# annual report

# 2007

adam أدام
Al Dar Asset Management

بسم الله الرحمن الرحيم

In The Name of God The Most Gracious The Most Merciful

his highness

**Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah**

crown prince
of the state of kuwait

his highness

**Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah**

amir
of the state of kuwait

his highness

**Sheikh Naser Al-Mohammad Al-Ahmad Al-Sabah**

prime minister
of the state of kuwait

directors

management

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# board of directors

**Mr. Omar S. Al Kazi**
Chairman

**Mr. Adnan A. Al-Musallam**
Vice-Chairman

**Mr. Ali M. Al-Olaimi**
Board Member

**Mr. Darar K. Al-Rabah**
Board Member

**Mr. Adnan A. Al-Nisif**
Board Member

**Mr. Abdulmohsen M. Al-Kandari**
Board Member

# executive management

**Mr. Abdulrahman Al Dawood**
General Manager

**Mr. Abdulrahman Al Shayji**
Vice-General Manager

# shari'ah supervisory board report

We have reviewed the Al Dar Asset Management Company's activities as well as its contracts and investment transactions and studied the Shari'ah controller's report during the year ended 31 December 2007. We hereby certify that all activities and transactions were practiced in compliance with the Islamic Shari'ah principles and provisions, and no violations have occurred, to the best of our knowledge.

**Sheikh / Dr. Khaled Mathkour AL Mathkour**
Head of Sharia Supervisory

**Sheikh / Dr. Abdulaziz Khalifa AL Qassar**
Member of Sharia Supervisory

**Sheikh / Dr. Issam Khalaf AL-Enizi**
Member of Sharia Supervisory

*shrewd*

*visionary*

*professional*

*commited*

# *chairman's message*

**In the Name of Allah the Most Gracious, the Most Merciful**
**Dear Shareholders,**
**Greetings,**

I would like to start my speech by praising God to Whom be ascribed all perfection and majesty and by praying to the Prophet, God's praise and peace be upon him. I am really happy to meet with you in our annual meeting and would like, on behalf of the members of the board of directors and on the occasion of the completion of the third year of the company, to inform you of the continuous good results and achievements of the company during the financial year ended December 31, 2007 AD.

Perhaps the fruitful cooperation from the part of the executive administration and human cadres experienced in the development of the Islamic activities and investments in the company did result in the putting of the basic pillar to rehabilitate your company to become a distinguished mark in the Kuwaiti and Gulf financial market.

**Dear Shareholders,**

The company worked in 2007 to execute and crystallize your ambitions and aspirations through two main axes being the development of the existing business and the addition of new activities and investments to the company. In summary, these main axes were achieved through the following:

**Development of the existing business through:**

1. Hard work to keep the continuing success of the performance of the company's existing funds which all achieved honorable results and good returns during the past year.
2. The company sought to achieve the best possible returns for the funds it manages while putting future visualizations to how to develop these funds in order to attract new monies or ameliorate the return levels to achieve the highest satisfaction for customers.
3. Successful continuing of the work in the field of listing consultant for shareholding and closed companies wishing to be listed in the Kuwait Stock Exchange whereas the company did the second successful listing operation for the MUNTAZAHAT Kuwaiti Company in the middle of last year.

**Innovation and addition of new activities and services:**

The company paid special attention to expanding its activities and diversifying the services it offers to its customers through the several achievements during the year 2007 AD, being summarized as follows:

**Establishment of companies with diversified activities, including:**

1. Contribution in the establishment of Investment Dar Bank in the Kingdom of Bahrain with the cooperation of a chosen group of investors for an authorized capital of one billion American dollars and a subscribed capital of 200 million American dollars.

2. Establishment of several companies in the different vital activities and sectors such as the Future Vision General Trading and Contracting Company, a company with limited liability working in diversified fields. Establishment of STEHWAZ Real Estate Company for a capital of 5 million Kuwaiti Dinars for one of the customers. The establishment of several companies with limited liability of different activities and economic fields.
3. In addition to these companies, the company is on the brink of completing the establishment of a Saudi shareholding real estate company being «Manazel Real Estate Company» for an authorized capital of 300 million Saudi Riyals, and is a company specialized in the housing sector in the Kingdom of Saudi Arabia.
4. The company also initiated the procedures of establishing an investment company in the Kingdom of Saudi Arabia under the name of Gulf Money House Company for a capital of 50 million Saudi Riyals. The company expects to obtain the final approval on the establishment of the company during the year 2008.
5. The company management succeeded in putting the basic pillar for the creation of a new administration specialized in finance activities. The activity strategy, the goals and the financial requirements of the administration for the year 2008 AD were set.

**Offering of new products and investment channels for the company customers:**

1. During the year 2007, the company offered a real estate investment opportunity «Golden Real Estate Portfolio» in Sharjah Emirate in the United Arab Emirates. Furthermore, this opportunity was met with great demand from the part of investors and customers.
2. The company offered, in the midst of 2007 AD, the elite fund specialized in the investment in companies listed in all the sectors of the Kuwait Stock Exchange and in conformity with the provisions of the Islamic Sharia.
3. During the last year, the company completed the establishment of Adam Real Estate Investment Fund under all its types in the Republic of Singapore with the cooperation of a number of big consultation companies.
4. The company is currently working on providing the electronic trading service and it is expected to be provided during the current year, God willing.

**Strategic steps to achieve the goals:**

In order to achieve these goals and ambitions the company put before its eyes, the company did the following:

1. Increased its capital to 50 million Kuwaiti Dinars approximately after obtaining the approval of the ordinary general assembly by distributing bonus shares and consequently the authorized, subscribed and fully paid capital reached an amount of 50 million Kuwaiti Dinars approximately distributed on 500 million shares approximately for a nominal value of 100 Kuwaiti Fils per share.
2. At the end of last year 2007, the company introduced a new unit being the «Follow-up and Customers Relations Unit» in the aim of meeting the needs of customers. The company also commissioned the Unit with the carrying out of some vital tasks in the company such as the procurement of technical assistance to the different departments of the company in addition to the preparation of reports for the senior management.

**Dear Shareholders,**

I am glad to present to you the most important financial indexes for the year 2007.

The year 2007 witnessed a total increase in the company assets from 112,997,315 KD in comparison with the year 2006 which reached 69,197,604 KD, i.e. a rate of growth of 63.3%. The partners' equity grew to 76,463,147 KD in comparison with 64,773,965 KD last year i.e. a rate of growth of 18.05%.

The company also realized profits amounting to 13,335,507 KD for 2007 while they were 21,688,301 KD last year. The return on partners' equity reached (17.44%), the return on capital reached 26.67% and the dividend reached 26.67 Fils.

Please note that the company has expansion plans during the few coming years in the form of new projects, services and diversified investment and consultation activities bearing many good results and profits for the company during the coming period.

In the end, I would like to express my thanks, appreciation and gratitude for everyone who contributed to the success and development of our investments, to the development of the company business and activities, to its advancement and support of its role and position among the competitor companies. I would like also to stress the importance of your continuous support and assistance and your valuable trust in us and I would like to confirm to you our permanent commitment to what we promised you of keeping the trust hoping that the new year 2008 AD will bring with it good achievements and be a fruitful year and the base of our new start towards new wider horizons, God willing.

I would like also to express my deepest thanks to the Investment Dar Company (the mother company) for its continuous and unlimited support for our management to advance your honorable company to be among the best Islamic investment companies, to all the company shareholders, investors, members of the board of directors, executive body and workers in all departments and sections who bore with us all the pain and pressure to achieve the company's sought after goals. I also pray God to bestow his grace on us and our country and preserve it for us under the command of His Highness Prince of the country, Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah, the Crown Prince and his wise government.

I thank you for your cooperation and wish everyone advancement, glory and success and our company prosperity, advancement and progress.

**Chairman of the Board of Directors**
Omar S. Al-Kadi

balance

income

statement

equity

revenue

# *financial report*

**Al Dar Assets Management Company (ADAM)**
K.S.C. (Closed) - And its subsidiary - State of Kuwait

# Consolidated Financial Statements

# and Independent Auditor's Report

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**Al Dar Assets Management Company (ADAM) K.S.C. (Closed)**
**And its subsidiary**
**State of Kuwait**

## Independent Auditor's Report to the Shareholders

### Report on Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Al Dar Assets Management Company (ADAM) K.S.C. (Closed) (the Parent Company) and its subsidiary "collectively referred to as 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 other explanatory notes.

### Management's responsibility for the financial statements

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

### Auditor's 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 auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Parent Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

**Opinion**

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

**Report on Other Legal and Regulatory Requirements**

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

We further report that, during the course of our audit, we have not become aware of any material violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organization of banking business, and its related regulations, during the year ended 31 December 2007.

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

Kuwait 14 May 2008

# Consolidated Balance Sheet

## As at 31 December 2007

(All amounts are in Kuwaiti Dinars)

| | Note | 31 December 2007 | 31 December 2006 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalent | 5 | 485,297 | 2,987,175 |
| Wakala investments | 6 | 38,458,280 | 17,306,042 |
| Investments at fair value through profit and loss | 7 | 31,923,629 | 31,302,768 |
| Investments available for sale | | - | 1,925,526 |
| Finance receivables | 8 | 19,517,128 | - |
| Receivables and other debit balances | 9 | 16,285,123 | 3,123,830 |
| Due from parent company | | - | 6,596,872 |
| Investments properties | 10 | 6,292,567 | 5,865,124 |
| Other assets | | 35,291 | 90,267 |
| Total assets | | 112,997,315 | 69,197,604 |
| **Liabilities and equity** | | | |
| **Liabilities** | | | |
| Wakala Payables | 11 | 35,180,811 | 3,785,289 |
| Payables and other credit balances | 12 | 422,079 | 563,311 |
| Due to parent company | 22 | 827,107 | - |
| Employees' end of service indemnity | | 104,171 | 75,039 |
| Total liabilities | | 36,534,168 | 4,423,639 |
| **Equity** | | | |
| Share capital | 13 | 50,000,000 | 38,000,000 |
| Statutory reserve | 14 | 5,927,261 | 4,575,314 |
| Voluntary reserve | 15 | 4,609,735 | 4,575,314 |
| Change in fair value reserve | | - | 328,599 |
| Retained earnings | | 15,926,151 | 17,294,738 |
| Total equity | | 76,463,147 | 64,773,965 |
| Total liabilities and equity | | 112,997,315 | 69,197,604 |

The accompanying notes from (1) to (25) form an integral part of these consolidated financial statements

**Omar S. Al-Kazi**
Chairman

**Adnan A. Al-Musallam**
Vice Chairman

# Consolidated Statement of Income

## for the year ended 31 December 2007

(All amounts are in Kuwaiti Dinars)

| | Note | 31 December 2007 | 31 December 2006 |
|---|---|---|---|
| Revenue | | | |
| Wakala investments income | | 2,225,350 | 983,974 |
| Income from investments at fair value through profit and loss | 16 | 2,324,611 | 3,343,874 |
| Income from investments available for sale | | 379,270 | 122,021 |
| Investment services revenues | 17 | 4,769,192 | 18,852,383 |
| Investments properties revenues | 18 | 6,306,163 | 1,303,353 |
| Finance revenues | | 173,006 | - |
| Other income | | 98,091 | 17,242 |
| | | 16,275,683 | 24,622,847 |
| Expenses and other charges | | | |
| Finance cost | | 683,610 | 726,025 |
| Wakala investments and finance receivables provision | | 433,184 | 353,184 |
| Consultants and administrative services expenses | | 317,822 | 128,523 |
| General and administrative expenses | | 618,542 | 758,140 |
| Staff cost | | 694,934 | 716,207 |
| Loss on foreign currencies differences | | 8,117 | - |
| Board of Directors' remuneration | | 55,000 | 55,000 |
| Kuwait Foundation for Advancement of Science "KFAS" | | 121,675 | 197,467 |
| Zakat Expense | 19 | 7,492 | - |
| | | 2,940,376 | 2,934,546 |
| Net profit for the year | | 13,335,307 | 21,688,301 |
| Earnings per share (fils) | 20 | 26.67 | 43.38 |

The accompanying notes from (1) to (25) form an integral part of these consolidated financial statements

# Consolidated Statement of Changes in Equity

for the year ended 31 December 2007

(All amounts are in Kuwaiti Dinars)

| | Share capital (note 13) | Statutory reserve (note 14) | Voluntary reserve (note 15) | Change in fair value reserve | Retained earnings | Total |
|---|---|---|---|---|---|---|
| Balance as at 1 January 2006 | 20,000,000 | 2,381,237 | 2,381,237 | 415,432 | 18,725,586 | 43,903,492 |
| Bonus shares | 18,000,000 | - | - | - | (18,000,000) | - |
| Transfer for Zakat 2005 | - | - | (730,995) | - | - | (730,995) |
| Changes in fair value of investments available for sale | - | - | - | (45,006) | - | (45,006) |
| Transferred as a result of sale of investments available for sale | - | - | - | (41,827) | - | (41,827) |
| Net loss recognized directly in equity | - | - | (730,995) | (86,833) | - | (817,828) |
| Net profit for the year | - | - | - | - | 21,688,301 | 21,688,301 |
| Net recognized profit for the year | - | - | (730,995) | (86,833) | 21,688,301 | 20,870,473 |
| Transfer to reserves | | 2,194,077 | 2,925,072 | - | (5,119,149) | - |
| **Balance as at 31 December 2006** | 38,000,000 | 4,575,314 | 4,575,314 | 328,599 | 17,294,738 | 64,773,965 |
| Balance as at 1 January 2007 | 38,000,000 | 4,575,314 | 4,575,314 | 328,599 | 17,294,738 | 64,773,965 |
| Bonus shares (note 20) | 12,000,000 | - | - | - | (12,000,000) | - |
| Transfer for Zakat 2006 | - | - | (1,317,526) | - | - | (1,317,526) |
| Net profit recognized directly in equity | - | - | (1,317,526) | - | - | (1,317,526) |
| Transferred to statement of income as a result of sale of investments available for sale | - | - | - | (328,599) | - | (328,599) |
| Net profit for the year | - | - | - | - | 13,335,307 | 13,335,307 |
| Net recognized profit for the year | - | - | - | (328,599) | 13,335,307 | 11,689,182 |
| Transferred to reserves | - | 1,351,947 | 1,351,947 | - | (2,703,894) | - |
| **Balance as at 31 December 2007** | 50,000,000 | 5,927,261 | 4,609,735 | - | 15,926,151 | 76,463,147 |

The accompanying notes from (1) to (25) form an integral part of these consolidated financial statements

# Consolidated Statement of cash Flows

## for the year ended 31 December 2007

(All amounts are in Kuwaiti Dinars)

| | Note | 31 December 2007 | 31 December 2006 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net profit for the year | | 13,335,307 | 21,688,301 |
| **Adjustments:** | | | |
| Wakala investments income | | (2,225,350) | (983,974) |
| Income from investments at fair value through profit and loss | | (2,324,611) | (3,343,874) |
| Income from investments available for sale | | (379,270) | (122,021) |
| Investments properties revenues | | (6,306,163) | (1,303,353) |
| Finance cost | | 683,610 | 726,025 |
| Wakala investments provision | | 214,071 | 353,184 |
| Depreciation and amortization | | 80,950 | 69,805 |
| Employees' end of service indemnity | | 29,132 | 56,044 |
| Operating profit before changing in operating assets and liabilities | | 3,107,676 | 17,140,137 |
| Investments at fair value through profit and loss | | 1,229,045 | 299,738 |
| Finance receivables | | (19,517,128) | - |
| Receivables and other debit balances | | (13,161,293) | 9,250,225 |
| Payables and other credit balances | | (141,232) | (400,032) |
| Due to / (from) parent company | | 7,423,979 | (10,150,391) |
| Net cash (used in) / generated from operating activities | | (21,058,953) | 16,139,677 |
| **Cash flows from investing activities** | | | |
| Paid in debit Wakala investment | | (21,152,238) | (5,213,593) |
| Proceeds from Wakala investments | | 2,011,279 | 970,615 |
| Paid for purchase of investments available for sale | | - | - |
| Proceeds from sale of investments available for sale | | 1,976,197 | 249,132 |
| Dividends received | | 474,705 | 473,880 |
| Paid for purchase of investments properties | | (17,784,753) | - |
| Proceeds from sale of investments properties | | 23,663,473 | - |
| Advance payments for purchase of real estates | | - | 4,533,506 |
| Paid for purchase of properties and equipments | | (25,974) | (18,134) |
| Paid for purchase of intangible assets | | - | (2,330) |
| Net cash (used in) / generated from investing activities | | (10,837,311) | 993,076 |
| **Cash flows from financing activities** | | | |
| Paid for Zakat 2006 | | (1,317,526) | (730,995) |
| Proceeds from / (paid in) credit Wakala investment | | 31,395,522 | (12,863,199) |
| Finance cost paid | | (683,610) | (648,480) |
| Net cash generated from / (used in) financing activities | | 29,394,386 | (14,242,674) |
| Change in cash and cash equivalent | | (2,501,878) | 2,890,079 |
| Cash and cash equivalent at the beginning of the year | | 2,987,175 | 97,096 |
| Cash and cash equivalent at the end of the year | 5 | 485,297 | 2,987,175 |

The accompanying notes from (1) to (25) form an integral part of these consolidated financial statements

# Notes for the consolidated financial statements

## for the year ended 31 December 2007

(All amounts are in Kuwaiti Dinars unless otherwise mentioned stated)

### 1. Incorporation and activities of the Group

Al Dar Assets Management Company (ADAM) K.S.C. (Closed) "the Parent Company" was incorporated in Kuwait, in accordance with the authenticated memorandum of association number 1778 Vol. 1 on 3 April 2004. The Parent Company registered in the Commercial register on 6 April 2004 under number 99764. The Parent Company was also registered as an investment Company subject to supervision of Central Bank of Kuwait on 11 July 2004.

The Parent Company's is domiciled at the state of Kuwait – Sharq area – Shuhada Street – Raya Tower.

The Parent Company's activities are representing in carrying out all investment activities in all segments, finance, management of funds, movable and non-movable rights, carrying out investment projects and other complementary or related activities in accordance with Noble Islamic Shariaa principles.

The consolidated financial statements include the financial statements of the Parent Company and its wholly owned subsidiary (out of which 50% letters of assignment) – Al Nazra Al Mostakbalaya Company (K.S.C.C.). The Parent Company and its Subsidiary together referred to as the Group.

The Group is owned by 100% to the Investment Dar Company (K.S.C.C.).

These consolidated financial statements were approved for issuance by the board of directors on 14 May 2008 and are subject to the approval of the shareholders in the General Assembly meeting.

### 2. Basis of preparation and significant accounting policies

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

#### 2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with International financial Reporting Standards (IFRS) as adopted for use in state of Kuwait for the financial institutions subject to control of Central Bank of Kuwait. These regulations require adoption of all IFRS except for the IAS (39) requirements for general provision, which have been replaced by the Central Bank of Kuwait's requirements for a minimum general provision as described in note (2.4) and on the historical cost convention, as modified by the revaluation of the fair value of investments at fair value through profit and loss, investments available for sale and investments properties.

# Notes for the consolidated financial statements

for the year ended 31 December 2007

(All amounts are in Kuwaiti Dinars unless otherwise mentioned stated)

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of estimates are disclosed in Note (4).

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

**Amendments and interpretations are mandatory for the year ended 31 December 2007.**

- IFRS 7 (Financial Instruments: Disclosures) that required new disclosures about the financial instruments and does not have any impact on the classification and valuation of the group's financial instruments.
- Amendment to IAS 1, Presentation of financial statements – Capital disclosure
- IFRIC 10, 'Interim Financial Reporting and Impairment', prohibits the impairment losses recognized in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the group's financial statements.

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

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

- IFRIC 8, "Scope of IFRS 2", requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of IFRS 2. This standard does not have any impact on the group's financial statements.
- IFRS 4, "Insurance contracts".
- IFRIC 7, Applying the restatement approach under IAS 29, "Financial reporting in hyperinflationary economies", and IFRIC 9, "Re-assessment of embedded derivatives".

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

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

### 2.2 Consolidation

**Subsidiaries**

Companies are classified as Subsidiaries when the Group has the power to govern the financial and operating policies for these companies, generally accompanying a shareholding of more than 50% of the voting rights in these companies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method is used when accounting for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, in addition to other costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the statement of income.

Balances, transactions and unrealized gains between group's companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

### 2.3 Cash and cash equivalent

Cash on hand, time and demand deposits at banks and financial institutions whose original maturity does not exceed three months from the date of placement are classified as cash and cash equivalent in the consolidated balance sheet.

# Notes for the consolidated financial statements

for the year ended 31 December 2007

(All amounts are in Kuwaiti Dinars unless otherwise mentioned stated)

## 2.4 Financial assets

### Classification

The Group classifies its financial assets at the purchase date based on the purpose of acquisition of such investments. Financial assets have been classified into "Financial assets at fair value through profit and loss", "Receivables" and "Financial assets available fore sale".

*Financial assets at fair value through profit and loss*

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit and loss at inception. A financial asset held for trading is classified in this category if acquired principally for the purpose of selling in the short term. The financial assets designated at fair value through profit and loss at inception are classified in this category when it was managed and evaluated on a fair value basis in accordance with a document risk management or investment strategy approved by the management.

*Finance receivables*

These are non-derivative financial assets with fixed or determinable payments that are not quoted in active markets.

*Available for sale assets*

These are financial assets that are not included in any of the above categories and are principally, those acquired to be held for an indefinite period of time which could be sold when liquidity is needed or upon changes in rates of profit.

### Recognition and De-recognition

Financial instruments are initially recognized when the Group becomes a party in a contractual agreement on these financial instruments. Regular purchases and sales of financial instrument are recognized on purchase date – the date on which the Group comments to purchase or sell the asset. Financial instruments are derecognized when the rights to receive cash flows from the assets have expired or where the Group has transferred substantially all risks and rewards of ownership.

### Measurement

Financial assets are initially recognized at fair value plus transaction costs for all assets not carried at fair value through profit and loss. Subsequently, financial assets carried at fair value. Realized and unrealized gain and loss arising from changes in the fair value of the financial assets at fair value through profit and loss category are included in the income statement, unrealized gains and loss arising from changes in the fair value of financial assets classified as available-for-sale are recognized in equity except the losses resulting from impairment in value. When available for sale financial assets are sold, the accumulated change in fair value recognized in the equity is transferred to income statement. Receivables are carried at amortized cost using the effective yield method.

The fair value of quoted financial instruments is determined based on last bid price. The fair value of unquoted financial instruments is estimated by using the lowest prices of the recent deals on those shares in unofficial markets.

### Impairment in value

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement.

A specific provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all such receivables. The amount of the specific provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, including amounts recoverable from guarantees and collateral, discounted at the effective rate of return. The amount of the provision is recognized in the income statement.

In addition of that, in accordance with Central Bank of Kuwait instructions, a minimum general provision of 1% is provided on all Murabaha and Wakala receivables that are not subject to a specific provision is calculated.

# Notes for the consolidated financial statements
for the year ended 31 December 2007

(All amounts are in Kuwaiti Dinars unless otherwise mentioned stated)

**Murabaha and Wakala investments**

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

### 2.5 Investment properties

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

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

### 2.6 Lands and real estates under development

Lands and real estates under development are recognized at cost including development costs. When the development process is completed, the lands and real estates are classified either as investments properties or lands and real estates held for trading or as property for the Group's self-occupation as per management intention regarding the future use of those lands and real estates.

### 2.7 Properties and equipments

Properties and equipments are stated at historical cost less accumulated depreciation and impairment losses. Cost comprises of acquisition costs and all directly attributable costs of bringing the asset to working condition for its intended use.

Depreciation is calculated on the straight-line basis over the estimated useful lives of three years.

**2.8 Intangible assets**

**Goodwill**

Goodwill represents the excess of fair value of net assets acquired from subsidiary or associate or joint projects over the acquisition cost at the date of acquisition. Goodwill is carried at cost less accumulated impairment losses which is tested annually.

**Computer Software**

Cost of acquisition of computer software is capitalized based on the actual incurred costs that are necessary for acquiring and using of this software. These assets are amortized over their expected useful lives of three years.

**2.9 Impairment of non financial assets**

Properties and equipments and intangible assets are reviewed at the balance sheet date to indicate the impairment in value whenever the events or changes in circumstances indicate that the carrying amount may not be recoverable. Whenever the carrying amount exceeds the recoverable amount, the impairment losses are recognized in the income statement.

**2.10 Wakala payables**

Wakala payables are recognized initially at fair value, net of transactions costs incurred. Subsequently wakala payables are carried at amortized cost. The difference between the received amount from wakala payables and the paid amount are recognized as finance cost over the time of the wakala using the effective yield method.

**2.11 Employees' end of service Indemnity**

The Group is liable under Kuwait Labour Law to make payments under defined benefit plans to employees at cessation of employment. The defined benefit plan is un-funded and is based on the liability that would arise on involuntary termination of all employees on the balance sheet date. This basis is considered to be a reliable approximation of the present value of the Group's liability.

# Notes for the consolidated financial statements

for the year ended 31 December 2007

(All amounts are in Kuwaiti Dinars unless otherwise mentioned stated)

**2.12 Revenue recognition**

Murabaha, Musawama, Wakala and Ijarah income are recognized on a time proportion basis using the effective rate of return on the outstanding balances for these transactions.

Dividends income is recognized when the right to receive dividends is established.

Revenue from sale of lands and real estates is recognized on the completion of the sales contract.

Management fees are recognized when earned.

**2.13 Foreign currencies**

The functional currency of the Group is the Kuwaiti Dinar. Foreign currency transactions are recorded in Kuwaiti Dinars at the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted to Kuwaiti Dinars at the closing rate prevailing at the year-end. Resultant gains or losses are taken to statement of income.

As for non – monetary assets which carried by fair value, foreign exchange difference is considered a part from the change in the fair value of such assets.

**2.14 Zakat**

Based on the recommendation of the Shari'ah Supervisory Board, Weaa Al – Zakat is calculated on assets and liabilities balances that are subject to zakat. Zakat is deducted from the voluntary reserve.

**2.15 Dividends**

Dividends distribution to the Parent Company's shareholders is recognized as a liability in the consolidated financial statements in the period in which the dividends are approved by the Parent Company's shareholders.

**2.16 Fiduciary assets**

Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly are not included in these consolidated financial statements.

## 3. Financial Risk Management

### Financial risks

The Group's activities expose it to a variety of financial risks: market risk (including foreign currencies risk, fair value interest rate risk, and cash flow interest rate risk), credit risk and liquidity risk.

Financial risk management is carried out by a central treasury department (Group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates financial risks in close co-operation with the Group's operating units.

### Market risk

The board of directors provides the basic principal to manage market, credit, and liquidity risk.

Market risks are the fluctuations of assets value due to changes in market prices, the market risk is managed based on allocating the assets with a predetermined multiple categories of assets, with the management evaluation to the long and short-term changes in the fair value, market risks represented as follows:

#### Foreign currencies risks

The Group is exposed to the foreign currencies risks on the transactions with other than Kuwaiti Dinar. The Group is working to make sure to retain the net exposure to the foreign currencies risks at a reasonable level, through dealing with currencies that does not change significantly against Kuwaiti Dinar.

In case of decrease of US Dollar against Kuwaiti Dinar by 5% as at 31 December 2007, the Company's net profit would have decreased by KD 11,180.

In case of decrease of US Dollar against Kuwaiti Dinar by 5% as at 31 December 2007, the Company's net equity would have decreased by KD 11,031.

### Fair value risk

The Group is exposed to equity securities price risk because of investments held by the group and classified as at fair value through profit and loss or available for sale. The fair value of the financial instruments which is traded in an regular market, is determined based on the current bid price

# Notes for the consolidated financial statements

for the year ended 31 December 2007

(All amounts are in Kuwaiti Dinars unless otherwise mentioned stated)

### For unquoted investments

The fair value is obtained from the current bid prices, discounted cash flows models, and other suitable methods the company manage this risk by diversifying and not centralizing investments in one geographical area or currency and making periodic studies for all unlisted investments to make sure that there is no impairment in value of those investments.

As follows is sensitivity analysis summarizes the impact in the stock exchange market:

The Company's results and equity are affected. This analysis is based on the assumption of change in this index by 10%

| | Impact on net profit | | Impact on equity | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| KSE Index | (235,778) | (683,318) | (232,645) | (672,213) |

### Credit risk

Credit risk is represented in the risk that one of the financial instruments parties will fail to discharges their contractual obligations, which will result a loss to the counterparty, to limit this risk, the Group deals with companies and financial institutions with a high credit and individuals with financial solvency, the Group has policies and procedures to reduce credit risk exposure against any counterparty, represented in avoiding the credit concentration through diversifying the finance portfolio among a great number of clients, in addition to making a periodic monitoring on the finance policies and the approval of the board of directors.

The exposed assets to credit risk as follows:

| | 2007 | 2006 |
|---|---|---|
| Cash and cash equivalents | 485,297 | 2,987,175 |
| Wakala Investments | 38,929,169 | 17,659,225 |
| Finance receivables | 21,911,410 | - |
| Due from sale of properties | 12,473,596 | - |
| | 73,799,472 | 20,646,400 |

# Notes for the consolidated financial statements

for the year ended 31 December 2007

(All amounts are in Kuwaiti Dinars unless otherwise mentioned stated)

**Liquidity risk**

Liquidity risk is the risk that the Group would not be able to pay its obligations. Liquidity risk arises from the market differences or low level of creditability, which may cause to the depletion of some finance resources instantly. To prevent these risks, the management has diversified the finance resources and asset management considering the liquidity and maintaining sufficient cash and high liquidity financial instruments.

As follows is maturity analysis of the Company's financial obligations as of 31 December 2007:

| | During 1 month | From 1 to 3 months | From 3 months to 1 year | From 1 to 5 years | Total |
|---|---|---|---|---|---|
| **Liabilities** | | | | | |
| Payables and other credit balances and due to the Parent Company | 23,395 | 328,053 | 897,737 | - | 1,249,185 |
| Wakala payable | - | 15,516,948 | 21,135,187 | - | 36,652,135 |
| End of service indemnity | - | - | - | 104,171 | 104,171 |

As follows is maturity analysis of the Company's financial obligations as of 31 December 2006:

| | During 1 month | From 1 to 3 months | From 3 months to 1 year | From 1 to 5 years | Total |
|---|---|---|---|---|---|
| Liabilities | | | | | |
| Payables and other credit balances | 9,269 | 554,042 | - | - | 563,311 |
| Wakala payable | - | 3,955,434 | - | - | 3,955,434 |
| End of service indemnity | - | - | - | 75,039 | 75,039 |

**Capital risk management**

The Group maintains a capital base managed effectively to cover the risks that arise from the exercise of its work, the main objectives of the Group's capital management is to ensure that the Group is committed to the capital requirements and the Group has capital proportions sufficient to support its work and increase the value for shareholders.

In order to maintain or adjust the capital structure, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (as shown in the balance sheet) plus net debt.

# Notes for the consolidated financial statements
## for the year ended 31 December 2007

(All amounts are in Kuwaiti Dinars unless otherwise mentioned stated)

During 2007, the Company's strategy, which was unchanged from 2006, was to maintain the gearing ratio within 15% to 35% as follows:

| | 2007 | 2006 |
|---|---|---|
| Total Wakala payable | 35,180,811 | 3,785,288 |
| Less : cash and cash equivalent | (485,297) | (2,987,176) |
| Net debt | 34,695,514 | 798,112 |
| Total equity | 76,463,147 | 64,773,964 |
| Total capital | 111,158,661 | 65,572,076 |
| Gearing ratio | 31.21 | 1.22 |

The increase in the gearing ratio during 2007 comparing with 2006 resulted primarily from the Company's relying on external sources of funding to finance its investment activities.

### 3.1 Fair value estimation

The fair value of financial instruments traded in active markets is based on the current bid price.

The fair value of unquoted financial investments is determined by reference to the market value of similar investments or by using discounted cash flows or by using other valuation techniques. The assets whose fair value cannot be determined, they are recognized at cost less impairment.

## 4. Critical accounting estimates and assumptions

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

**Fair value of unquoted investments**

Valuation techniques for unquoted equity investments is in which estimates are used representing the expected cash flows discount rates, return trades, credit risks, and other valuation techniques used by market participants. The Group determines the valuation techniques periodically and tests these for validity using either prices from observable current market transactions in the same instrument or other available observable market data.

**Impairment in the value of investments available for sale**

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

## 5. Cash and cash equivalent

| | 2007 | 2006 |
|---|---|---|
| Saving accounts | 395,624 | 246,962 |
| Current accounts at banks | 89,673 | 2,740,213 |
| | 485,297 | 2,987,175 |

The fair value of cash and cash equivalent is equal to its carrying value as at 31 December 2007 and as at 31 December 2006.

## 6. Wakala investments

| | 2007 | 2006 |
|---|---|---|
| Wakala investments | 39,407,850 | 17,880,044 |
| Less: Deferred revenue | (382,315) | (220,818) |
| Less: General provision | (567,255) | (353,184) |
| | 38,458,280 | 17,306,042 |

**6.1** Investment amounts at some Islamic institutions are representing in an amount of KD 37,095,758 (KD 15,986,368 as at 31 December 2006) with the Parent Company of the Group (Note 22).

**6.2** The average rate of return on these Wakala as at 31 December 2007 is 8.25% (8.2% as at 31 December 2006).

**6.3** The fair value of Wakala investments is equal to its carrying value as at 31 December 2007 as their maturity dates are short term.

# Notes for the consolidated financial statements
for the year ended 31 December 2007

(All amounts are in Kuwaiti Dinars unless otherwise mentioned stated)

## 7. Investments at fair value through profit and loss

| | 2007 | 2006 |
|---|---|---|
| Investments at fair value at inception | 30,504,582 | 26,229,408 |
| Investments held for trading | 1,419,047 | 5,073,360 |
| | 31,923,629 | 31,302,768 |

Investments at fair value through profit and loss includes:

| | 2007 | 2006 |
|---|---|---|
| Investments in local shares – quoted | 2,466,497 | 7,005,587 |
| Investments in local shares – unquoted | 9,496,460 | 11,359,260 |
| Investments in foreign shares – unquoted | 634,977 | 634,977 |
| Investments in local funds | 19,325,695 | 12,302,944 |
| | 31,923,629 | 31,302,768 |

**7.1** Investments in quoted local shares include investments amounted to KD 1,304,875 represent the Group's investments in the Parent Company's shares as at 31 December 2007 (KD 1,842,750 as at 31 December 2006).

**7.2** Investments in unquoted local shares include investments amounted to KD 157,500 (KD 157,500 as at 31 December 2006) represents investments registered by the parent Company's name and there are letters of assignment from the Parent Company to the Group by the ownership of these investments.

**7.3** Investments in unquoted local shares include investments amounted to KD 6,680,700 (KD 4,116,000 as at 31 December 2006) evaluated by reference to the latest deals on those investments in unofficial markets.

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

| | 2007 | 2006 |
|---|---|---|
| Kuwaiti Dinar | 31,288,649 | 30,667,788 |
| US Dollar | 254,736 | 254,736 |
| Other currencies | 380,244 | 380,244 |
| | 31,923,629 | 31,302,768 |

## 8. Finance receivables

Finance receivables are representing in facilities presented by the Parent Company to its customers in form of Murabaha or Istesnaa or Ijara contracts, where necessity the finance receivables are covered with sufficient guarantees to face credit risks related to them, the following is the breakdown of finance receivables:

| | 2007 | 2006 |
|---|---|---|
| Gross finance receivables | 21,911,409 | - |
| Less: Deferred revenues | (2,175,168) | - |
| Less: Credit loss provision (General) | (219,113) | - |
| | 19,517,128 | - |

**8.1** The average yield rate on finance receivables is 14.25% as at 31 December 2007.

**8.2** The fair value of finance receivables is equal to its carrying value as they are due on September, October and December 2008.

**8.3** The Group is following the requirements of the Central Bank of Kuwait related to specific provisions when calculating the provision of doubtful debts. The provisions set out below is determined based on the requirements of the Central Bank of Kuwait which requires the formation of general provision for the investment and financing regular activities that does not have specific provision allocated for it by a minimum of 1% for cash investing and financing activities, and at least 0.5% for non-cash investing and financing activities.

**8.4** The most exposure for credit risk as at consolidated financial statements date is the fair value, the Group has guarantees against finance receivables amounted to KD 20,174,992.

## 9. Receivables and other debit balances

| | 2007 | 2006 |
|---|---|---|
| Accrued from sale of real estates | 12,473,596 | - |
| Accrued portfolios and funds management fees | 1,793,155 | 893,832 |
| Advance payments for purchase of investments | 1,526,418 | - |
| Kuwait Clearing Company | 203,628 | 734,151 |
| Accrued commissions for sale and marketing | - | 1,387,667 |
| Other debit balances | 288,326 | 108,180 |
| | 16,285,123 | 3,123,830 |

# Notes for the consolidated financial statements

## for the year ended 31 December 2007

(All amounts are in Kuwaiti Dinars unless otherwise mentioned stated)

**9.1** Accrued from sale of real estates represents in the Group's accruals against sale of one of its real estates and the collection of sale amount has been done during the subsequent period, and has placed by Wakala investments with one of the related parties.

### 10. Investments properties

The following is the investments properties movement during the year ended 31 December:

| | 2007 | **2006** |
|---|---|---|
| Balance at the beginning of the year | **5,865,124** | 4,561,771 |
| **Less** | | |
| Sales during the year | **(23,663,473)** | - |
| Purchases during the year | **17,784,753** | - |
| **Add** | | |
| Change in fair value of investments properties | **427,444** | 1,303,353 |
| Gain on sale of land | **5,878,719** | - |
| Balance at the end of the year | **6,292,567** | 5,865,124 |

This balance represents in the fair value of group of lands located in one of the GCC Counties. It had depended on evaluation reports from independent valuers in that company for defining the fair value for those lands as at 31 December 2007.

### 11. Wakala payables

**11.1** This item representing in amounts received from others to invest them as Wakala investments with right to contract with self.

**11.2** The average rate of return for these Wakala is 8.46% as at 31 December 2007 (8.58% as at 31 December 2006).

**11.3** The following is a breakdown for Wakala investments in Kuwaiti Dinar and US Dollar:

| | 2007 | **2006** |
|---|---|---|
| Wakala payables in Kuwaiti Dinar | **15,603,884** | 1,664,599 |
| Wakala payables in US Dollar | **19,576,927** | 2,120,690 |
| | **35,180,811** | 3,785,289 |

## 12. Payables and other credit balances

| | 2007 | 2006 |
|---|---|---|
| Kuwait Foundation for Advancement of Science "KFAS" | 121,675 | 197,467 |
| Board of Directors' remuneration | 55,000 | 55,000 |
| Other credit balances | 245,404 | 310,844 |
| | 422,079 | 563,311 |

## 13. Share capital

On 22 April 2007 the General Assembly meeting of the shareholders of the Parent Company approved the proposal of the Board of Directors of issuing 31.58% bonus shares from the registered shareholders capital on the date of the General Assembly. Accordingly, the issued and paid up capital amounted KD 50,000,000 distributed over 500,000,000 shares of 100 fils per each all in cash as at 31 December 2007 (KD 38,000,000 distributed over 380,000,000 share 100 fils per each as of 31 December 2006). And the Parent Company had registered in the commercial register with No. 99764 on date 14 May 2007.

## 14. Statutory reserve

As required by the Commercial Companies Law and the Company's Articles of Association, 10% of the net profit for the year before Kuwait Foundation for Advancement of Science share, Board of Directors' remuneration and Zakat expense is required to be transferred to statutory reserve. The general assembly may resolve to discontinue such annual transfers when the statutory reserve exceeds half of the Parent Company's share capital. This reserve is not available for distribution on the shareholders but may be used to secure appropriation of profit to shareholders up to 5% of paid up capital in such years where the profit of the Parent Company do not allow such percentage of appropriation. When the balance of the reserve exceeds half of share capital, the general assembly is permitted to utilize amounts in excess of half of the share capital in aspects seen appropriate for the benefits for the Parent Company and its shareholders.

# Notes for the consolidated financial statements
## for the year ended 31 December 2007

(All amounts are in Kuwaiti Dinars unless otherwise mentioned stated)

### 15. Voluntary reserve

In accordance with the Company's Articles of Association, a percentage of Parent Company's net profit for the year as proposed by the Board of Directors and approved by the General Assembly is transferred. Such annual transfer may be discontinued by resolution of the General Assembly based on the proposal from the Board of Directors. The Board of Directors proposed a transfer of an amount of KD 1,351,947 of net profit for the year ended 31 December 2007 to the voluntary reserve.

### 16. Income from investments at fair value through profit and loss

| | 2007 | 2006 |
|---|---|---|
| Trading income | 2,033,888 | 2,323,887 |
| Change in fair value | (519,364) | 560,669 |
| Cash dividends | 810,087 | 397,718 |
| Dividends in kind | - | 61,600 |
| | 2,324,611 | 3,343,874 |

**16.1** Changes in fair value include profits amounted to KD 67,000 resulted from change in fair value of unquoted investments, its fair value determined by reference to the latest deals on those investments (note7).

**16.2** Changes in fair value include profits amounted to KD 1,624,416 resulted from change in fair value of unquoted investment funds, its fair value determined through the net unit value as at 31 December 2007.

### 17. Investment services revenue

| | 2007 | 2006 |
|---|---|---|
| Funds and financial portfolios management fees | 4,485,755 | 2,827,696 |
| Subscription Fees | 147,994 | 95,265 |
| Consultancies services and establishment fees | 135,443 | 496,005 |
| Commission from sale of investments | - | 15,433,417 |
| | 4,769,192 | 18,852,383 |

## 18. Investments properties revenues

| | 2007 | 2006 |
|---|---|---|
| Gain on sale of lands | 5,878,719 | - |
| Change in fair value | 427,444 | 1,303,353 |
| | 6,306,163 | 1,303,353 |

## 19. Zakat Expense

According to article No. (5) of Zakat law No.46 for 2006 and according to ministry of finance decree No. 58 for 2007 concerning its executive regulation which issued in official Kuwaiti newsletter dated 9 December 2007, the Parent Company will deduct 1% of the net profit for the year in the period from date of issuance of the Regulation up to the end of its financial year.

## 20. Earning per share

Earning per share are calculated based on the net profit for the year and the weighted average number of ordinary outstanding shares during the year. The calculation of earning per share is as follows:

| | 2007 | 2006 (Restated) |
|---|---|---|
| Net profit for the year | 13,335,307 | 21,688,301 |
| Number of shares (share) | 500,000,000 | 500,000,000 |
| Earning per share (Fils) | 26.67 | 43.38 |

Issued bonus shares take into consideration (note 13) when calculating weighted average number of outstanding and issued shares for the year ended 31 December 2006.

## 21. Dividends

On 14 May 2008, the Board of Directors have not proposed any dividends for the financial year ended 31 December 2007, accordingly, posting the profits to the next financial year.

This proposal is subject to the General Assembly meeting and specialized institutions approval. (Shareholders' General Assembly meeting has approved the dividends of bonus shares with 31.58% of the paid up capital for the profit of the year ended 31 December 2006).

# Notes for the consolidated financial statements

for the year ended 31 December 2007

(All amounts are in Kuwaiti Dinars unless otherwise mentioned stated)

## 22. Related parties' transactions

Related parties representing in the Group's shareholders who have representatives in the Board of Directors, members of the Board of Directors and Senior Management. In the normal course of business and approval of the Parent Company's management, there are some transactions had done with the related parties during the year ended 31 December 2007.

The related parties transactions and balances are as follows:

| | 31 December 2007 | 31 December 2006 |
|---|---|---|
| Purchase of investments properties | 17,784,753 | - |
| Sale of lands under development | - | 8,294,067 |
| Wakala investments | 37,095,758 | 15,986,368 |
| Wakala investments Income | 1,778,762 | 838,185 |
| Company's establishment fees | - | 184,500 |
| Commissions for sale of investments | - | 15,433,417 |
| Investments management fees | 905,513 | 575,059 |
| Wakala and Murabaha payables | 19,762,645 | 3,226,962 |
| Finance expenses | 389,656 | 27,515 |
| Board of Directors remuneration | 55,000 | 55,000 |
| Key management benefits | 144,405 | 121,322 |

The balance due to the Parent Company amounted to KD 827,107 as at 31 December 2007 (KD 6,596,872 as at 31 December 2006 – due from the Parent Company).

Also, the company manage investment portfolios (note 24) for related parties amounted to KD 783,132,266 as at 31 December 2007 (KD 567,315,167 as at 31 December 2006).

## 23. Geographical distribution of assets and liabilities

| | 31 December 2007 | | 31 December 2006 | |
|---|---|---|---|---|
| | Assets | Liabilities | Assets | Liabilities |
| State of Kuwait | 106,069,768 | 22,233,279 | 62,697,499 | 4,423,639 |
| GCC Countries | 6,547,303 | 14,300,889 | 6,119,860 | - |
| Europe Countries | 380,244 | - | 380,245 | - |
| | 112,997,315 | 36,534,168 | 69,197,604 | 4,423,639 |

# Notes for the consolidated financial statements
for the year ended 31 December 2007

(All amounts are in Kuwaiti Dinars unless otherwise mentioned stated)

## 24. Off balance sheet items

The Parent Company manages portfolios and financial funds for others and the balances of these portfolios are not included in the balance sheet of the Parent Company. The net assets of these managed portfolios amounted to KD 1,030,827,730 as at 31 December 2007 (KD 853,320,836 as at 31 December 2006), included an amount of KD 783,132,266 to related parties (KD 567,315,167 as at 31 December 2006).

## 25. Zakat

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

The Board of Directors will propose to deduct the Zakat from the voluntary reserve for the year ended 31 December 2007. This proposal is subject to the approval of the general assembly of the shareholders. (The General assembly has approved an amount of KD 1,317,526 for the year ended 31 December 2006).