Consolidated financial statements and independent auditors' report

International Financial Advisors – KSC (Closed) and Subsidiaries

Kuwait

31 December 2007

Contents

Grant Thornton
Anwar Al-Qatami & Co
Auditors & Consultants
Souq Al Kabeer Building - Block A - 9th Floor
Tel: (965) 244 3900-9
Fax: (965) 243 8451
P.O.Box 2986, Safat 13030 – Kuwait
E-mail : gt@gtkuwait.com

BDO
BDO Burgan – International Accountants
Ali Al Hassawi & Co.–Member of BDO International
P.O. Box: 22351 Safat 13084 Kuwait
Sharq – Dasman Complex – Block 2 – 9 Floor
Tel 2464574-6 /2426862-3 Fax: 2414956
Email: info@bdokuwait.com

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 2007, 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 2007, 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

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, and by the parent company's articles of association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Commercial Companies Law nor of the articles of association, as amended, have occurred during the year 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.

Abdullatif M. Al-Aiban (CPA)
(Licence No. 94-A)
of Grant Thornton – Anwar Al-Qatami & Co.

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

Kuwait
1 April 2008

Consolidated statement of income

	Notes	Year ended 31 Dec. 2007 KD	Year ended 31 Dec. 2006 KD
Income			
Interest and similar income	5	**5,496,098**	5,042,495
Management fees and commission income	6	**3,199,455**	1,901,924
Dividend income	7	**3,541,028**	4,014,531
Net income from hoteliers and related services	8	**1,011,081**	896,317
Net gain/(loss) on investments	9	**35,777,603**	(44,703,536)
Net gain on investment properties	10	**6,653,812**	623,877
Gain on sale of properties under development	11	**30,963,940**	8,811,086
Gain on sale of shares in a consolidated subsidiary company	25	**27,500,013**	5,155,353
Gain on sale of unconsolidated subsidiaries	12	**200,328**	-
Share of profit from associated companies	24	**3,234,000**	909,275
Other income	13	**4,386,607**	483,903
Total income		**121,963,965**	(16,864,775)
Expenses and other charges			
Interest and similar expenses	14	**8,728,676**	5,972,182
Staff and related costs		**3,450,279**	2,818,557
Other operating expenses		**10,949,503**	6,211,119
Depreciation	28	**646,460**	589,490
Total expenses and other charges		**23,774,918**	15,591,348
Profit/(loss) before KFAS, National Labour Support Tax, Zakat, Directors' remuneration and taxation on overseas subsidiaries		**98,189,047**	(32,456,123)
Directors' remuneration		**(100,000)**	-
Taxation on overseas subsidiaries		**189,104**	(613,256)
Contribution to Kuwait Foundation for Advancement of Sciences (KFAS)		**(780,708)**	-
Contribution to Zakat		**(50,413)**	-
National Labour Support Tax		**(2,136,409)**	-
Profit/(loss) for the year		**95,310,621**	(33,069,379)
Attributable to :			
Shareholders of the parent company		**80,803,330**	(24,225,427)
Minority interest		**14,507,291**	(8,843,952)
Profit/(loss) for the year		**95,310,621**	(33,069,379)
BASIC & DILUTED EARNINGS/(LOSS) PER SHARE	15	**193.86 Fils**	(57.21) Fils

The notes set out on pages 8 to 48 form an integral part of these consolidated financial statements.

Consolidated balance sheet

	Notes	31 Dec. 2007 KD	31 Dec. 2006 KD
Assets			
Cash and cash equivalents	16	**73,716,606**	30,478,013
Investments at fair value through statement of income	17	**143,963,612**	116,191,101
Other assets	18	**40,133,648**	29,649,503
Loans receivable	19	**10,702,084**	24,765,298
Due from related parties	20	**23,790,873**	13,924,944
Investments available for sale	21	**100,290,808**	61,107,266
Trading properties	22	**900,756**	4,349,501
Investment properties	23	**18,401,124**	42,117,084
Investment in associated companies	24	**15,575,294**	10,520,093
Investment in unconsolidated subsidiaries		**82,272**	645,100
Goodwill	25	**38,916,729**	3,794,870
Advances for purchase of properties	10	**-**	14,577,968
Properties under development	26	**74,561,191**	37,443,260
Capital work in progress	27	**31,156,473**	17,313,379
Property, plant and equipment	28	**15,755,496**	15,411,812
Total assets		**587,946,966**	422,289,192
Liabilities and equity			
Liabilities			
Other liabilities	29	**66,822,307**	43,325,232
Due to related parties	20	**2,532,892**	2,536,886
Term loan from a related party	30	**-**	2,834,141
Borrowings	31	**135,585,499**	95,715,796
Advances received from customers	32	**94,050,591**	65,753,220
Total liabilities		**298,991,289**	210,165,275
Equity			
Equity attributable to the shareholders of the parent company			
Share capital	33	**45,000,000**	45,000,000
Share premium	33	**11,973,061**	11,973,061
Treasury shares	33	**(37,192,698)**	(35,608,502)
Statutory and voluntary reserves	34	**61,649,505**	45,124,412
Cumulative changes in fair value	21	**3,676,268**	11,295,454
Treasury share profit reserve		**6,000,329**	6,244,910
Foreign exchange translation reserve		**(2,867,116)**	(867,193)
Retained earnings		**159,660,922**	95,382,685
Total equity of the parent company shareholders		**247,900,271**	178,544,827
Minority interest		**41,055,406**	33,579,090
Total equity		**288,955,677**	212,123,917
Total liabilities and equity		**587,946,966**	422,289,192
Fiduciary accounts	35	**103,043,536**	160,135,029

Jassim Mohammed Al-Bahar
Chairman and CEO

Saleh Saleh Al-Selmi
Deputy Chairman and Deputy CEO

The notes set out on pages 8 to 48 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Attributable to the shareholders of the parent company										
	Share capital KD	Share premium KD	Treasury shares KD	Statutory and voluntary reserves KD	Cumulative changes in fair value KD	Treasury shares profit reserve KD	Foreign exchange translation reserve KD	Retained earnings KD	Sub - total KD	Minority interest KD	Total KD
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
Changes in fair values of investments available for sale	-	-	-	-	(7,619,186)	-	-	-	(7,619,186)	-	(7,619,186)
Translation reserve movements	-	-	-	-	-	-	(1,999,923)	-	(1,999,923)	-	(1,999,923)
Net expense recognised directly in equity	-	-	-	-	(7,619,186)	-	(1,999,923)	-	(9,619,109)	-	(9,619,109)
Profit for the year	-	-	-	-	-	-	-	80,803,330	80,803,330	14,507,291	95,310,621
Total recognised (expense)/income for the year	-	-	-	-	(7,619,186)	-	(1,999,923)	80,803,330	71,184,221	14,507,291	85,691,512
Transferred to reserves	-	-	-	16,525,093	-	-	-	(16,525,093)	-	-	-
Changes in minority interest	-	-	-	-	-	-	-	-	-	(7,030,975)	(7,030,975)
Purchase of treasury shares	-	-	(50,020,815)	-	-	-	-	-	(50,020,815)	-	(50,020,815)
Sale of treasury shares	-	-	48,436,619	-	-	-	-	-	48,436,619	-	48,436,619
Loss on sale of treasury shares	-	-	-	-	-	(244,581)	-	-	(244,581)	-	(244,581)
Balance as at 31 December 2007	**45,000,000**	**11,973,061**	**(37,192,698)**	**61,649,505**	**3,676,268**	**6,000,329**	**(2,867,116)**	**159,660,922**	**247,900,271**	**41,055,406**	**288,955,677**

Consolidated statement of changes in equity (continued)

	Attributable to the shareholders of the parent company										
	Share capital KD	Share premium KD	Treasury shares KD	Statutory and voluntary reserves KD	Cumulative changes in fair value KD	Treasury shares profit reserve KD	Foreign exchange translation reserve KD	Retained earnings KD	Sub - 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
Changes in fair values of investments available for sale	-	-	-	-	5,641,153	-	-	-	5,641,153	-	5,641,153
Translation reserve movements	-	-	-	-	-	-	(896,642)	-	(896,642)	-	(896,642)
Net income/(expense) recognised directly in equity	-	-	-	-	5,641,153	-	(896,642)	-	4,744,511	-	4,744,511
Loss for the year	-	-	-	-	-	-	-	(24,225,427)	(24,225,427)	(8,843,952)	(33,069,379)
Total recognised income/(expense) for the year	-	-	-	-	5,641,153	-	(896,642)	(24,225,427)	(19,480,916)	(8,843,952)	(28,324,868)
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)
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)
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 cash flows

	Note	Year ended 31 Dec. 2007 KD	Year ended 31 Dec. 2006 KD
OPERATING ACTIVITIES			
Profit/(loss) for the year		**80,803,330**	(24,225,427)
Adjustments:			
Unrealised gain on investment properties		**(2,683,512)**	(623,877)
Gain on sale of investments available for sale		**(310,194)**	(5,378,185)
Gain on sale of shares in a consolidated subsidiary company		**(27,500,013)**	(5,155,353)
Gain on sale of shares in unconsolidated subsidiaries		**(200,328)**	-
Gain on sale of investment property		**(3,970,300)**	-
Dividend income		**(3,541,028)**	(4,014,531)
Interest income		**(5,496,098)**	(5,042,495)
Interest on borrowings		**8,728,676**	5,972,182
Depreciation		**646,460**	589,490
Share of profit from associated companies		**(3,234,000)**	(909,275)
		43,242,993	(38,787,471)
Changes in operating assets and liabilities:			
Investments at fair value through statement of income		**(27,772,511)**	31,034,008
Other assets		**(10,484,145)**	(3,374,848)
Loans receivable		**14,063,214**	9,519,321
Due from related parties		**(9,865,929)**	(8,445,266)
Advances received from customers		**28,297,371**	24,609,040
Goodwill		**(626,860)**	(3,688,277)
Trading properties		**3,448,745**	(1,821,470)
Other liabilities		**23,497,075**	3,554,824
Due to related parties		**(3,995)**	(5,044,061)
Cash from operations		**63,795,958**	7,555,800
Dividend income received		**3,541,028**	4,014,531
Interest income received		**5,496,098**	5,042,495
Interest paid		**(8,728,676)**	(5,972,182)
Net cash from operating activities		**64,104,408**	10,640,644
INVESTING ACTIVITIES			
Proceeds from sale of share in a consolidated subsidiary company		**39,383,530**	7,522,957
Proceeds from sale of shares in unconsolidated subsidiaries		**763,366**	-
Proceeds from sale of investment property		**21,000,000**	-
Net additions to investment in associates		**(1,663,058)**	(8,224,193)
Net addition to properties under development		**(7,982,217)**	(3,439,824)
Net additions to capital work in progress		**(13,843,094)**	(17,313,379)
Net additions to property, plant and equipment		**(990,144)**	(10,459,222)
Proceeds from sale of investments available for sale		**4,994,736**	8,762,760
Additions to investment properties		**(5,187,974)**	(11,745,566)
Purchase of investments available for sale		**(51,537,271)**	(10,660,809)
Acquisition of subsidiaries		**(46,149,835)**	(3,903,222)
Net cash used in investing activities		**(61,211,961)**	(49,460,498)
FINANCING ACTIVITIES			
Repayment of related party loans		**(2,834,141)**	(30,982,617)
Loan obtained from banks		**53,702,442**	65,043,852
Repayment of Loans		**(13,832,739)**	-
Minority interest		**7,247,427**	(7,371,644)
Dividends paid		**-**	(5,597,947)
Purchase of treasury shares		**(50,020,815)**	(8,265,712)
Proceeds from sale of treasury shares		**48,192,038**	3,352,596
Translation reserve		**(2,108,066)**	(896,642)
Net cash from financing activities		**40,346,146**	15,281,886
Net increase/(decrease) in cash and cash equivalents		**43,238,593**	(23,537,968)
Cash and cash equivalents at beginning of the year		**30,478,013**	54,015,981
Cash and cash equivalents at end of the year	16	**73,716,606**	30,478,013

The notes set out on pages 8 to 48 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

31 December 2007

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.

The consolidated financial statements were authorised for issue by the board of directors on 1 April 2008 and they are subject to the approval of the general assembly of shareholders.

The group comprises the parent company and its subsidiaries.

1.1 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	Operations	Opening/ Acquisition date
Consolidated subsidiaries					
1) IFA Hotels & Resorts – KSC (Closed) (58.389%)	a) IFA Hotels & Resorts MZ – LLC	100%	UAE	Hotels & resorts	2003
	b) IFA Hotels & Resorts – Jabel Ali Free Zone and its subsidiaries (see below 1.2)	100%	UAE	Hotels & resorts	2005
	c) IFA Hotels & Resorts (SAL) Holdings	51%	Lebanon	Hotels & resorts	2003
	d) IFA Zimbali Hotels & Resorts (Pty) Ltd.	100%	South Africa	Hotels & resorts	2003
	e) IFA Hotels & Resorts Limited (see note below 1.3)	85%	South Africa	Hotels & resorts	2003
	f) IFA Hotels & Resorts 2 Limited	70%	Tanzania	Hotels & resorts	2003
	g) IFA Hotels & Resorts 1 – Cayman Island	70%	Cayman Island	Hotels & resorts	2006
	h) IFA Hotels & Resorts 3 Limited	100%	Mauritius	Hotels & resorts	2006
	i) IFA Hotels & Resorts (Zanzibar) Ltd.	99%	Tanzania	Hotels & resorts	2003
	j) Fairmont Zimbali Hotel and Resort	100%	S.A Zimbali	Hotels & resorts	2006
2) Seven Seas Resorts Company – KSC (Closed) (54.29%)	-	-	Kuwait	Resorts	2003

1 Incorporation and activities (continued)

IFA subsidiaries	Legal operating entity	Subsidiaries' ownership % in legal operating entity	Place of incorporation	Operations	Opening/ Acquisition date
3) Gulf Real Estate Co. – WLL (46.32%)	-	-	Kuwait	Real estate	2004
4) Offset Consulting and Hotel Project Management Company – KSC (Closed) (100%)	-	-	Kuwait	Travel & tourism	2003
5) IFA Aviation Company – WLL (74.8%)	-	-	Kuwait	Aviation	2006
	Deema Aviation Company	100%	Cayman Island	Aviation	2007
6) Radeem Real Estate Co. – SAL (99.7%)	-	-	Lebanon	Real estate	2006
7) Dana Company – SAL (90%)	-	-	Lebanon	Real estate	2006
8) Fastnet Capital Limited (100%)	-	-	UK	Telecommunication	2007
Unconsolidated subsidiaries					
1) IFA Assets Management & Portfolio Co.	-	-	Egypt	Under establishment	2006
2) IFA Lebanon – SAL (100%)	-	-	Lebanon	Not operating	2003

1.2 IFA Hotels and Resorts Jabal Ali – Free Zone and its subsidiaries

IFA Hotels & Resorts – Jabel Ali Free Zone and its subsidiaries	Legal operating entity	Subsidiaries' ownership % in legal operating entity	Place of incorporation	Opening/ Acquisition date
1) IFA Hotels and Resorts FZE		100%	J. Ali FZ, Dubai (UAE)	2005
	1) The Palm Residence FZE		J. Ali FZ, Dubai (UAE)	2005
	2) The Palm Residence Club FZE	100%	J. Ali FZ, Dubai (UAE)	2005
	3) IFA Hotels and Resorts- 1	68.9%	Cayman Islands	2005
	4) The Palm Vacation Club FZE	100%	J. Ali FZ, Dubai (UAE)	2005
	5) Balqis Residence FZE	100%	J. Ali FZ, Dubai (UAE	2006
	6) Laguna Tower Residence FZE	100%	J. Ali FZ, Dubai (UAE)	2005
	7) Kingdom of Sheba Heritage Place FZE	100%	J. Ali FZ, Dubai (UAE)	2007
	8) Kingdom of Sheba Hotel FZE	100%	J. Ali FZ, Dubai (UAE)	2007
	9) Kingdom of Sheba Vacation Club FZE	100%	J. Ali FZ, Dubai (UAE)	2007
	10)The Palm Hotels & Resorts FZE	100%	J. Ali FZ, Dubai (UAE)	2005

1 Incorporation and activities (continued)

1.3 IFA Hotels and Resorts Limited and its subsidiaries

	Legal operating entity	Subsidiaries' ownership % in legal operating entity	Place of incorporation	Opening/ Acquisition date
IFA Hotels & Resorts Limited	1) IFA Hotels and Resorts (South Africa) (Pty) Ltd	100%	South Africa	2004
	2) IFA Zimbali Lodge (Pty) Ltd	100%	South Africa	2004
	3) IFA Boschendal Investments (Pty) Ltd	100%	South Africa	2006
	4) IFA Hotels & Resorts 8 (Pty) Ltd	100%	South Africa	2007
	5) IFA Assets (Pty) Ltd	100%	South Africa	2006
	6) IFA Hotels and Resorts (Namibia) (Pty) Ltd	100%	Namibia	2007
	7) IFA Legends Investments (Pty) Ltd	100%	South Africa	2007

Following is a list of Joint ventures:

Joint Venturer	Joint Venture	Ownership %	Place of incorporation	JV date
The Palm Golden Mile	1) Souq Resedince FZCO	50%	J. Ali FZ, Dubai (UAE)	2005
	2) Souq palm FZCO	50%	J. Ali FZ, Dubai (UAE)	2005
Tongatt Hulett / IFA Resort Developments	IFA Hotels and Resorts (South Africa) (Pty) Ltd	50%	South Africa	2004
Zimbali Estates (Pty) Ltd	1) Zimbali Estates (Pty) Ltd	50%	South Africa	2004
	2) Olifa hotels & resorts Namibia (pty) ltd	50%	Namibia	2007

2 Adoption of new and revised International Financial Reporting Standards

Standards and Interpretations effective in the current period
In the current year, the Group has adopted IFRS 7 *Financial Instruments: Disclosures* which is effective for annual reporting periods beginning on or after 1 January 2007, and the consequential amendments to IAS 1 *Presentation of Financial Statements.*

The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the Group's financial instruments and management of capital (see note 40). Four Interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. These are: IFRIC 7 *Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies*; IFRIC 8 *Scope of IFRS 2*; IFRIC 9 *Reassessment of Embedded Derivatives*; and IFRIC 10 *Interim Financial Reporting and Impairment.* The adoption of these Interpretations has not led to any changes in the Group's accounting policies.

Standards and Interpretations in issue not yet adopted
The following new Standards and Interpretations which are yet to become effective have not been adopted:

- IAS 1: (Revised) Presentation of Financial Statements (effective 1 January 2009) ;
- IFRS 8: Operating Segments (effective 1 January 2009) ;
- IAS 23 : (Revised) Borrowing costs (effective 1 January 2009) :
- IFRIC 11 IFRS 2: Group and Treasury Share Transactions (effective 1 March 2007) :
- IFRIC 12 : Service Concession Arrangements (effective 1 January 2008) :
- IFRIC 13 : Customer Loyalty Programmes (effective 1 July 2008) : and
- IFRIC 14 IAS 19 : The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective 1 January 2008)

The directors anticipate that all of the above Interpretations will be adopted in the Group's financial statements for the period commencing 1 January 2008 and that the adoption of those Interpretations will have no material impact on the financial statements of the Group in the period of initial application.

IFRS 8 Operating Segments is a disclosure standard which may result in a redesignation of the group's reportable segments but is not expected to have any impact on the results of financial position of the group.

IAS 1 Presentation of Financial Statements has been revised to require that an entity must present all non-owner changes in equity either in one statement of comprehensive income or in two separate statements (i.e. a statement of income and a statement of comprehensive income). Components of comprehensive income such as changes in revaluation surplus, gains and losses on remeasuring available for sale investments and gains and losses arising from translating the financial statements of foreign operation may not be presented in the statement of changes in equity. The application of the revised standard is not expected to result in any prior period adjustments of cash flow, net income or balance sheet line items in the initial period of application.

IAS 23 Borrowing Costs has been amended resulting into elimination of the previously available option to expense all borrowing costs when incurred. Under the revised standard, all borrowing costs that are directly attributable to qualifying assets are to be capitalised. The application of the revised standard is not expected to have a material impact on the financial statements in the period of initial application because it has always been group's accounting policy to capitalise borrowing costs incurred on qualifying assets.

The group does not intend to apply any of the above pronouncements early.

2 Adoption of new and revised International Financial Reporting Standards (continued)

The following standards, amendments and interpretations are mandatory for reporting periods beginning on or after 1 January 2007 but they are not relevant to the group's operations:

- IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyper-Inflationary Economies; and
- IFRIC 9 Reassessment of Embedded Derivatives

3 Significant accounting policies

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2006. The principal accounting policies are set out below.

Statement of compliances
The consolidated financial statements of the group have been prepared in accordance with International Financial Reporting Standards and 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.

Basis of preparation
The consolidated financial statements are prepared under the historical cost basis except for the revaluation of investments.

The consolidated financial statements have been presented in Kuwaiti Dinars which is the functional currency of the parent company.

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.

All intra-group balances, transactions, income and expenses are eliminated in full on consolidation.

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 consolidated 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.

3 Significant accounting policies (continued)

Business combinations
Acquisition of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, plus any costs directly attributable to the business combination. The acquirer's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combination are recognised at their fair values at the acquisition date. Goodwill represents the excess of acquisition cost over the fair value of the group's share of the identifiable net assets of the acquirer at the date of the acquisition. Any excess, at the date of acquisition, of the group's share in the fair value of the identifiable net assets acquired over the acquisition cost is recognised as negative goodwill in the consolidated statement of income.

Investment in associates
An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations.* Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Interest in Joint Ventures
A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control that is when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control. Where a group entity undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other ventures are recognised in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

3 Significant accounting policies (continued)

Goodwill

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described in investment in associate policy.

Revenue recognition

Sales of property developments

Revenue from the sale of property is recognized when legal title passes or when the equitable interest in the property vests in the buyer. Where there are further substantial acts to complete in the development of the property, revenue is deferred and recognized as the act performed. Revenue is recognized by reference to the stage of completion of the development of the property, at the balance sheet date, as measured by the proportion that land and development costs incurred to date bear to the estimated total land and development cost.

In assessing whether equitable interests vests in the buyer prior to legal title passing, management judgment is based on whether the following conditions have been met:

1) The relevant agreements are unconditional and binding on the purchaser;
2) The purchaser has paid meaningful deposit or has made arrangements to secure payment of the purchase price;
3) Zoning and final conditions of the establishment have been obtained; and
4) Servicing arrangements and costs are substantially finalized.

Sale of residential units

Revenue on sale of condominiums is recognised on the basis of percentage completion using the cost-to-cost method as and when all of the following conditions are met:

- The buyer's investment, to the date of the financial statements, is adequate (20% and above) to demonstrate a commitment to pay for the property;
- Construction is beyond a preliminary stage. The engineering, design work, signing of construction contract, site clearance and building foundation are finished;
- The buyer is committed; and
- The aggregate sales proceeds and costs can be reliably estimated.

3 Significant accounting policies (continued)

Cost of revenues
Cost of revenues includes the cost of land and development costs. Development costs include the cost of infrastructure and construction. The cost of revenues in respect of sale of condominiums is recognised on the basis of percentage of completion.

Rental and hoteliers income
Rental income of units in office buildings and residential buildings are recognised on an accrual basis.

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

Interest income
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.

Dividends
Dividends are recognised when the right to receive the dividends is established.

Fees and Commission
Fees and commission income are recognised when earned

Foreign currencies
The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Kuwaiti Dinar ('KD'), which is the functional currency of the parent Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in consolidated statement of income in the period in which they arise except for:

• exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on foreign currency borrowings;
• exchange differences on transactions entered into in order to hedge certain foreign currency risks ; and

• exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in KD using exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and recognised in the Group's foreign currency translation reserve in equity.

3 Significant accounting policies (continued)

Foreign currencies (continued)
Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Taxation
Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that its probable that taxable profits will be available against which deductable temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary differences arise from goodwill or initial recognition (other than in business combination) of other assets and liabilities in the transactions that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is received at each balance sheet date and reduced to the extent that its no longer probable that sufficient taxable profits will be available for the assets to be recovered.

Income tax expenses represent the sum of the tax currently payable and deferred tax.

The tax currently payable is based on the taxable profit for the year plus secondary tax on companies. Taxable profit defers from profit as reported in the income statement because its excludes items of income and expenses that are taxable or deductable in other years and its further excludes items that are never taxable or deductable. The group's liabilities for current and deferred tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

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.

Financial assets
Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through Profit and Loss (FVTPL), 'available-for-sale' (AFS) financial assets and 'loans and receivables'.

Financial assets at FVTPL
Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

3 Significant accounting policies (continued)

Financial assets at FVTPL (continued)
A financial asset is classified as held for trading if:
- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in note 43.

AFS financial assets
Unlisted shares held by the Group that are traded in an active market are classified as being AFS and are stated at fair value. Fair value is determined in the manner described in note 43.

Gains and losses arising from changes in fair value are recognised directly in equity in the cumulative changes in fair value reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised is included in profit or loss for the period.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the balance sheet date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

Loans and receivables
Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

3 Significant accounting policies (continued)

Impairment of financial assets
Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For unlisted shares classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including redeemable notes classified as AFS and finance lease receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

In respect of AFS equity securities, impairment losses previously recognised through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in equity.

Derecognition of financial assets
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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 1% 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.

3 Significant accounting policies (continued)

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 include purchase and development costs of unsold real estate (land). Development costs include planning, maintenance and service cost. 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, which is property held to earn rentals or for capital appreciation are initially measured at its cost, including transaction cost.. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in fair values are taken to the consolidated statement of income.

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

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party or completion of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

Properties under development
Property under development represents properties under development/construction for trade, which are stated at cost or net realisable values which ever is lower. Cost includes the cost of land, construction, design and architecture, advances paid for purchase of properties and other related expenditures such as professional fees, project management fees and engineering costs attributable to the project, which are accrued as and when activities that are necessary to get the assets ready for the intended use are in progress. Direct costs from the start of the project up to completion of the project are accrued to properties under development. Completion is defined as the earlier of the issuance of the certificate for completion, or when management considers the project to be completed. Upon completion, unsold properties, if any are transferred to trading properties.

3 Significant accounting policies (continued)

Capital work-in-progress
Capital work-in-progress includes land which is stated at cost less impairment in value, if any. The carrying value of land is 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 value exceeds the estimated recoverable amount, the value of land is written down to its recoverable amount.

Capital work-in-progress also includes the cost of construction, design and architecture, advances paid for purchase of properties and other related expenditures such as professional fees, project management fees and engineering costs attributable to the project, which are capitalized as and when activities that are necessary to get the assets ready for the intended use are in progress. Direct costs from the start of the project up to completion of the project are capitalized.

Property, plant and equipment
Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost of assets, other than freehold land, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Freehold land is not depreciated.

Building on leasehold land is depreciated over the term of lease.

Plant and Equipments, Furniture and Fixtures, Motor Vehicles and Yachts are stated at cost less accumulated depreciation and accumulated impairment losses.

The Aircraft is depreciated over a 15 years period after deducting the residual value estimated by professional aircraft valuers to be 85% of original value after that period.

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	15 years

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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)

Deposits received from customers
Deposits received from customers represent money received from customers towards instalments for properties in accordance with the terms of the sale agreements.

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.

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.

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 Interest and similar income

Interest and similar income resulted from financial assets as follows:

	2007 KD	2006 KD
Investments at fair value through statement of income	**61,309**	70,464
Financing of future trades	**630,435**	376,876
Loans receivable	**1,048,141**	1,964,195
Cash and cash equivalents	**2,407,138**	2,465,854
Late payment by customers	**901,129**	165,106
Loans to related parties	**447,946**	-
	5,496,098	5,042,495
Interest and similar income on financial assets at fair value	**61,309**	70,464
Interest and similar income on financial assets at book value	**5,434,789**	4,972,031
	5,496,098	5,042,495

6 Management fees and commission income

	2007 KD	2006 KD
Management fees on assets under management	**604,310**	820,769
Incentive fees on assets under management	**391,356**	40,138
Placement fees –managed fund	**105,202**	253,967
Consulting and advisory fees on assets management	**2,098,587**	787,050
	3,199,455	1,901,924

7 Dividend Income

Dividend income resulted from financial assets as follows:

	2007 KD	2006 KD
Investments at fair value through statement of income	**2,441,205**	3,092,135
Investments available for sale	**1,099,823**	922,396
	3,541,028	4,014,531

8 Net income from hoteliers and related services

	2007 KD	2006 KD
Revenue	**1,756,172**	1,540,856
Costs	**(745,091)**	(644,539)
Net income from hoteliers and related services	**1,011,081**	896,317

9 Net gain/(loss) on investments

Net gain/(loss) on investments, analyzed by category for the year ended 31 December 2007 and 2006 are as follows:

	2007			2006		
	Investments held for trading KD	**Investments available for sale KD**	**Total KD**	Investments held for trading KD	Investments available for sale KD	Total KD
Realized gain/(loss)	**6,936,377**	**310,194**	**7,246,571**	(8,392,801)	5,378,185	(3,014,616)
Unrealized gain/(loss)	**28,531,032**	**-**	**28,531,032**	(41,688,920)	-	(41,688,920)
	35,467,409	**310,194**	**35,777,603**	(50,081,721)	5,378,185	(44,703,536)

10 Net gain on investment properties

	2007 KD	2006 KD
Realized gain arising from disposals	**3,970,300**	-
Unrealized gain arising from revaluations (Note 23.3)	**2,683,512**	623,877
Net gain on investment properties	**6,653,812**	623,877

During the year, the group sold a property for which an advance payment of KD14,577,968 was made in the year 2006. The net profit generated from the sale of the said property is KD3,970,300.

11 Gain on sale of properties under development

Gain on sale of properties under development represents the difference between the sales value and cost of properties originally carried by the group, to acquire, redevelop and sell to the clients. The realised income on sale of these properties is determined based on the percentage of completion method.

	2007 KD	2006 KD
Sales revenue	**78,948,537**	27,358,295
Cost of sales	**(47,984,597)**	(18,547,209)
	30,963,940	8,811,086

12 Gain on sale of shares in unconsolidated subsidiaries

During the year, the group sold its stake in two unconsolidated subsidiaries (49% and 50% respectively) for a total amount equivalent to KD1,535,851. The group recognised a profit on this sale amounting to KD200,328 (2006: KD Nil).

13 Other Income

The other income consists of the following:

	2007 KD	2006 KD
Net Income from aviation services	**1,126,811**	81,702
Properties rental Income	**237,651**	272,447
Gain/(loss) from foreign currency revaluation	**2,749,992**	(71,625)
Other income	**272,153**	201,379
	4,386,607	483,903

14 Interest and similar expenses

Interest and similar expense relates to the group's borrowing activities: short, medium and long. All these financial liabilities of the group are stated at amortised cost.

15 Basic and diluted earnings/(loss) per share

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

	2007	2006
Profit/(loss) for the year attributable to the shareholders of the parent company (KD)	**80,803,330**	(24,225,427)
Weighted average number of shares outstanding (excluding treasury share) (shares)	**416,811,642**	423,479,022
Basic and diluted earnings/(loss) per share (Fils)	**193.86**	(57.21)

16 Cash and cash equivalents

	2007 KD	2006 KD
Bank balances and cash	**26,944,721**	19,251,323
Fixed deposit	**47,841,678**	12,063,721
Due to bank	**(1,069,793)**	(837,031)
Cash and cash equivalents in the consolidated statement of cash flows	**73,716,606**	30,478,013

17 Investments at fair value through statement of income

	2007 KD	2006 KD
Held for trading:		
Local		
Quoted shares	**138,144,801**	113,682,652
Unquoted shares	**3,504,566**	1,830,029
	141,649,367	115,512,681
Foreign		
Quoted shares	**2,275,348**	678,420
Unquoted shares	**38,897**	-
	2,314,245	678,420
Total	**143,963,612**	116,191,101

18 Other assets

	2007 KD	2006 KD
Receivables on forward contacts	**3,062,000**	2,518,715
Trade receivables	**10,901,635**	6,332,761
Advances and prepayments	**1,958,161**	933,327
Kuwait Clearing Company receivables	**275,474**	4,842,092
Staff receivables	**434,443**	1,438,513
Prepaid expenses	**1,268,800**	48,164
Advance to contractors	**13,313,593**	7,415,898
Other receivables	**8,919,542**	6,120,033
	40,133,648	29,649,503

19 Loans receivable

19.1 Loans balances and effective interest rates are as follows:

	2007 KD	Effective interest rate	2006 KD	Effective interest rate
Consumer	**55,647**	**6%**	55,647	6%
Real estate	**1,032,606**	**6% - 10%**	1,154,091	6% - 10%
Margin loans	**12,289,016**	**6% - 10%**	26,771,877	6% - 10%
Rescheduled	**1,111**	**7% - 11%**	1,111	7% - 11%
	13,378,380		27,982,726	
Provisions	**(2,676,296)**		(3,217,428)	
	10,702,084		24,765,298	

19 Loans receivable (continued)

19.2 The movement in provisions is as follows:

	2007 KD	2006 KD
Balance at 1 January	**3,217,428**	2,495,797
Provision charge for the year (included in other operating expenses)	**-**	865,964
Transferred to surplus provision as per CBK instructions	**(329,983)**	-
Reversal of excess provision (no longer needed)	**(231,076)**	(141,421)
Foreign currency exchange movement	**19,927**	(2,912)
Balance at 31 December	**2,676,296**	3,217,428

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.

20 Due from/to related parties

	2007 KD	2006 KD
Due from related parties		
United Investment Company, Portugal	**2,016,941**	2,040,451
Al-Bab Trading Company – WLL	**1,459,322**	1,463,702
Kuwait Invest Holding Company – KSC (Closed)	**1,447,967**	1,450,043
Istithmar	**287,711**	-
IFA Properties Brokerage	**624,086**	-
Raimond Land Public Company Limited –Thailand	**3,762,033**	-
IFA Yacht Chartering LLC	**2,570,823**	-
IFA Travel & Tourism	**610,515**	-
IFA properties- UK	**452,386**	-
Boschendals Ltd (Associate)	**1,405,232**	1,434,455
Legends and IFA developments (pty) Ltd (Associate)	**4,397,800**	-
Assjad Al Kuwait General Trading & Contracting Co. – WLL	**1,551,746**	1,551,746
Univest Group – KSC (Closed)	**913,160**	886,708
Manarat Al Ofuq General Trading Co. – WLL	**1,431,839**	798,589
Others	**859,312**	4,299,250
	23,790,873	13,924,944
Due to related parties		
International Finance Company – KSC (Closed)	**241,482**	101,898
Kuwait Real Estate Company – KSC	**2,250,817**	861,246
Others	**40,593**	1,573,742
	2,532,892	2,536,886

21 Investments available for sale

21.1 The investments available for sale comprise of:

	2007 KD	2006 KD
Quoted shares	**44,939,302**	18,544,186
Unquoted shares	**55,351,506**	42,563,080
	100,290,808	61,107,266

21 Investments available for sale (continued)

Unquoted shares include KD 36,900,176 (2006: KD30,571,193) 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 KD11,212,042 (2006: KD5,640,996) 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.

21.2 The movement in investment available for sale is as follows:

	2007 KD	2006 KD
Balance at beginning of the year	**61,107,266**	42,811,695
Acquisitions during the year	**51,537,271**	16,038,994
Disposals during the year	**(4,684,543)**	(3,384,576)
Net movement in fair value	**(7,619,186)**	5,641,153
Reclassification to associate companies (Note 24.1)	**(50,000)**	-
	100,290,808	61,107,266

21.3 The movement on cumulative change in fair value is as follows:

	2007 KD	2006 KD
Balance at beginning of the year	**11,295,454**	5,654,301
Cumulative change in fair value during the year	**(7,077,890)**	8,097,694
Transferred to profit and losses on disposal	**(541,296)**	(2,456,541)
	3,676,268	11,295,454

22 Trading properties

22.1 Trading properties consists of:

	2007 KD	2006 KD
Properties in Dubai – UAE	**900,756**	4,349,501
	900,756	4,349,501

22.2 The movement in trading properties is as follows:

	2007 KD	2006 KD
Balance at the beginning of the year	**4,349,501**	418,703
Additions during the year	**-**	9,894,317
Absorbed to cost of sales	**(2,101,634)**	(5,958,111)
Discount received on Land	**(1,118,790)**	-
Foreign currency exchange difference	**(228,321)**	(5,408)
	900,756	4,349,501

23 Investment properties

23.1 Investment properties are located in the following regions:

	2007 KD	2006 KD
Kuwait	**13,450,000**	10,748,475
Lebanon	**2,705,806**	-
Jordan	**351,050**	351,050
UAE	**1,465,665**	30,624,115
Egypt	**212,983**	182,548
South Africa	**215,620**	210,896
	18,401,124	42,117,084

23.2 Investment properties represent the following:

	2007 KD	2006 KD
Private freehold land in IFA Zimbali – South Africa	**215,620**	210,896
Land in Jordan	**351,050**	351,050
Land in UAE	**572,387**	590,400
Land in Egypt	**212,983**	182,548
Properties in Kuwait	**13,450,000**	10,748,475
Apartments in Dubai – UAE (advances)	**893,278**	893,277
Building in Lebanon	**2,705,806**	-
Crescent, palm Jumeirah (transferred to properties under development)	**-**	29,140,438
	18,401,124	42,117,084

23.3 The movement in investment properties is as follows:

	2007 KD	2006 KD
At Fair value		
Balance at beginning of the year	**42,117,084**	29,747,641
Additions during the year	**5,187,974**	11,745,566
Transfer from advance for purchase properties (Note 10)	**14,577,968**	-
Transfer to properties under development (Note 26.2)	**(27,057,011)**	-
Disposals during the year	**(17,029,700)**	-
Unrealized gain from fair value adjustment (Note 10)	**2,683,512**	623,877
Net foreign currency exchange differences	**(2,078,703)**	-
Balance at the end of the year	**18,401,124**	42,117,084

At the end of the year, two properties in Kuwait were revalued by professional qualified external valuer with an amount of KD13,450,000 which resulted in unrealised gain amounting to KD2,701,525.

During the year properties in the United Arab Emirates with a value of KD27,057,011 (AED362,791,786) were transferred to properties under development as the management is planning to construct and sell freehold apartment, villas, townhouses, penthouses, vacation club and heritage place on this plot of land.

24 Investment in associated companies

24.1 Details of associates are as follows:

Name of the associate	Principle activities	Date of acquisition	Place of incorporation	2007 %	2007 KD	2006 %	2006 KD
Addax Bank (BSC)	Providing banking services	Jul-03	Bahrain	**20**	**5,918,142**	40	2,575,999
Boschendal (Pty) Ltd	Real estate	Apr-06	South Africa	**26.57**	**720,506**	19.25	465,832
Raimon Land Public Company Limited	Property construction and development		Thailand	**26.57**	**8,091,863**	24.99	7,478,262
PurplePlum Properties Limited	Property development	Dec-06	South Africa	**26.57**	**1**	-	-
Zamzam Religious Tour Company	Hajj & Umrah	Sep-07	Kuwait	**20**	**50,000**	-	-
Legend & IFA Developments (Pty) Ltd	Property development	Jun-07	South Africa	**20**	**794,782**	-	-
					15,575,294		10,520,093

(i) On June 2007, Addax Bank (BSC) called for share capital increase. The group didn't participate in the share capital increase, so the ownership decreased from 40% to 20%. On the other hand, total value of the group investment increased in the said bank due to its shares in share premium which resulted from the increase in the bank's share capital.

(ii) During the year, the group reclassified its participation in Zamzam Religious Tour Company from AFS investment to investment in associates. Zamzam has not yet started operation (Note 21.2).

(iii) Among the group's associates, only Raimon Land Public Company Limited is quoted and the fair market value of its shares as on the balance sheet date was KD 5,561,778 (KD5,497,780 in 2006). Management is not aware of any circumstances that may lead to impairment in the carrying amount of this investment.

24.2 Summarized financial information in respect of group's associates is set out below:

	2007 KD	2006 KD
Total Assets	**121,356,914**	54,954,204
Total Liabilities	**(70,042,957)**	(29,782,710)
Total equity	**51,313,957**	25,171,494
Group's share of net assets of associates at carrying value	**11,669,313**	7,459,120
Goodwill on acquisition (see below 24.3)	**3,905,981**	3,060,973
Investment in associates as on 31st December	**15,575,294**	10,520,093
Total revenue	**14,013,195**	13,257,577
Groups' share of profit from associates	**3,234,000**	909,275

24.3 Goodwill in associates which included in the value of investment

	2007 KD	2006 KD
At 1 January	**3,060,973**	3,511,863
Additions during the year	**539,997**	-
Foreign currency exchange difference	**305,011**	(450,890)
At 31 December	**3,905,981**	3,060,973

25 Goodwill

	2007 KD	2006 KD
At 1 January	3,794,870	106,593
Increase arising on purchase of additional shares in IFA Hotels and Resorts – KSCC	34,957,649	1,885,998
Arising on acquisition of Fastnet Capital Limited	332,982	-
Arising on acquisition of subsidiaries in Lebanon	-	1,684,146
Arising on acquisition of subsidiaries in South Africa	-	131,414
Impairment loss	(131,414)	-
Foreign currency exchange differences	(37,358)	(13,281)
At 31 December	38,916,729	3,794,870

During the year, the parent company executed buying and selling transactions of the shares in one of its subsidiaries. Such transactions resulted in goodwill amounting to KD34,957,649 which was recorded in the consolidated balance sheet. Total profit recognised from these transactions amounted to KD27,500,013.

During the year, the group also acquired Fastnet Capital Limited, UK as a fully owned subsidiary with a total consideration of USD1,250,000 equivalent to KD360,181 which resulted in a goodwill amounting to KD332,982.

25.1 Annual test for impairment

During the financial year, the group assessed the recoverable amount of goodwill in subsidiary companies, and determined that there is no indication of impairment as of the balance sheet date other than the amounts listed above.

A discount rate of 15% per annum was applied in the value in use model.

26 Properties under development

26.1 The Properties under development consists of the following:

	2007 KD	2006 KD
a) Dubai – UAE (Note 26.2)		
- Crescent Palm, Jumeirah	26,589,177	-
- The Trunk, Palm Jumeirah	6,149,779	9,969,770
- Golden Mile, Palm Jumeirah	4,125,789	416,962
- Jumeirah Lake, Dubai	2,792,355	2,324,940
- Construction, piling and enabling works	5,693,494	2,108,238
- Other construction related costs	3,840,502	3,678,473
- Deferred expenses	5,928,547	2,663,682
	55,119,643	21,162,065
b) S.A –Africa (Note 26.3)	13,712,118	8,544,781
c) Lebanon	5,729,430	7,736,414
Total	74,561,191	37,443,260

26 Properties under development (continued)

26.2 The movement in properties under development in UAE are as follows:

	2007 KD	2006 KD
Land:		
Balance at beginning of the year	**12,869,773**	12,241,263
Additions during the year	**6,359,512**	1,696,614
Absorbed to cost of sales	**(5,335,977)**	(1,068,104)
Transferred from investment properties (Note 23.3)	**27,057,011**	-
Balance at the end of the year	**40,950,319**	12,869,773
Development expenditure:		
Balance at beginning of the year	**5,309,602**	2,496,137
Additions during the year	**39,335,828**	10,818,400
Absorbed to cost of sales	**(34,802,166)**	(8,004,935)
Balance at end of the year	**9,843,264**	5,309,602
	50,793,583	18,179,375
Deferred expenses	**5,928,547**	2,663,682
Foreign currency exchange difference	**(1,602,487)**	319,008
Total	**55,119,643**	21,162,065

26.3 The movement in properties under development in South Africa are as follows:

	2007 KD	2006 KD
Land:		
Balance at beginning of the year	**6,154,583**	3,441,076
Absorbed to cost of sales	**(1,731,993)**	(848,402)
Reversal of valuations	**(441,470)**	(318,383)
Additions during the year	**4,291,296**	3,880,292
Balance at the end of the year	**8,272,416**	6,154,583
Development expenditure:		
Balance at beginning of the year	**2,983,923**	1,324,131
Additions during the year	**5,347,488**	2,333,961
Absorbed to cost of sales	**(2,478,879)**	(674,169)
Balance at the end of the year	**5,852,532**	2,983,923
Foreign currency exchange difference	**(412,830)**	(593,725)
Total	**13,712,118**	8,544,781

27 Capital work in progress

27.1 Capital work in progress consists of the following:

	2007 KD	2006 KD
Land cost		
- The Trunk , Palm Jumeirah	**6,478,545**	7,212,980
- Crescent, Palm Jumeirah	**6,452,900**	6,810,405
- Golden Mile, Palm Jumeirah	**1,180,910**	165,007
Construction, piling and enabling work	**11,496,239**	1,102,463
Other construction related costs	**4,279,889**	2,022,524
Beach Club (land and building)	**1,267,990**	-
Total	**31,156,473**	17,313,379

27.2 The movement in capital work in progress is as follows:

	2007 KD	2006 KD
Land		
Balance at beginning of the year	**14,531,272**	26,548,233
Additions during the year	**1,936,757**	694,710
Reclassified to properties under development	**-**	(12,711,671)
Balance at the end of the year	**16,468,029**	14,531,272
Development expenditure:		
Balance at beginning of the year	**3,172,655**	3,690,775
Additions during the year	**12,815,184**	4,759,244
Reclassified to properties under development	**-**	(5,277,364)
Balance at end of the year	**15,987,839**	3,172,655
Foreign currency exchange difference	**(1,299,395)**	(390,548)
Total	**31,156,473**	17,313,379

Capital work in progress represents mainly hotels under construction in Dubai, UAE.

28 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	Total KD
Cost									
At 1 January 2007	137,178	2,423,787	3,029,320	734,522	1,038,611	164,761	2,515,581	6,925,261	16,969,021
Additions	81,751	485,228	624,177	421,237	712,718	89,629	-	83,306	2,498,046
Disposal	-	-	-	-	-	-	(1,339,023)	-	(1,339,023)
Foreign exchange adjustment	(3,009)	(329,593)	(29,964)	(33,534)	(43,473)	(7,262)	(32,915)	-	(479,750)
At 31 December 2007	**215,920**	**2,579,422**	**3,623,533**	**1,122,225**	**1,707,856**	**247,128**	**1,143,643**	**7,008,567**	**17,648,294**
Depreciation									
At 1 January 2007	-	175,475	57,430	458,106	522,830	107,322	186,580	49,466	1,557,209
Charge for the year	-	30,170	165,154	159,608	161,513	16,702	69,875	43,438	646,460
Relating to disposal	-	-	-	-	-	-	(246,580)	-	(246,580)
Foreign exchange adjustment	-	(24,279)	(569)	(7,044)	(26,625)	(3,333)	(2,441)	-	(64,291)
At 31 December 2007	**-**	**181,366**	**222,015**	**610,670**	**657,718**	**120,691**	**7,434**	**92,904**	**1,892,798**
Net carrying amount									
At 31 December 2007	**215,920**	**2,398,056**	**3,401,518**	**511,555**	**1,050,138**	**126,437**	**1,136,209**	**6,915,663**	**15,755,496**

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 constructed on land leased from the Zanzibar Revolutionary Government. The lease commenced on 2 November 2000 for an initial lease term of 33 years.

28 Property, plant and equipment (continued)

	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	Total KD
Cost									
At 1 January 2006	137,178	2,483,705	851,646	875,596	777,948	167,698	2,062,981	-	7,356,752
Additions	-	249,929	2,415,966	76,176	327,714	11,576	452,600	6,925,261	10,459,222
Disposal	-	-	-	(165,166)	(28,319)	(23,442)	-	-	(216,927)
Foreign exchange adjustment	-	(309,847)	(238,292)	(52,084)	(38,732)	8,929	-	-	(630,026)
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	16,969,021
Depreciation									
At 1 January 2006	-	125,435	43,557	436,169	272,845	72,359	149,016	-	1,099,381
Charge for the year	-	83,457	18,103	109,724	254,556	35,817	38,367	49,466	589,490
Relating to disposal	-	-	-	(62,520)	(9,528)	(15,296)	-	-	(87,344)
Foreign exchange adjustment	-	(33,417)	(4,230)	(25,267)	4,957	14,442	(803)	-	(44,318)
At 31 December 2006	-	175,475	57,430	458,106	522,830	107,322	186,580	49,466	1,557,209
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	15,411,812

29 Other liabilities

	2007 KD	2006 KD
Interest payable	**3,186,239**	2,157,735
Accounts payables	**7,899,947**	4,277,145
Dividend payable	**1,814,441**	1,064,908
Liability towards purchase of land (a)	**12,574,355**	4,388,778
Accrued expenses	**1,237,766**	-
Kuwait Foundation for the Advancement of Science (KFAS),	**1,803,691**	1,339,019
National Labour Support Tax	**5,395,457**	3,401,412
Zakat contribution	**50,413**	-
Provision for leave & Indemnity	**967,692**	138,472
Provision for contingent liability (Note 37)	**6,876,475**	5,061,256
Deferred income	**1,593,903**	1,764,764
Retention payable	**3,741,091**	1,014,993
Advance deposits	**105,414**	727,195
Accrued construction cost	**15,448,561**	14,250,667
Other payables	**4,126,862**	3,738,888
	66,822,307	43,325,232

a) Liability towards purchase of land comprises of an amount due on purchase of plot of land at the Crescent on the Palm Jumeirah, Dubai and a plot located at Jumeirah Lakes, Dubai

30 Term loan from a related party

Currency	Principal KD	From	To	Interest	2007 KD	2006 KD
KD	45,465,000	19-12-2002	18-12-2007	4.68%	-	2,834,141

During the last quarter of 2007 the group repaid the remaining balance of the above loan which was due on 18 December 2007 with accrued interest in full.

31 Borrowings

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

	Currency	From	To	Interest	Purpose	Assets pledged	Value of Pledged Assets KD	2007 KD	2006 KD
1	USD	21-6-2006	28-6-2015	1.25% + Libor	General corporate purposes	Shares of parent company IFA H& R shares	38,096,627	**32,760,000**	34,696,800
2	EURO	18-6-2007	28-12-2015	1.25%+Euribor	General corporate purposes	IFA shares	-	**7,964,780**	-
3	USD	27-6-2007	27-6-2009	0.75% + Libor	Repayment of indebtedness	Local portfolio with 150% coverage	46,589,033	**23,887,500**	25,299,750
4	KD	24-7-2006	3-5-2009	2.5% + Libor	Local Equity Financing	Local portfolio with 150% coverage	33,965,472	**20,000,000**	20,000,000
5	USD	26-7-2007	26-7-2015	2% + Libor	Purchase a plane	Plane	7,234,500	**5,391,750**	-
6	USD	21-6-2006	21-6-2011	3% + Libor	general corporate purposes	Shares of 2 subsidiaries	3,823,837	**2,211,300**	2,927,543
7	KD	8-11-2006	8-11-2014	3.5% + Libor	Purchase of investment Properties	Investment properties	13,450,000	**6,000,000**	6,000,000
8	Euro	30-6-2007	30-6-2008	4.163% + spread 1.25%	Foreign equity financing	AFS equities	40,728,143	**24,261,473**	-
9	AED	1-5-2007	30-4-2015	5% fixed + US monthly Libor	Projects financing	Trading properties Bank guarantee	4,774,230	**4,774,229**	6,791,703
10	Rand	23/5/2007	21/5/2017	1.75% below prime	General corporate purposes	Mortgage Bond of R120Million over Erf 189, Port Zimbali Collateral Mortagage Bond Of R120 Million over moveable assets	8,787,680	**5,391,750**	-
11	Rand	1/11/2007	31/10/2017	1.75% below prime	general corporate purposes	Same as above		**2,942,717**	-
							197,449,522	**135,585,499**	95,715,796

32 Advances received from customers

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

33 Share capital

Share capital

The authorised share capital as at 31 December 2007 comprised of 450,000,000 shares of KD 0.100 each, all issued and fully paid (2006: 450,000,000 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

	2007			2006		
	Number of shares	%	Market Value KD	Number of shares	%	Market Value KD
Balance at beginning of the year	**32,257,275**	**7.17**	**23,870,384**	19,184,306	4.26	52,564,998
Net Movement	**2,130,693**			13,072,969		
Balance at end of the year	**34,387,968**	**7.64**	**30,605,292**	32,257,275	7.17	23,870,384

Reserves of the parent company equivalent to the cost of treasury shares have been earmarked as non-distributable.

34 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, Zakat 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, Zakat and directors fees should be transferred to a voluntary reserve, and no transfer is required in a year when losses are made.

35 Fiduciary accounts

These accounts include term deposit and investment portfolios with the total amount of KD103,043,536 (2006: KD160,135,029) which are held by the group on behalf of its customers as margin guarantees against customer liabilities for trading related activities.

36 Proposed dividends

Subsequent to the balance sheet date, the directors have proposed to distribute bonus shares of 60% of paid up share capital or 60 shares for each 100 shares to the shareholders of the parent company at the date of the general assembly. This proposal is subject to the approval of the parent company's shareholders at the annual general meeting.

During 2007, no dividends for the year ended 31 December 2006 were approved at the annual general meeting held on 26 May 2007.

37 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 Gulf Group for Industrial Projects, 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 (parent company), 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.

During the year, the group also provided an amount of KD 1,815,219 (AED 29,041,265) as interest for the period from 13 August 1993 to 31 December 2007 (Note 29).

38 Commitments

Capital expenditure commitments

At 31 December 2007, the group was committed to invest in the additional anticipated funding required to build several real estate projects in Dubai – UAE and South Africa. The estimated funding commitments on these projects are as follows:

	2007 KD	2006 KD
Capital expenditure for purchase of properties contracted for	**128,900,000**	9,500,000
Estimated and contracted capital expenditure for construction of properties	**104,700,000**	235,000,000
	233,600,000	244,500,000

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 the above commitments, the group has capital commitment relating to the purchase of two new aircrafts with a value of KD13,000,000 which will be due upon the delivery of the said aircrafts in 2009.

In December 2007, the group issued a bank guarantee for the total amount of US Dollars 275,000,000 (equivalent to KD75 millions) relating to the construction of a hotel in New York, USA.

39 Segmental information

For management purposes the group is organised into four major business segments:

- Assets Management: Managing of GCC, MENA and international managed funds, discretionary and non-discretionary portfolio management and custody services.
- Principal investments: Comprises of investing of company funds in private equity and quoted securities, lending to corporate and individual customers and managing the company's liquidity requirements.
- Real estate: sale and purchase of real estate, real estate brokerage and advisory.
- Others : all items that do not fall in any of the above three categories.

	Asset Management		Principal Investments and Treasury		Real Estate		Other		Total	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	KD '000	KD '000	**KD '000**	KD '000	**KD '000**	KD '000	**KD '000**	KD '000	**KD '000**	KD '000
Statement of income										
Segment income	**4,211**	2,798	**75,748**	(29,582)	**37,618**	9,435	**4,385**	484	**121,964**	(16,865)
Unallocated expenses									**(41,161)**	(7,360)
Profit for the year	**4,211**	2,798	**75,748**	(29,582)	**37,618**	9,435	**4,385**	484	**80,803**	(24,225)
Balance sheet										
Total segment assets	**26,458**	40,178	**372,546**	222,736	**125,020**	115,801	**-**	-	**524,024**	378,715
Total segment liabilities	**-**	-	**(135,585)**	(98,550)	**(94,051)**	(65,753)	**-**	-	**(229,636)**	(164,303)
Net segmental assets	**26,458**	40,178	**236,961**	124,186	**30,969**	50,048	**-**	-	**294,388**	214,412
Unallocated assets									**63,925**	43,574
Unallocated liabilities									**(69,357)**	(45,862)
Net Assets									**288,956**	212,124

40 Related parties transactions

These represent transactions with related parties that is shareholders, directors and senior management of the parent company, and companies of which they are principal owners. Pricing policies and terms of these transactions are approved by the parent company's management.

Transactions with related parties included in the consolidated financial statements are as follows:

	2007 KD	2006 KD
Balances included in the consolidated balance sheet:		
Proceeds from sale of shares in subsidiary companies	**1,535,852**	12,834,713
Purchase of share in a subsidiary company	**8,621,172**	6,134,160
Cash dividends received from subsidiaries	**12,266,030**	-
Amounts due from related parties (Note 20)	**23,790,873**	13,924,944
Amounts due to related parties (Note 20)	**(2,532,892)**	(2,536,886)
Repayment of long term loans	**2,834,141**	30,982,617
Investment in a subsidiary company	**360,181**	1,875,000
Transfer part of commitment in Palm Projects	**-**	13,590,925
Loans to associates	**5,803,032**	-
Transactions included in the consolidated statement of income:		
Profit from sale of subsidiary	**200,328**	5,155,353
Commission income	**168,103**	-
Fees/services to asset management and development projects	**751,761**	-
Profit from sale of available for sale investments	**-**	4,465,422
Interest expenses	**475,846**	492,134
Key management compensation of the group		
Short-term employee benefits	**592,000**	475,500

Related party balances outstanding at year end due to funds transfer are included under due from related parties and due to related parties.

41 Risk management objectives and policies

The group's risk management is carried out by the central risk management function and focuses on actively securing the group's short to medium term cash flows by minimizing the potential adverse effects on the group's financial performance through internal risk reports which analyse exposures by degree and magnitude of risks. Long term financial investments are managed to generate lasting returns.

The board of directors of the parent company is ultimately responsible for setting out risk strategies and objectives and policies for their management. The group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The most significant financial risks to which the group is exposed to are described below.

41.1 Market risk

The group's activities expose it to variety of financial risks: market risk (including currency risk, interest rate risk, price risk), credit risk and liquidity risk.

a) Foreign currency risk management

The group mainly operates in the GCC, South Africa and other Middle Eastern countries and is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to US Dollar, UAE Dirhams and South African Rand. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

To mitigate the group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored and forward exchanged contracts are entered into in accordance with the group's risk management policies. Generally, the group's risk management procedures distinguish short-term foreign currency cash flows (due within twelve months) from longer-term cash flows. Where the amounts to be paid and received in specific currency are expected to largely offset one another, no further hedging activity is undertaken. Forward foreign contracts are mainly entered into for significant long-term foreign currency exposures that are not expected to be offset by other currency transactions.

The group had the following significant exposures denominated in foreign currencies ,translated in to Kuwaiti Dinar at the closing rate:

	2007 KD'000	2006 KD'000
UAE Dirhams	**4,191**	2,846
Euro	**(32,240)**	(60)
Sterling Pound	**432**	458
US Dollar	**(49,617)**	(49,890)

If the Kuwaiti Dinar had strengthened/ weakened against the foreign currencies assuming the sensitivity given in the table below, then this would have the following impact on the profit for the year and equity:

	2007			2006		
	Inc/(Dec) %	**Profit for the year KD'000**	**Equity KD'000**	Inc/(Dec) %	Profit for the year KD'000	Equity KD'000
UAE Dirhams	**+ 5.61**	**235**	**-**	+ 0.46	13	-
	- 5.61	**(235)**	**-**	- 0.46	(13)	-
Euro	**+ 5.40**	**(1,741)**	**-**	+10.59	(6)	-
	- 5.40	**1,741**	**-**	-10.59	6	-
Sterling Pound	**+ 3.56**	**15**	**-**	+12.59	58	-
	- 3.56	**(15)**	**-**	-12.59	(58)	-
US Dollar	**+ 5.60**	**(2,779)**	**-**	+0.49	(244)	-
	- 5.60	**2,779**	**-**	- 0.49	244	-

The above percentages have been determined based on the average exchange rates in the previous twelve months.

41 Risk management objectives and policies

41.1 Market risk (continued)

a) Foreign currency risk management (continued)

Exposures to foreign exchange rates vary during the year depending on the volume and nature of the transactions. Nonetheless, the analysis above is considered to be representative of the group's exposure to foreign currency risk.

b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Board has established levels of interest rate risk by setting limits on the interest rate gaps for stipulated periods.

Positions are monitored on a daily basis and hedging strategies used to ensure positions are maintained within established limits.

The effective interest rate (effective yield) of a monetary financial instrument is the rate that, when used in a present value calculation, results in the carrying amount of the instrument. The rate is a historical rate for a fixed rate instrument carried at amortised cost and a current rate for a floating rate instrument or an instrument carried at fair value.

The group's interest rate exposure based on earlier of contractual repricing arrangements and maturity at 31 December 2007 was as follows:

	Up to 1 month KD '000	3-12 months KD '000	Over 1 year KD '000	Non-interest bearing items KD '000	Total KD '000	Effective interest rate (%)
Cash and cash equivalents	25,875	47,842	-	-	73,717	5%-7%
Investments at fair value through statement of income	-	-	950	143,014	143,964	6%
Other assets	-	2,061	-	38,073	40,134	7%
Loans receivable	-	-	10,702	-	10,702	6%-10%
Due from related parties	-	-	5,804	17,988	23,792	5%-7%
Investments available for sale	-	-	8,027	92,264	100,291	5%-7%
Trading properties	-	-	-	901	901	
Investment properties	-	-	-	18,401	18,401	
Investment in associated companies	-	-	-	15,575	15,575	
Investment in unconsolidated subsidiaries	-	-	-	82	82	
Goodwill	-	-	-	38,916	38,916	
Properties under development	-	-	-	74,561	74,561	
Capital work in progress	-	-	-	31,156	31,156	
Property, plant and equipment	-	-	-	15,755	15,755	
Total assets	**25,875**	**49,903**	**25,483**	**486,686**	**587,947**	
Other liabilities	-	-	-	66,822	66,822	
Due to related parties	-	-	-	2,533	2,533	
Borrowings	-	5,322	130,263	-	135,585	5%-9.75%
Advances received from customers	-	-	-	94,051	94,051	
Total liabilities		**5,322**	**130,263**	**163,406**	**298,991**	

41 Risk management objectives and policies (continued)

b) Interest rate risk (continued)

The group's interest rate exposure based on earlier of contractual repricing arrangements and maturity at 31 December 2006 was as follows:

	Up to 1 month KD '000	3-12 months KD '000	Over 1 year KD '000	Non-interest bearing items KD '000	Total KD '000	Effective interest rate (%)
Cash and cash equivalents	18,414	12,064	-	-	30,478	5%-7%
Investment at fair value through statement of income	-	-	950	115,241	116,191	6%
Other assets	-	2,358	-	27,292	29,650	7%
Loans receivable	-	-	24,765	-	24,765	6%-10%
Due from related parties	-	-	1,434	12,491	13,925	5%-7%
Investments available for sale	-	-	8,182	52,925	61,107	5%-7%
Trading properties	-	-	-	4,350	4,350	
Investment properties	-	-	-	42,117	42,117	
Investment in associated companies	-	-	-	10,520	10,520	
Investment in unconsolidated subsidiaries	-	-	-	645	645	
Goodwill	-	-	-	3,795	3,795	
Advances for purchase of properties	-	-	-	14,578	14,578	
Properties under development	-	-	-	37,443	37,443	
Capital work in progress	-	-	-	17,313	17,313	
Property and equipment	-	-	-	15,412	15,412	
Total assets	18,414	14,422	35,331	354,122	422,289	
Other liabilities	-	-	-	43,325	43,325	
Due to related parties	-	-	-	2,537	2,537	
Term loans from a related party	-	2,834	-	-	2,834	4%
Borrowings	-	4,331	91,385	-	95,716	5%-9.75%
Advances received from customers	-	-	-	65,753	65,753	
Total liabilities	-	7,165	91,385	111,615	210,165	

Interest rate sensitivity analysis

The following table illustrates the sensitivity of the profit for the year to a reasonably possible change in interest rates of + 1% and – 1% (2006: + 1% and –1%) with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market condition. The calculation are based on the group's financial instruments held at each balance sheet date. All other variables are held constant.

	2007		2006	
	+ 1 % KD'000	**-1 % KD'000**	+ 1 % KD'000	-1 % KD'000
Profit for the year	**(343)**	**343**	(304)	304

c) Price risk

The group is exposed to equity price risk with respect to its equity investments. Equity investments are classified either as investments carried at fair value through statement of income (including trading securities) and available for sale securities.

To manage its price risk arising from investments in equity securities, the group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the group.

41 Risk management objectives and policies (continued)

c) Price risks (continued)

The equity price risk sensitivity is determined on the following assumptions:

	2007	2006
Kuwait market	9%	4%
London market	2%	22%
USA market	9%	29%
China market	11%	71%
Portugal market	37%	40%

The above percentages have been determined based on basis of average market movements in a 90 days holding period. The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. The analysis reflects the impact of positive changes to equity prices in accordance with the above –mentioned equity price sensitivity assumptions.

	Profit for the year		Equity	
	2007 KD'000	2006 KD'000	2007 KD'000	2006 KD'000
Investments held for trading	12,504	4,744	-	-
Investments available for sale	-	-	10,242	5,172
Total	12,504	4,744	10,242	5,172

41.2 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 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 its activities. It also obtains security when appropriate.

The loans receivables consists mainly of margins, ongoing credit valuation is performed on financial conditions of these receivables where appropriate coverage of collaterals is monitored.

The credit risk on liquid funds is limited because the counterparties are the banks with high credit-rating assigned by international credit rating agencies.

The group's exposure to credit risk is limited to the carrying amounts of financial assets recognised at the balance sheet date, as summarized below:

	2007 KD '000	2006 KD '000
Cash and cash equivalents	73,717	30,478
Loans receivable	10,702	24,765
Other assets	40,134	29,650
Due from related parties	23,792	13,925
	148,345	98,818

Information on other significant concentrations of credit risk is set out in note 41.3.

41 Risk management objectives and policies (continued)

41.3 Concentration of assets

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

2007

	GCC KD'000	Asia KD'000	Africa KD'000	Europe KD'000	USA KD'000	Total KD'000
Assets						
Cash and cash equivalents	71,363	1,076	1,274	4	-	73,717
Investments at fair value through statement of income	141,825	1,444	-	-	695	143,964
Other assets	32,076	997	7,026	35	-	40,134
Loans receivable	10,702	-	-	-	-	10,702
Due from related parties	11,756	3,763	5,804	2,469	-	23,792
Investments available for sale	27,378	964	3,124	61,273	7,552	100,291
Trading properties	901	-	-	-	-	901
Investment properties	14,915	3,057	429	-	-	18,401
Investment in associated companies	5,968	8,092	1,515	-	-	15,575
Investment in unconsolidated subsidiaries	-	82	-	-	-	82
Goodwill	36,919	1,664	-	333	-	38,916
Properties under development	55,120	5,729	13,712	-	-	74,561
Capital work in progress	31,156	-	-	-	-	31,156
Property, plant and equipment	9,130	141	6,484	-	-	15,755
Total assets	**449,209**	**27,009**	**39,368**	**64,114**	**8,247**	**587,947**

2006

	GCC KD'000	Asia KD'000	Africa KD'000	Europe KD'000	USA KD'000	Total KD'000
Assets						
Cash and cash equivalents	26,922	149	3,407	-	-	30,478
Investments at fair value through statement of income	115,513	-	-	-	678	116,191
Other assets	22,602	225	6,823	-	-	29,650
Loans receivable	24,765	-	-	-	-	24,765
Due from related parties	10,451	-	1,434	2,040	-	13,925
Investments available for sale	27,742	1,808	3,170	23,573	4,814	61,107
Trading properties	4,350	-	-	-	-	4,350
Investment properties	41,372	351	394	-	-	42,117
Investment in associated companies	2,575	7,478	467	-	-	10,520
Investment in unconsolidated subsidiaries	385	260	-	-	-	645
Goodwill	1,886	1,684	225	-	-	3,795
Advances for purchase of properties	14,578	-	-	-	-	14,578
Properties under development	21,164	7,736	8,543	-	-	37,443
Capital work in progress	17,313	-	-	-	-	17,313
Property, plant and equipment	9,670	166	5,576	-	-	15,412
Total assets	341,288	19,857	30,039	25,613	5,492	422,289

41.4 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

41 Risk management objectives and policies (continued)

41.4 Liquidity risk management (continued)

The following tables detail the Group's remaining contractual maturity for its non-derivative financial assets and liabilities.

	Up to 1month KD '000	1-3 months KD'000	3-12 months KD '000	Over 1year KD '000	Total KD '000
At 31 December 2007					
Assets					
Cash and cash equivalents	**25,875**	**-**	**47,842**	**-**	**73,717**
Investments at fair value through statement of income	**-**	**143,014**	**-**	**950**	**143,964**
Other assets	**-**	**-**	**40,134**	**-**	**40,134**
Loans receivable	**-**	**-**	**-**	**10,702**	**10,702**
Due from related parties	**-**	**-**	**23,792**	**-**	**23,792**
Investments available for sale	**-**	**-**	**-**	**100,291**	**100,291**
Trading properties	**-**	**-**	**901**	**-**	**901**
Investment properties	**-**	**-**	**-**	**18,401**	**18,401**
Investment in associated companies	**-**	**-**	**-**	**15,575**	**15,575**
Investment in unconsolidated subsidiaries	**-**	**-**	**-**	**82**	**82**
Goodwill	**-**	**-**	**-**	**38,916**	**38,916**
Properties under development	**-**	**-**	**-**	**74,561**	**74,561**
Capital Work in progress	**-**	**-**	**-**	**31,156**	**31,156**
Property, plant and equipment	**-**	**-**	**-**	**15,755**	**15,755**
Total assets	**25,875**	**143,014**	**112,669**	**306,389**	**587,947**
Liabilities					
Other liabilities	**-**	**-**	**39,621**	**27,201**	**66,822**
Due to related parties	**-**	**-**	**2,533**	**-**	**2,533**
Borrowings	**-**	**-**	**5,322**	**130,263**	**135,585**
Advances received from customers	**-**	**-**	**94,051**	**-**	**94,051**
Total liabilities	**-**	**-**	**141,527**	**157,464**	**298,991**
At 31 December 2006					
Assets					
Cash and cash equivalents	18,414	-	12,064	-	30,478
Investment at fair value through statement of income	-	-	115,241	950	116,191
Other assets	-	-	2,358	27,292	29,650
Loans receivable	-	-	-	24,765	24,765
Due from related parties	-	-	12,491	1,434	13,925
Investments available for sale	-	-	-	61,107	61,107
Trading properties	-	-	4,350	-	4,350
Investment properties	-	-	-	42,117	42,117
Investment in associated companies	-	-	-	10,520	10,520
Investment in unconsolidated subsidiaries	-	-	-	645	645
Goodwill	-	-	-	3,795	3,795
Advances for purchase of properties	-	-	14,578	-	14,578
Properties under development	-	-	-	37,443	37,443
Capital work in progress	-	-	-	17,313	17,313
Property, plant and equipment	-	-	-	15,412	15,412
Total assets	18,414	-	161,082	242,793	422,289
Liabilities					
Other liabilities	-	-	24,080	19,245	43,325
Due to related parties	-	-	2,537	-	2,537
Term loans from a related party	-	-	2,834	-	2,834
Borrowings	-	-	4,331	91,385	95,716
Advances received from customers	-	-	65,753	-	65,753
Total liabilities	-	-	99,535	110,630	210,165

42 Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2006.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 31, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 16 and 33 respectively.

42.1 Gearing ratio

The Group's risk management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. The Group has a target gearing ratio of 20%-35% determined as the proportion of net debt to equity.

	2007 KD	2006 KD
Debt (a)	**135,585,499**	95,715,796
Cash and cash equivalents	**(73,716,606)**	(30,478,013)
Net debt	**61,868,893**	65,237,783
Equity (b)	**288,955,677**	212,123,917
Net debt to equity ratio	**21%**	31%

(a) Debt is defined as long and short term borrowings .
(b) Equity includes all capital and reserves of the group.

42.2 Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the consolidated financial statements.

42.3 Categories of financial instruments

The carrying amounts of the group's financial assets and liabilities as stated in the consolidated balance sheet may also be categorised as follows:

	2007 KD'000 Fair value	2007 KD'000 Carrying value	2006 KD'000 Fair value	2006 KD'000 Carrying value
Financial assets				
Cash and cash equivalents	-	**73,717**	-	30,478
Investments at fair value through statement of income	**143,964**	-	116,191	-
Loans receivable	-	**10,702**	-	24,765
Investments available for sale	**45,296**	**54,995**	18,544	42,563
Other assets at amortised cost	-	**40,134**	-	29,650
Due from related parties	-	**23,791**	-	13,925
	189,260	**203,339**	134,735	141,881
Financial liabilities at amortised cost				
Borrowings	-	**135,585**	-	95,716
Other liabilities	-	**66,822**	-	43,325
Due to related parties	-	**2,533**	-	2,537
Advances received from customers	-	**94,051**	-	65,753
Term loan from a related party	-	-	-	2,834
	-	**298,991**	-	210,165

43 Fair value of financial Instruments

Fair value of financial instruments
The fair values of financial assets and financial liabilities are determined as follows:

• the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;

• the fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments; and

• the fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

44 Comparative amounts

Certain prior year amounts have been reclassified to conform to the current year presentation. These reclassification were made in order to more appropriately present the items of balance sheet and statement of income as a result of adoption of IFRS 7. Such reclassifications do not affect previously reported total assets, total equity, total liabilities and profit reported in the prior year.