set out below is based on the remaining period at the balance sheet date to the contractual maturity date. In the case of financial instruments that do not have a contractual maturity date, the maturity is based on management's estimate of time period in which the asset will be collected or disposed and the liability settled.

	Less than one month KD '000	From one month to one year KD '000	Over one year KD '000	Total KD '000
At 31 December 2006				
Assets				
Cash and cash equivalent	30,478	-	-	30,478
Investment at fair value through statement of income	116,191	-	-	116,191
Other assets	-	29,650	-	29,650
Loans receivable	-	24,765	-	24,765
Due from related parties	-	12,490	-	12,490
Investments available for sale	-	-	61,107	61,107
Trading properties	-	12,894	-	12,894
Investment properties	-	-	42,117	42,117
Investment in associated companies	-	-	11,955	11,955
Investment in unconsolidated subsidiaries	-	-	645	645
Goodwill	-	-	2,111	2,111
Advances for purchase of properties	-	-	14,578	14,578
Property, plant and equipment	-	-	63,308	63,308
Total assets	146,669	79,799	195,821	422,289
Liabilities and equity				
Other liabilities	-	42,960	-	42,960
Due to related parties	-	2,537	-	2,537
Due to shareholders	-	365	-	365
Term loans from a related party	-	-	2,834	2,834
Bank loans	-	-	95,716	95,716
Advances received from customers	-	-	65,753	65,753
Minority interest	-	-	33,579	33,579
Shareholders' equity of the parent company	-	-	178,545	178,545
Total liabilities and equity	-	45,862	376,427	422,289
At 31 December 2005				
Assets				
Cash and cash equivalent	54,016	-	-	54,016
Investment at fair value through statement of income	147,225	-	-	147,225
Other assets	-	60,241	-	60,241
Loans receivable	-	1,286	-	1,286
Due from related parties	-	5,480	-	5,480
Investments available for sale	-	-	42,812	42,812
Trading properties	-	3,020	-	3,020
Investment properties	-	29,748	-	29,748
Investment in associated company	-	-	1,387	1,387
Investment in unconsolidated subsidiaries	-	-	645	645
Goodwill	-	-	107	107
Advances for purchase of properties	-	-	17,804	17,804
Property, plant and equipment	-	-	40,237	40,237
Total assets	201,241	99,775	102,992	404,008
Liabilities and equity				
Other liabilities	-	39,605	-	39,605
Due to related parties	-	7,581	-	7,581
Due to shareholders	-	166	-	166
Term loans from a related party	-	-	33,817	33,817
Bank loans	-	-	30,672	30,672
Advances received from customers	-	-	41,144	41,144
Minority interest	-	-	42,487	42,487
Shareholders' equity of the parent company	-	-	208,536	208,536
Total liabilities and equity	-	47,352	356,656	404,008

29 Contingent liabilities

In 1993, the liquidator of a bank in Bahrain filed a legal case in Ajman (United Arab Emirates) against the parent company and others, claiming an amount of US$ 27,714,944 representing the balance of debt due from a third party. Two court decisions were issued by the Court of First Instance in favour of the parent company during 1995 and 1996, in addition to an appeal court decision issued in 1998 in favour of the parent company by that court, rejecting the aforementioned appeal, and supporting the decision issued by the Court of First Instance in favour of the company.

On 25 January 2006 a court order was issued requesting the payment of KD1,788,944 (AED22,431,145) from Gulf Group for Industrial Projects (the other party) and International Financial Advisors, jointly, being the principal amount of the debt to 29 April 1985 plus an amount of KD3,272,312 (AED41,032,903) interest on that amount from 29 April 1985 to the date of the court case on 12 August 1993. The parent company has provided for its share of principal and interest as ruled by the court for a total amount of KD5,061,256 during the year 2005.

30 Commitments

Capital expenditure commitments

At 31 December 2006, the group was committed to invest in the additional anticipated funding required to build several real estate projects in Dubai, UAE, Beirut, Lebanon and South Africa. The estimated funding commitments on these projects are as follows:

	2006 **KD**	2005 KD
Capital expenditure for purchase of properties contracted for	**9,500,000**	27,200,000
Estimated and contracted capital expenditure for construction of properties	**235,000,000**	186,700,000
	244,500,000	213,900,000

The group expects to finance the future expenditure commitments from the following sources:

a) sale of investment properties;
b) advances from customers;
c) raising additional share capital;
d) advances provided by the shareholder, related entities, joint ventures; and
e) borrowings, if required.

Expected financing rates from the above sources are dependent on the source of financing and management estimates of the best financing available at the time they become due.

In addition to this, the group has finance lease commitment with a value of KD549,573 (2005: KD660,783).

31 Concentration of asset and liabilities

The group operates in different geographical areas. A geographical analysis based on location of assets is as follows:

	Assets		Liabilities	
	2006	2005	**2006**	2005
	KD '000	KD '000	**KD '000**	KD '000
Kuwait	**227,257**	274,206	**46,363**	73,389
Rest of the Middle East	**125,968**	101,708	**121,411**	74,717
South Africa	**23,013**	19,866	**7,694**	4,878
Europe	**9,290**	4,918	**34,697**	-
America	**28,127**	3,310	**-**	-
Asia	**8,634**	-	**-**	-
	422,289	404,008	**210,165**	152,984

Geographical areas:

	Segment revenue		Segment (loss)/profits	
	2006	2005	**2006**	2005
	KD '000	KD '000	**KD '000**	KD '000
Kuwait	**(30,757)**	163,467	**(31,405)**	125,904
Rest of the Middle East	**9,213**	27,177	**6,098**	25,479
South Africa	**4,642**	4,008	**1,045**	1,178
Europe	**-**	-	**-**	-
America	**37**	-	**37**	-
	(16,865)	194,652	**(24,225)**	152,561

32 Financial instruments

The group in the normal course of business uses various types of financial instruments. Information on financial risks and fair value of these financial instruments is set out below:

Interest rate risk

The group is exposed to interest rate risk on cash and cash equivalents, loans receivables, term loan from a related party and bank borrowing in note no 7, 10, 21 and 22 respectively.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The group's credit policy and exposure to credit risk is monitored on an ongoing basis. The group seeks to avoid undue concentrations of risks with individuals or groups of customers in specific locations or business through diversification of lending activities. The groups' credit exposures are adequately collateralised where required.

Information on significant concentrations of credit risk is set out in Note 31.

32 Financial instruments (continued)

Foreign currency risk

The group is exposed to foreign currency risk primarily in respect of investments that are denominated in a currency other than Kuwaiti Dinars. As at the balance sheet date the group had the following net exposure denominated in foreign currencies:

	2006 KD '000 Long/(short)	2005 KD '000 Long/(short)
U.S. Dollar	5,651	4,314
UAE Dhiram	134,711	61,033
South Africa Rand	26,975	12,329

Market risk

Market risk is the risk that the value of an asset of the group will fluctuate as a result of changes in market prices. Market risk is managed on the basis of a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value.

Liquidity risk

Liquidity risk is the risk that the group will be unable to meet its liabilities when they fall due. To limit this risk, management has arranged funding from related parties to manage assets with liquidity and monitors liquidity on a daily basis.

33 Fair value of financial assets and liabilities

The group in the normal course of business uses various types of financial instruments. Information on Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash and short term funds, other assets, investment at fair value through statement of income, loans receivables, investment available for sale and advances for purchase of properties. Financial liabilities consist of bank loans, advance received from customers and other liabilities.

The fair value of financial instruments, with the exception of certain investment available for sale carried at cost (Note 12), are not materially different from their carrying values.