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Kuwait Real Estate Holding Company K.S.C.C

Kuwait Real Estate Holding K.S.C.C
KRH
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In the name of God

Most Gracious & Beneficient

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His Highness
Sheikh Sabah Al-Ahmad
Al-Jaber Al-Sabah
Amir of Kuwait

His Highness
Sheikh Naser Al-Mohamad
Al-Ahmad Al-Sabah
Prime Minister

His Highness
Sheikh Nawaf Al - Ahmad
Al-Jaber Al-Sabah
Crown Prince

Board of Directors

Mr. Mohammad Barak Al-Mutair
Chairman

Mr.Hamad Mohammed Al-Saad
Vice Chairaman

Mr.Ali Ahmed Al- Zbeid
Board Member

Mr.Naji Abdullah Al-Abdulhadi
Board Member

Mr.Faisal Ali Al-Osaimi
Board Member

Mr.Feras Yousef Al-ghanem
Board Member

Mr.Naser Abdulaziz Al-Salem
Board Member

Executive Management

Mr. Khalid Fahad Ben Shokor
General Manager

Mr. Tarek Ibrahim Al-Mansour
Deputy General Manager investments Divisions

Mr. Saad Abdulkareem Al-Munayes
Financial Manager

Mr. Sulaiman Ahmad Al-Houti
Manager - Admin & Personal Affairs

Mr. Mohammad Fahad Al-Nemah
Manager - Direct Investments Department

Mr. Mohammad Nasser Al-Qumlas
Manager – Business Development Department

Mrs. Dana Khalifa Al-Sagabi
Legal Department

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Chairman's Message

Greetings,

It is with greatest pleasure and appreciation that I submit to you the third annual report of the Company since the listing of its shares in the Kuwaiti Stock Exchange Market. This report includes the Company's achievements and business results during 2007 where the Board of Directors along with all the Company's employees has deployed all their efforts to realize the strategies of Kuwait Real Estate Holding Company, based on the promotion and activation of the commissioning activities whether of the Company or of the affiliated or subsidiary entities at the time. We are looking forward to new horizons for the current period and the years to come for gathering the incomes of the past era in which all the efforts were dedicated to the establishment of an entity with determined outlines and purposes based on a group of balancing activities.

The Gulf economies and in particularly the Kuwaiti economy, have witnessed an ongoing rise and growth and have attained high averages due to the persistency of the increase of the Oil prices that has exceeded 86 Dollars what is reflected on the governmental expenditure in the region and on many projects regarding infrastructure and others, what will contribute in creating adequate and real investments opportunities for investing in the local capitals in general.

We, The Kuwait Real Estate Holding Company, have focused on getting ready for the efficient participation and contribution in some of these projects, seizing

the right opportunities in the sectors covered by the Kuwait Real Estate Holding Company and its affiliated and subsidiary companies.

It is obvious that the liquidity availability in the Gulf Region played a major role in the increases of the Gulf financial markets that has captivated most of the financial liquidity and excess for investments in the region, especially that the offered projects are still not attracting the ambition of the private sector whether quality wise or quantity wise and therefore most of the companies had an excess that should be exploited and invested in the right opportunity.

Liquidity was also available in a significant manner and the excess of the balance sheet of 2006-2007 in Kuwait reached 5.2 Billion dollars, while the excess of the balance sheet of 2007-2008 is expected to surpass 7 Billion Kuwaiti Dinars. This matter necessitates a fast cooperation from the government and the enforcement of proper plans with regards to offering new infrastructure projects and delayed development projects and B.O.T. projects especially that such excesses did not reflect positively in the adequate manner of the development projects.

The Board of Directors is always searching for new opportunities, partnerships, and alliances whether in the Gulf Region or in the Middle East for achieving geographical and qualitative diversity of the projects. For the purpose of distributing the risks, and in the frame of the local market, we are still expecting that the passage of the State Properties Law will enhance the investment environment and will reflect positively on re-launching B.O.T. projects and encouraging the Private sector to invest therein.

Moreover, the Kuwait Real Estate Holding Company now owns specialized entities in a number of essential and major activities in the Modern Economy such as Al Fanar Investment Company, Al Imran Real Estate Development Company; Time Line Project Management Company and First Cleaning Kuwaiti Company.

The Board of Directors and in cooperation with the Executive management is striving for achieving a large studied expansion and spread for such entities where such expansion shall create new opportunities in the future.

Regarding the Financial performance, the Kuwait Real Estate Holding Company has achieved net profits reaching KD 2.236 million while the share profitability reached 7.61 Fils.
The return on equity reached 57% and the return on asset reached 4%.

In conclusion, on behalf of myself and on behalf of all the members of the Board of Directors and the Company's employees, I am pleased to express my deep appreciation and sincere gratitude for his Highness the Prince Sheikh Sabah Al Ahmad Al Jaber Al Sabah and his Highness the Crown Prince Sheikh Nawaf Al Ahmad Al Jaber Al Sabah and his Highness the Prime Minister Sheikh Naser Al Muhamad Al Ahmad Al Sabah, hoping that God keeps them under his care and hoping that He grants them prosperity for achieving the Welfare of the Country asking and asking Him to grant his Highness the Prince Sheikh Sa`ed Al Abdullah Al Salem Al Sabah health and success.

With all due respect to the shareholders for the trust they endowed the Board of Directors with and we undertake to keep striving and deploying all efforts for achieving the purposes of the Company and for realizing the best results for years to come.

With God's blessings,

The Chairman
Mr. Mohammad Barrak Al-Mutair

The Sharia' Supervision Panel Report

Thanks God, and Gods peace and Blessing upon the prophet, his family and his companions shareholders of the Kuwait Real Estate Holding Company.

To the attention of the shareholders of the Kuwait Real Estate Holding Company,

Greetings,

By virtue of the commitment contract signed with us, we carried out the act of auditing the contracts and formalities to express our point of view regarding the extent of the company's compliance with the Islamic Sharia' provisions as mentioned in the sharia opinions, guidelines and decisions which we issued within the ended period on December 31st, 2007 A.D.

The company's management shall be responsible to be engaged in the execution of the contracts and formalities according to the Islamic Sharia's provisions as mentioned by us. As for our responsibility, it shall be limited in expressing our independent point of view regarding the extent of the company's compliance with the said, according to our audit.

We achieved our auditing pursuant to the controls issued from the auditing and review authority for the Islamic financial institutions that require from us to plan and execute the auditing and review procedures in order to obtain all information, explanations and declarations that we consider necessary to provide us with sufficient evidences to reasonably confirm that the company complies with the Islamic Sharia' provisions as we had mentioned.

We carried out our auditing process on the basis of verifying each kind of all contracts and formalities executed during the period, thus we think that the auditing works that we performed shall provide an adequate basis to express our point of view.

According to us:

1. The company appears, during the determined period, engaged with its obligations toward the execution of the contracts and formalities pursuant to the Islamic Sharia> provisions as mentioned in the sharia opinions, guidelines and decisions which we issued within the determined period. We did not find any sharia violations that contradict with our opinion.
2. The company is not authorized to exclude the alms tax (Al Zakat), however the shareholders shall be entitled to do the same.

Sharia Supervision Panel

A.D/ Abdul Razzak Al Shayegi	A/Mohamad Al Jaser	D. /Abdul Bari Machaal
The President	A Member	An Executive Member

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Independent auditors' report and consolidated financial statements

for the year ended 31 December 2007

Al-ATEEQI CERTIFIED ACCOUNTANTS

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Ali Al-Salem Str., Thuwaini Bldg. 3rd Flr.
E-Mail : alateeqi@ateeqicpac.com
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MOORE STEPHENS
PUBLIC ACCOUNTANTS
AL NISF & PARTNERS

P. O. Box 25578, Safat 13116, Kuwait
Al Jawhara Tower, 6th Floor
Khaled Ben Al-Waleed Street, Sharq, Kuwait

Tel +965 2426 999
Fax +965 2401 666

Independent Auditors' Report to the Shareholders of Kuwait Real Estate Holding Company K.S.C (Holding)

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Kuwait Real Estate Holding Company K.S.C (Holding) ("the Parent Company") and its subsidiaries (together referred to as "the Group") which comprise of the consolidated balance sheet at 31 December 2007, and the related consolidated statement of income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other 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 the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of 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 Parent Company'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 Group'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.

A member of BKR INTERNATIONAL

A member firm of
Moore Stephens International Limited

Opinion

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

Report on other legal and regulatory requirements

We further report that we have obtained the information and explanations that we required for the purpose of our audit and the consolidated financial statements include the information required by the Kuwait Commercial Companies Law of 1960, as amended, and the parent company's articles and memorandum of association. In our opinion, proper books of account have been kept by the Parent Company, an inventory count was carried out in accordance with recognized procedures and the accounting information given in the board of directors' report agrees with the books of account of the Parent Company.

We have not become aware of any contravention, during the year ended 31 December 2007, of the Kuwait Commercial Companies Law of 1960, as amended, or the Parent Company's articles of association, that would materially affect the Group's activities or its financial position.

Qais M. Al-Nisf
License No. 38-A
Moore Stephens Al Nisf & Partners
Member of Moore Stephens
International

Barrak Abdul Mohsen Al-Ateeqi
Licence No. 69 "A"
Al-Ateeqi Certified Accountants
Member firm of B.K.R International

Kuwait: 17th March 2008

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Financial Reports

for the year ended 31 December 2007

Consolidated balance sheet

	Notes	2007 KD	2006 KD
Asset			
Non-current assets			
Property, Plant & Equipment	4	2,241,749	2,700,451
Investment property	5	22,331,724	10,434,109
Investments in associates	6	6,460,075	-
Investments in subsidiaries	7	1,370,141	375,020
Available for sale investment	8	20,071,702	14,098,677
		52,475,391	27,608,257
Current assets			
Spare parts and materials inventory	9	46,000	59,098
Debtors and other debit balances	10	1,923,543	1,728,754
Due from related parties	11	23,059	10,890
Investments at fair value through statement of income	12	4,601,977	4,465,552
Cash & cash equivalent	13	6,322,939	13,191,125
		12,917,518	19,455,419
Total assets		65,392,909	47,063,676
Equity and liabilities			
Equity			
Share capital	14	30,000,000	30,000,000
Statutory reserve	15	1,532,115	1,298,138
Voluntary reserve	16	1,532,115	1,298,138
Treasury shares	17	(1,452,034)	(1,452,034)
Treasury shares reserve		46,038	46,038
Fair value reserve		366,250	960,000
Retained earnings		9,311,026	7,543,319
		41,335,510	39,693,599
Non-current liabilities			
Long-term Murabaha payable	18	7,713,459	1,582,656
Indemnity allowances for staff		377,749	303,270
		8,091,208	1,885,926
Current liabilities			
Payables and other credit balances	19	927,812	1,036,570
Short-term Murabaha payable	18	15,038,379	4,447,581
		15,966,191	5,484,151
Total liabilities		24,057,399	7,370,077
Total equity and liabilities		65,392,909	47,063,676

The accompanying notes form an integral part of these consolidated financial statements.

Muhammad Barrak Al-Mutair	Hamad Muhammad Al-Saad	Khaled Fahd Ben Shokr
Chairman	Vice Chairman	General Manager

Consolidated statement of income

	Notes	2007	2006
		KD	KD
Real estate rental income		192,819	359,723
Operating costs		(41,529)	(76,160)
Net income from rent		151,290	283,563
Net profits from management and maintenance of third parties properties		33,826	30,507
Net losses from construction contracts		-	(3,661)
Net loss from cleaning contracts		(394,275)	(267,909)
Unrealised gain / (loss) on investments at fair value through statement of income		1,468,596	(642,251)
Gain / (loss) from sale of investments at fair value through statement of income		455,425	(102,695)
Gain on sale of available for sale investments		1,461,638	1,618,528
Change in fair value of investment properties		1,174,197	1,293,239
Loss/(profit) on disposal of investment properties		(132,846)	2,122,444
General and administrative expenses	20	(1,913,012)	(2,126,176)
Net revenue from financial institutions		34,930	65,892
Profit for the year before KFAS, NLST, Zakat and Board of Directors' remuneration		2,339,769	2,271,481
Kuwait Foundation for the Advancement of Sciences		(21,058)	(20,443)
National Labor Support Tax ("NLST")		(51,785)	(56,787)
Provision for Zakat		(1,266)	-
Board of Directors' remuneration		(30,000)	(28,000)
Profit for the year		2,235,660	2,166,251
Earnings per share (in fils)	21	7.61	7.35

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Share capital	Statutory reserve	Voluntary reserve	Treasury shares	Treasury Shares reserve	Fair value reserve	Retained earnings	Total
	KD	KD	KD	KD	KD	KD	KD	KD
Balance at 1 January 2007	30,000,000	1,298,138	1,298,138	(1,452,034)	46,038	960,000	7,543,319	39,693,599
Change in fair value	-	-	-	-	-	(203,750)	-	(203,750)
Transferred to statement of income from sale of available for sale investments	-	-	-	-	-	(390,000)	-	(390,000)
Loss recognized directly in equity	-	-	-	-	-	(593,750)	-	(593,750)
Profit for the year	-	-	-	-	-	-	2,235,660	2,235,660
Net (expenses)/revenues realized during the period	-	-	-	-	-	(593,750)	2,235,660	1,641,910
Transfer to reserves	-	233,977	233,977	-	-		(467,954)	-
Balance at 31 Dec 2007	30,000,000	1,532,115	1,532,115	(1,452,034)	46,038	366,250	9,311,025	41,335,510
Balance at 1 January 2006	30,000,000	1,070,990	1,070,990	(983,672)	46,038	2,730,000	7,899,305	41,833,651
Change in fair value	-	-	-	-	-	(878,520)	-	(878,520)
Transferred to statement of income from sale of available for sale investments	-	-	-	-	-	(891,480)	-	(891,480)
Loss recognized directly in equity	-	-	-	-	-	(1,770,000)	-	(1,770,000)
Profit for the year	-	-	-	-	-	-	2,166,251	2,166,251
Net (expenses)/revenues realized during the period	-	-	-	-	-	(1,770,000)	2,166,251	396,251
Dividends	-	-	-	-	-	-	(2,067,941)	(2,067,941)
Transfer to reserves	-	227,148	227,148	-	-	-	(454,296)	-
Purchase of treasury shares	-	-	-	(468,362)	-	-	-	(468,362)
Balance at 31 Dec 2006	30,000,000	1,298,138	1,298,138	(1,452,034)	46,038	960,000	7,543,319	39,693,599

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Note	2007	2006
		KD	KD
Operating activities			
Profit for the year		2,235,660	2,166,251
Adjustment for			
Depreciation		594,333	631,825
Indemnity allowances for staff		226,870	106,395
Unrealised gain / (loss) on investments at fair value through statement of income		(1,468,596)	642,251
Gain / (Loss) on available for sale investments		(1,461,638)	(1,618,528)
(Increase)/decrease in fair value of investment properties		(1,174,197)	(1,293,239)
Gains/losses on sale of investment properties		132,846	(2,122,444)
Gains/losses on disposal of property, plant and equipment		(7,564)	
Provision for doubtful debts		-	262,938
Gains from financial institutions		(34,930)	(65,892)
Changes in working capital:		(957,216)	(1,290,443)
Spare parts and materials inventory		13,098	5,616
Debtors and other debit balances		(194,789)	1,528,026
Due from related parties		(12,169)	(10,890)
Investments at fair value through statement of income		1,332,173	1,907,161
Payables and other credit balances		(108,758)	(3,330,602)
Due to related parties		-	(22,290)
Cash generated from / (used in) operations		72,339	(1,213,443)
Employees' end of service indemnity, paid		(152,391)	(208,910)
Net cash from/(used in) operation activities		(80,052)	(1,422,332)
Investing activities			
Investments in an associate		(6,460,075)	(100,000)
Investments in subsidiaries		(995,121)	(75,000)
Paid for purchase of property, plant and equipment		(162,934)	(279,935)
Paid for purchase of investment properties		(12,271,264)	-
Proceeds from sale of investment property		1,415,000	15,205,000
Proceeds from available for sale investments		2,564,445	3,932,212
Paid for purchase of available for sale investments		(7,669,583)	(5,656,575)
Gains received from financial institutions		34,930	65,892
Proceeds from disposal of property, plant and equipment		34,867	160,901
Net cash (used in) / from investment activities		(23,509,735)	13,252,495
Financing activities			
Cash dividends paid		-	(2,067,941)
Paid for purchase of treasury shares		-	(468,362)
Murabaha payables		16,721,601	309,838
Net cash (used in) / from financing activities		16,721,601	(2,226,465)
Net (decrease)/increase in cash and cash equivalent		(6,868,186)	9,603,698
Cash and cash equivalent at the begining of the year		13,191,125	3,587,427
Cash and cash equivalent at the end of the year	13	6,322,939	13,191,125

The accompanying notes form an integral part of these consolidated financial statements.

1. INCORPORATION AND PRINCIPAL ACTIVITIES

Kuwait Real Estate Holding Company K.S.C (Holding) ("the parent company") is a closed Kuwaiti shareholding company incorporated on 19 January 1980 in accordance with the Commercial Companies Law in the State of Kuwait. The Company's share was listed on the Kuwait Stock Exchange on 12 April 2005.

The company's objectives:

- Acquisition of shares of Kuwaiti or foreign shareholding and limited liability companies as well as participation in those companies' incorporation, administration, lending and providing third party guarantees for these companies.
- Grant loans to the companies in which the Company holds shares, guarantees them before third parties and in this case the contributions ratio of the Company in the capital of the investee companies shall not be less than 20% minimum.
- Acquisition of industrial property rights including patents, trademarks and industrial marks, industrial designs or any other rights relating thereto and lease the same to other companies to utilize them within Kuwait and abroad.
- Acquisition of movables and properties necessary for the Company to practice its activities pursuant to the limits prescribed by law.
- Utilization of the financial surpluses available with the Parent Company through investing the same in financial portfolios managed by specialized companies and entities.
  The Parent Company shall, in conducting its business activities, comply with Noble Islamic Sharia principles.

The group comprises the parent company and its subsidiary (together referred to as "the Group"). Details of the subsidiary are set out in Note (3).

The address of the Parent Company's registered office is P.O. Box, 26371, Safat 13124, State of Kuwait.

The consolidated financial statements of Kuwait Real Estate Holding Company K.S.C (Holding) and its subsidiary (the group) for the year ended 31 December 2007 were authorized for issue by the parent company's board of directors on 17th March 2008 and are subject to the approval of the Annual General Assembly of the shareholders. The shareholders of the parent company have the power to amend these consolidated financial statements at the Annual General Assembly.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of Compliance

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS).

2.2 Basis of preparation

The consolidated financial statements are prepared on the historical cost basis except for measurement at fair value of available for sale of investments through statement of income and available for sale investment and investment properties.

The consolidated financial statements have been presented in Kuwaiti Dinars which is the functional currency of the parent company. The group has adopted IFRS 7 Financial Instruments: Disclosures and the amendments to IAS 1: Presentation of Financial Statements effective for year ended 31 December 2007 which has resulted in amended and additional disclosures relating to financial instruments and associated risks and capital management.

The principal accounting policies are set out below:

3.3 Leasing contracts

Operating lease income of the assets leased by the Company is recognised in the statement of income on a straight-line basis over the lease term.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.4 Principles of consolidation

The consolidated financial statements comprise the financial statements of the parent company and its subsidiary (the group).

Subsidiaries are those enterprises controlled by the Parent company. Control exists when the Parent Company has the power, directly or indirectly, to govern the financial and operating policies of a subsidiary so as to obtain benefits from its activities. The financial statements of subsidiaries, other than those which are held with a view to disposal within twelve months are included in the consolidated financial statements on a line by line basis from the date that control effectively commences until the date that control effectively ceases. Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

2.5 Business combinations

Acquisitions 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, and equity instruments issued by the group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the parent company's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the statement of income.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

2.6 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and impairment losses. Depreciation is calculated based on the estimated useful lives of the applicable assets on a straight-line basis commencing when the assets are ready for their intended use.
The estimated useful lives, residual values and depreciation methods are reviewed at each year end, with the effect of any

changes in estimate accounted for on prospective basis. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred.

Significant improvements and replacements of assets are capitalised. 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 sale proceeds and the carrying amount of the asset and is recognised in consolidated statement of income in the period in which they occur.

2.7 Investment properties

Investment properties are initially recorded at cost. After initial recognition, investment properties are re-measured and carried at fair value on an individual basis based on an annual external valuation by an independent real estate assessor.

Any gain or loss arising either from a re-measurement at fair value or sale is included in the consolidated statement of income.

2.8 Investments 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 group's investment in associate is accounted for under the equity method of accounting, i.e. on the balance sheet at cost plus post-acquisition changes in the group's share of the net assets of the associate, less any impairment in value and the consolidated statement of income reflects the group's share of the results of operations 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 recognized 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 recognized immediately in the statement of income.

Distributions received from the associate reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the group's share in the associate arising from changes in the associate's equity. The Group's share of those changes is recognized directly in equity; fair value reserve or foreign currency translation reserve as appropriate.

When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions with associate are eliminated to the extent of the group's share in the associate. Unrealized losses are also eliminated unless the transactions provide evidence of impairment in the asset transferred.

An assessment for impairment of investments in associates is performed when there is an indication that the asset has been impaired, or that impairment losses recognized in prior years no longer exist.

The associate's financial statements are prepared either to the parent company's reporting date or to a date not earlier than three months of the parent company's reporting date using consistent accounting policies. Where practicable, adjustments are made for the effect of significant transactions or other events that occurred between the reporting date of the associates and the parent company's reporting date.

2.9 Impairment of tangible assets

At each balance sheet date, the group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years.

A reversal of an impairment loss is recognised immediately in the consolidated statement of income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.10 Investments

2.10.1 Investments at fair value through statement of income

Investments at fair value through statement of income are initially recognised at fair value, excluding transaction costs. These investments are either "held for trading" or "designated".

Held for trading investments are acquired principally for the purpose of selling or repurchasing it in the near term or are a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking.

Designated investments are investments which are designated as investments at fair value through statement of income on initial recognition. After initial recognition, investments at fair value through statement of income are re-measured at fair value.
Gain or loss arising either from the sale or changes in fair value of "investments at fair value through statement of income" are recognised in the consolidated statement of income.

2.10.2 Available for sale investment

Available for sale investments are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition.

After initial recognition, available for sale investments are remeasured at fair value except for investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, which are measured at cost.

Unrealized gain or loss on remeasurement of available for sale investments to fair value is recognized directly in equity in "fair value reserve" account until the investment is derecognized or determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is recognized in the statement of income.

Exchange gain or loss on monetary available for sale investments is recognized in the statement of income.

2.10.3 Fair value

For investments 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 investments where there is no quoted market price, a reasonable estimate of fair value is determined by reference to the current market value of another instrument which is substantially the same, or is based on the valuation techniques commonly used by market participants.

2.10.4 Trade and settlement date accounting

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

2.11 Impairment of financial assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years.

Impairment losses are recognized immediately in the statement of income.

2.12 Inventories

Spare parts and materials are not intended for resale and are valued at cost after making allowance for any obsolete or slow moving items. Cost is determined on a weighted average basis.

2.13 Provisions

A provision is recognized in the balance sheet when the group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

2.14 Receivables

Receivables are initially recognized at fair value and subsequently measured at cost less provision of impairment losses.

2.15 Related party transactions

Related parties consist of directors, executive officers, their close family members and companies of which they are principal owners.
All related party transactions are conducted on an arm's length basis and are approved by management.

2.16 Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances at banks and portfolio managers.

2.17 Treasury shares

Treasury shares consist of the group's own shares that have been issued, subsequently reacquired by the group and not yet reissued, sold or cancelled. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the treasury shares. Consideration paid or received is directly recognized in equity. When the treasury shares are sold, gains are credited to a separate account in shareholders' equity (treasury shares reserve) which is not distributable. Any realized 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 and then to reserves. Gains realized subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and treasury shares reserve account. No cash dividends are paid 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.

2.18 Provision for employees' end of service indemnity

Provision is made for amounts payable to employees under the Kuwaiti Labor Law and employee contracts. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination on the balance sheet date, and approximates the present value of the final obligation.

2.19 Financial instruments

Financial instruments are recognized in the balance sheet when the group becomes a party to the contractual provisions of the instrument.

2.20 Financial liabilities

Financial liabilities are measured at cost.

2.21 Derecognition of financial assets and financial liabilities

Financial assets

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired, or
- the group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement, or
- the group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.
- When the group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the group could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability.

2.22 Foreign currency translation

The assets and liabilities of the group's foreign operations are expressed in Kuwaiti Dinar ("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 transferred to the Group's foreign currency translation reserve. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

2.23 Revenue recognition

Management fees and cleaning contracts are recognized on time proportion basis according to principals and rates stated in the real estate portfolio management agreements and cleaning contracts. Yield income is recognized on a time proportion basis, taking into account the original principal amount and an applicable yield rate. Income from investment sale is recognized on sale accomplishment.

2.24 Dividends

Dividends are recognised as a liability in the group's consolidated financial statements in the period in which the dividends are approved by the shareholders.

2.25 Segment reporting

A segment is a distinguishable component of the group that is engaged in providing products or services, business segment or providing products or services within a particular economic environment, geographical segment, where it is subject to risks and rewards that are different from other segments.

2.26 Significant accounting judgements and estimation uncertainty

Accounting judgements

In the process of applying the group's accounting policies, management has used judgements in the consolidated financial statements.

Impairment of investments

The group treats available for sale investments as impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is "significant" or "prolonged" requires significant judgement. In addition, the group also evaluates among other factors, normal volatility in the share price for quoted investments and the future cash flows and the discount factors for unquoted investments.

Investment classification

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

Financial investments at fair value are investments which are designated as held for trading investments and investments at fair value, at initial recognition, through statement of income on initial recognition.

Classification of investments as investments at fair value through statement of income depends on how management monitors 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.

Classification of investment property

The group 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.

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.

2.27 Future changes in accounting policies

The following standards and interpretations which have been issued but are not yet effective are applicable to the group.

IFRS 8: 'Operating Segments' which replaces IAS 14 'Segment Reporting' is effective for annual periods beginning on or after 1 January 2009. This standard would amend the disclosures of the Company's operating segments, products, services and geographical areas in which it operates.
This standard has not been applied in these consolidated financial statements and the group intends to comply with this standard from its effective date.

The changes to IFRS 23, which will result in eliminating the previously available option to expense all borrowing costs when incurred.

3. Consolidated subsidiary

The consolidated financial statements include the financial statements of "the Parent Company" and its subsidiary as follows:

Name of the companies	Shareholding (%)	Country of incorporation	The company's objectives
Al Omran Real Estate Development Company K.S.C. (Closed) (Formerly, Projman Project Management Co.W.L.L)	100%	State of Kuwait	Investment and development of real estates

4. Property, Plant & Equipment

	Building	Motor Vehicle	Cleaning equipments and containers	Tools	Office furniture and equipment	Total
	KD	KD	KD	KD	KD	KD
Cost						
Balance at 31 Dec 2006	417,849	5,119,709	534,848	17,593	530,524	6,620,523
Addition	-	109,981	128,885	-	41,069	279,935
Disposal	-	(370,871)	-	-	-	(370,871)
Balance at 1 January 2007	417,849	4,858,819	663,733	17,593	571,593	6,529,587
Addition	-	-	-	-	162,934	162,934
Disposal	-	(117,287)	-	(11,101)	(136,806)	(265,194)
Balance at 31 Dec 2007	417,849	4,741,532	663,733	6,492	597,721	6,427,327
Accumulated depreciation						
Balance at 1 January 2006	417,849	2,369,660	346,977	17,429	255,366	3,407,281
Charge for the year	-	506,696	44,396	164	80,569	631,825
related to disposals	-	(209,970)	-		-	(209,970)
Balance at 1 January 2007	417,849	2,666,386	391,373	17,593	335,935	3,829,136
Charge for the year	-	425,995	77,369	-	90,969	594,333
related to disposals	-	(94,707)	-	(11,101)	(132,083)	(237,891)
Balance at 31 Dec 2007	417,849	2,997,674	468,742	6,492	294,821	4,185,578
Book value						
at 31 December 2007	-	1,743,858	194,991	-	302,900	2,241,749
at 31 December 2006	-	2,192,433	272,360	-	235,658	2,700,451
Rate of depreciation per annually	5%	8%-25%	33.33% - 20%	20%	20%	

5. Investment property

	2007 KD	2006 KD
At fair value		
Balance at beginning of year	10,434,109	17,555,926
Addition	12,271,264	-
Deletions	(1,547,846)	(13,082,556)
Transfer of lands and properties under development	-	4,667,500
Change in fair value	1,174,197	1,293,239
Balance at end of the year	22,331,724	10,434,109

The fair value of the Group's investment property at 31 December 2007 has been arrived at on the basis of a valuation carried out by independent valuers who are not related to the Group.

6. Investments in an associate

		Group's share	Book value
Name of associates	Country of incorporation	2007	2007
Al-Fanar Investment Company	Kuwait	43.07	6,460,075

As at 31 December 2007, the Group's share of KD 6,460,075 has been stated at cost since the Company's financial statements were not available. Al-Fanar Investment Company has been established on 20 march 2007 but its financial statements have not been issued yet.

7. Investments in unconsolidated subsidiaries

Analysis of unconsolidated subsidiaries is as follows:

Name of the companies	Shareholding (%)	Country of incorporation	Book value	Activity
Jordanian River Kuwaiti for Investment Co.	65%	Jordan	795,121	Financial investment
Time Line Project Management	80%	Kuwait	200,020	Project management
First Kuwaiti for Cleaning Company	100%	Kuwait	100,000	Cleaning
First National for Consulting Co.	100%	Kuwait	100,000	Measurement consultancy
Sabe'eh For Consulting Co	100%	Kuwait	100,000	Measurement consultancy
National Vision for trading Co.	100%	Kuwait	75,000	Trading

8. Available for sale Investments

	2007 KD	2006 KD
(Investment in unquoted local shares (at cost	11,855,753	7,322,003
Investment in quoted local shares	1,725,000	1,770,000
(Investments in unquoted foreign shares (at cost	6,490,949	5,006,674
	20,071,702	14,098,677

Investments in unquoted local and foreign shares have been stated at cost since their fair values can not be reliably determined. Management does not have indicators that the investments are impaired.

9. Inventory

	2007 KD	2006 KD
Raw materials	31,722	44,039
Spare parts	14,278	15,059
	46,000	59,098

10. Debtors and other debit balances

	2007 KD	2006 KD
Trade receivables	807,934	1,257,212
Other receivables	1,132,861	460,583
Provision for doubtful debts	(297,529)	(297,529)
	1,643,266	1,420,266
Prepaid expenses	56,212	34,970
Due from employees	155,415	151,762
Accrued revenues	55,270	121,756
Refundable deposits	13,380	-
	1,923,543	1,728,754

Movement in provision for doubtful debts

	2007 KD	2006 KD
Balance at beginning of year	(297,529)	(34,590)
increase/(decrease) in allowance for doubtful debts recognized in statement of income.	-	(262,939)
Balance at end of the year	(297,529)	(297,529)

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

11. Related parties transactions

Related parties represent associated companies, major shareholders, directors and key management personnel of the Group, and entities controlled or significantly influenced by the Parent Company.

Pricing policies and terms of these transactions are approved by the Group's management. Related parties transactions are as follows:

	Major shareholders	Directors and key management	Total 2007	Total 2006
Consolidated balance sheet	KD	KD	KD	KD
Investments at fair value through statement of income (managed by a related party)	1,696,937	-	1,696,937	3,721,040
Due from a related party	-			
Consolidated statement of income	-			
Portfolio management fees	6,719	-	6,719	7,048
Cleaning and maintenance contracts income	110,215	-	110,215	95,303

12. Investments at fair value through statement of income

	2007 KD	2006 KD
Trading		
Local quoted securities	4,364,309	4,465,552
Foreignquoted securities	237,668	-
	4,601,977	4,465,552

Investment portfolios managed by third party included shares amounting KD 1,696,937 as at 31 December 2007 (31 December 2007: KD 3,721,040) managed by a related party (Note 11).

13. Cash & cash equivalent

	2007 KD	2006 KD
Cash in hand and at financial institutions	3,503,982	12,024,142
Cash in investment portfolios	1,604,184	966,587
Investment saving account	1,214,773	200,396
	6,322,939	13,191,125

A return on Company's saving account at 5.755% is realized (2006: 5.639%) annually.

14. Share capital

	2007 KD	2006 KD
The authorized, issued and full paid-up share capital comprises 300,000,000 shares (2006: 300,000,000 shares) shares of 100 fils each		
	30,000,000	30,000,000

15. Statutory reserve

In accordance with the Kuwait Commercial Companies' Law of 1960 and the company's articles of association, as amended, 10% of the net profit for the year is required to be transferred to the statutory reserve until the reserve totals 50% of the paid up share capital.

Distribution of the statutory 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 retained earnings are not sufficient for the payment of a dividend of that amount.

16. Voluntary reserve

As required by the Parent Company's articles of association, 10% of the net profit for the year is required to be transferred to the voluntary reserve. This transfer may be discontinued as per a resolution from the general assembly upon recommendation by the board of directors. There are no restrictions on the distribution of voluntary reserve.

17. Treasury shares

	2007	2006
Number of shares (No's)	6,140,000	6,140,000
Percentage of issued shares (%)	2.05	2.05
Market value (KD)	1,264,840	1,056,080
Cost (KD)	1,452,034	1,452,034

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

18. Murabaha payables

This represents the balance of Murabaha contracts which have an average effective cost rate at 8.5% as at 31 December 2007 and are repayable within 3 years (31 December 2006: 8.5%).

19. Payables and other credit balances

	2007	2006
	KD	KD
Trade payables	197,344	141,625
Accrued expenses and leave	462,669	585,398
Deferred income	32,814	91,288
Third party insurance	75,043	81,616
Staff payable	11,355	13,879
Kuwait Foundation for the Advancement of Sciences	21,058	20,443
Board of Directors' remuneration	30,000	28,000
National Labor Support Tax ("NLST")	51,785	56,787
Zakat	1,266	-
Other credit balances	44,478	17,534
	927,812	1,036,570

20. General & administration expenses

	2007	2006
	KD	KD
Personal cost	920,391	672,904
Depreciation and amortization	86,581	82,358
Other	906,040	1,370,914
	1,913,012	2,126,176

21. Earnings Per Share (EPS)

Earnings per share is calculated as follows:

	2007	2006
	KD	KD
Profit for the year	2,235,660	2,166,251
Weighted-average shares outstanding	293,860,000	294,775,347
Earnings per share (in fils)	7.61	7.35

22. Provision for Zakat

In accordance with the Law No.46 of 2006 concerning Zakat, 1% of the company's taxable income has been provided for in respect of Zakat with effect from 10 December 2007.

23. Segmental information

a) Primary segment information – Business segments

The group is organized into functional divisions to manage its various lines of business. For the reporting purposes about primary segment information the Group has integrated its products and services within the following business segments:

There are no inter-segmental transactions. Below is an analysis of the above segments which comprise the primary segments information.

	2007					2006				
	Real Estate management sector KD	Investment property sector KD	Financial investment sector KD	Cleaning Sector KD	Total	Real Estate management sector KD	Investment property sector KD	Financial investment sector KD	Cleaning Sector KD	Total
Income	335,426	1,234,170	3,420,589	1,509,478	6,499,663	466,874	359,723	3,415,683	1,762,803	6,005,083
Expenses:	(301,600)	(41,529)	-	(1,903,753)	(2,246,882)	(436,367)	(76,160)	-	(2,034,373)	(2,546,900)
Segments results	33,826	1,192,641	3,420,589	(394,275)	4,252,781	30,507	283,563	3,415,683	(271,570)	3,458,183
Un allocated expenses					(2,017,121)					(2,231,406)
Net profit for the year					2,235,660					2,166,251
Segments assets	143,199	22,331,724	24,673,679	2,001,935	49,150,537	25,430	10,911,524	28,998,338	3,490,478	43,425,770
Unallocated assets					16,242,372					3,637,906
Total assets					65,392,909					47,063,676
Segments liabilities	217,273	6,519,188	15,038,377	1,564,271	23,339,109	195,301	71,210	4,900,515	2,024,926	7,191,952
Unallocated liabilities					718,290					178,125
Total liabilities					24,057,399					7,370,077
Depreciation	18,795			511,686	530,481	3,398			544,944	548,342
Unallocated depreciation					63,852					83,483
					594,333					631,825

24. Financial risk and capital management

a) Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 17, cash and cash equivalents and equity, and retained earnings .

Borrowing rate

The borrowing rate at the end of year was as follows:

	2007	2006
	KD	KD
Murabaha payables	22,751,838	6,030,237
Cash & cash equivalent	(6,322,939)	(13,191,125)
Net lending	16,428,899	(7,160,888)
Equity	41,335,510	39,693,599
Net borrowing to equity	39.75%	18.04%

b) Categories of financial instruments

	2007	2006
	KD	KD
Financial assets		
Cash & cash equivalent	6,322,939	13,191,125
Trade receivables	510,405	959,683
Investments at fair value through statement of income	4,601,977	4,465,552
Available for sale investment	20,071,702	14,098,677
Financial liabilities		
Trade payables	197,344	141,625
Murabaha payables	22,751,838	6,030,237

c) 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 is monitored on an ongoing basis. The group seeks to avoid undue concentration of risks with individuals or group of customers in specific location or activity. through diversification of

24. Financial risk and capital management (continued)

lending activities and obtaining the suitable guarantees when appropraite . The maximum credit risk exposure is not materially different from the carrying values in the consolidated financial statements.

d) Equity price risk

Equity price risk is the risk that the value of financial instruments will fluctuate as a result of changes in equity prices. Financial instruments, which potentially subject the Company to market risk, consist principally of investments available for sale. The company manages this risk by diversifying its investments on the basis of the pre-determined asset allocations across various categories, continuous appraisal of market conditions and trends and management estimate of long and short term changes in fair value.

The following table demonstrates the sensitivity of the changes in fair value to reasonably possible changes in prices, with all other variables held constant. The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increases shown.

		2007		2006	
	Change in price	Effect on net profit before contribution to KFAS, Zakat and Directors' remuneration	Effect on equity	Effect on net profit before contribution to KFAS, Zakat and Directors' remuneration	Effect on equity
Kuwait	%+5	143,851	10,188	(32,113)	(43,926)

e) Foreign currency risk management

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the group does not hedge foreign currency exposure. At 31 December 2007, the Group had the following significant exposures denominated in foreign currencies:

	2007 Equivalent	2006 Equivalent
	KD	KD
JOD	795,121	-
Saudi Arabian Riyals	1,228,508	1,228,508
AED	1,610,359	1,610,359
Bahraini Dinar	3,652,083	1,610,000

The tables below analyzes the effect of a 5% strengthening in value of the currency rate against the Kuwaiti Dinar from levels applicable at 31 December 2007, with all other variables held constant on the income statement and equity, while a positive amount reflects a net potential increase.

Currency	Change in currency rate in %	2007 Effect on net profit	2006 Effect on net profit
		KD	KD
JOD	5%	39,756	-
Saudi Arabian Riyals	5%	61,425	61,425
AED	5%	80,518	80,518
Bahraini Dinar	5%	182,604	80,500

f) Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a daily basis.

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 Company'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.

The analyses of the Company's non-derivative financial liabilities based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	From 1 to 2 years	From 2 to 5 years
	KD	KD	KD
As at 31 December 2007			
Trade payables	197,344		
Murabaha payables	-	15,038,379	7,713,459
As at 31 December 2006			
Trade payables	141,625		
Murabaha payables	-	4,447,581	1,582,656

g) Fair value of financial assets and liabilities

The fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Underlying the definition of fair value is the presumption that the company is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms. As at the balance sheet date, the fair value of the Company's financial assets, and financial liabilities were not materially different from their carrying values.

25. Proposed dividend

Subject to the requisite consent of the relevant authorities and approval from the general assembly, the board of directors propose to distribute a cash dividend of 7% (7 fils per share) and 5% bonus shares (5 shares for each 100 shares) to the shareholders of record as of the date of the general assembly.

26. Dividend

The Shareholders' General Assembly of the Parent Company for the year ended 31 December 2006 held on 11 April 2007 approved the financial statements of the Group for the year ended 31 December 2006, no dividend for 2006 and carrying forward all profits.

27. Commitments and contingent liabilities

	2007	2006
	KD	KD
Capital commitments		
Bank guarantees	1,828,856	5,695,220
Operating leases		

Minimum lease commitments under non-cancelable operating leases are as follows.

	2007	2006
	KD	KD
Less than 1 year	236,190	180,000
	236,190	180,000

28. Comparative figures

Where necessary, some comparative figures have been reclassified to conform with the presentation in the current year.