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كفيك

His Highness
Sheikh Sabah Al Ahmed Al Jaber Al Sabah
Emir of the State of Kuwait

His Highness
Sheikh Nawaf Al Ahmad Al Jaber Al Sabah
The Crown Prince of the State of Kuwait

Kuwait Stock Exchange - Kuwait

Kuwait Stock Exchange

Although several share holding companies existed in Kuwait prior to the creation of the Kuwait Stock Exchange, it was not until October 1962 that a law was passed to organize the country's stock market. The KSE was among the first stock exchanges established in the Gulf region. Moreover, it is the first stock market in the world to use an Arabic Automated System on January 17, 1996, when it implemented the automated trading system.

Stock exchanges from around the world

Royal Exchange - England

The earliest form of stock markets

Historians trace the earliest form of stock markets back to 11th century Cairo. During the late 10th century and early 11th century, Cairo witnessed hectic economic activity, in which several industries developed and internal and external trade flourished. Muslim merchants had already set up every form of trade association and had knowledge of every method of credit and payment.

This notion of trading through credit and payment is considered the earliest form of stock markets because it is similar in the way it brings buyers and sellers together to trade in securities.

New York Stock Exchange - USA

New York Stock Exchange

The origin of the New York Stock Exchange can be traced back to May 17, 1792, when the Buttonwood Agreement was signed by twenty-four stockbrokers in New York under a buttonwood tree. On March 8, 1817, the organization drafted a constitution and renamed itself the "New York Stock & Exchange Board." The first central location of the NYSE was a room rented for $200 a month in 1817. However, the volume of stocks traded increased in the years between 1896 and 1901 and a larger space was required to conduct business in the expanding marketplace. The New York Stock Exchange building opened on April 22, 1903 at a cost of $4 million.

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Amsterdam Stock Exchange - Holland

The oldest stock exchange in the world

The Amsterdam Stock Exchange is considered the oldest in the world. It was established in 1602 by the Dutch East India Company for dealings in its printed stocks and bonds. It was subsequently renamed the Amsterdam Bourse and was the first to formally begin trading in securities. Moreover, The Amsterdam Stock Exchange (or Amsterdam Beurs) is also said to have been the first stock exchange to introduce continuous trade in the early 17th century.

Saleh Yacoub Al Homaizi
Chairman

Riham Fouad Al Ghanim
Vice Chairman

Fadwa Yacoub Al Homaizi
Member

Wael Jassim Al Sager
Member

Mahmoud Imam Yassin
Member

Sulaiman Abdulla Al Muraikhi
Member

Mahmoud Fouad Al Ghanim
Member

Stock exchanges from around the world

Brussels Stock Exchange - Belgium

13th century 'beurs'

In late 13th century, Bruges, Belgium, commodity traders gathered inside the house of a man called Van der Beurse, and in 1309 they became the "Bruges Beurse," institutionalizing what had been, until then, an informal meeting. These traders and bankers exchanged money, lent at interest and made payments. The idea quickly spread around Flanders and neighboring countries and "Beurzen" soon opened in Ghent and Amsterdam. The Dutch name 'beurs', later captured the world as the name for the place where money is traded.

Sana Jumah
CEO

Ahmed Samir Akl
Chief Financial Officer

Wael Mahmoud Bahbahani
Head of IT and Trade Online Division

Savio Gomes
Head of Market Intelligence and Advisory

Faisal Ali Al Osaimi
Executive Vice President
Asset Management Division

Khaled El Bagoury
Head of Corporate HR and Administration Affairs

Abdul Aziz Mohamed Al Roomi
Senior Vice President
Financing Services Division

Stock exchanges from around the world

Tokyo Stock Exchange - Japan

Online stock trading

Online stock trading is a very old concept for big institutions, who have traded through private networks owned by Reuter's "Instinet" and a system called "Posit" since 1969. Online trading was released on the Internet for mass use in the late 90s. Today practically every big name brokerage firm offers online stock trading. Earlier they had numerous brokers on the phone with clients executing trade, now that is done by computers accepting orders from clients directly.

Dear Shareholders…

On behalf of the Board of Directors and myself, it gives me pleasure to present you with your Company's seventh annual report for the fiscal year ending 31 December 2007.

During the year 2007, we were faced with some unfavorable situations, whereby your Company was unable to achieve its growth plans: due to lack of investment opportunities; several changes in the listing rules of the Kuwait Stock Exchange; failure of some investments to achieve their expected returns that forced us to take a bold decision to withdraw from these investments in order to maintain the Company's and customers' money. These unfavorable conditions have resulted in a decrease in the Company's profit from KD30 million at 86.9 fils per share in 2006 to KD22.7 million at 63.1 fils per share in 2007.

It is worth mentioning that the Company's strategy in diversifying its income sources and focusing on asset management (portfolios and funds) and not dismissing the importance of the consistent revenue from the financing sector, aided the company in avoiding losses and contributed to maintaining reasonable levels of profitability.

Furthermore, our belief in the importance of increasing assets that contribute to a consistent revenue stream in order to avoid fluctuations in the stock market, has led us to select investment opportunities that generate consistent revenue, the most notable of which was acquiring 65% stake in Al-Ahlia Brokerage Company, which is a valuable investment since brokerage companies benefit from a continuous revenue stream, which in turn will contribute to the Company's revenue stability and prevent any sharp decreases.

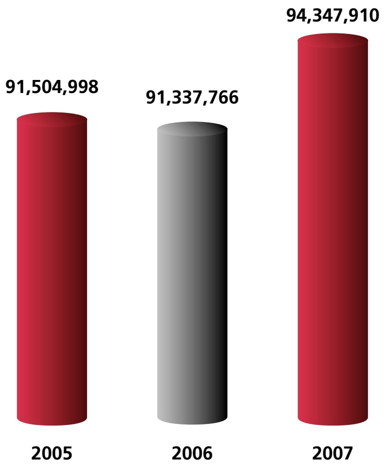
The following is a review of the major developments of the company's numerous sectors during the year 2007:

Stock exchanges from around the world

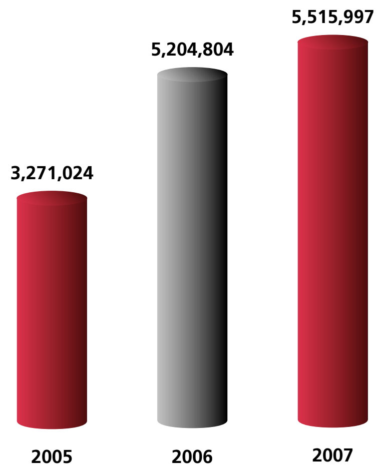
Hong Kong Stock Exchange - China

Shanghai Stock Exchange

The market for securities trading in Shanghai began in the late 1860s and the first share list appeared in June 1866. In 1891 foreign businessmen founded the "Shanghai Sharebrokers' Association" headquartered in Shanghai as China's first stock exchange. In 1904 the Association applied for registration in Hong Kong under the provision of the Companies ordinance and was renamed as "Shanghai Stock Exchange." Later in 1920 and 1921, "Shanghai Securities & Commodities Exchange" and "Shanghai Chinese Merchant Exchange" started operation respectively. An amalgamation eventually took place in 1929, and the combined markets operated thereafter as the "Shanghai Stock Exchange."



Finance Receivables (KWD)



Net Profit Finance Division (KWD)

Finance sector

Despite the intense competition in the consumer and commercial finance sector, the company was able to achieve a growth rate of 3.3% in the loans portfolio, which increased from KD91.3 million in 2006 to reach KD94.3 million in 2007.

Moreover, net profit in the finance sector recorded an increase of 5.8% to reach KD5.5 million from KD5.2 million in 2006.

Asset management sector and direct financing sector

The asset management sector has recorded a growth of 13.6% to reach approximately KD782.8 million as of 31 December 2007, compared to KD688.8 million as of 31 December 2006.

The most notable achievement for the asset management sector was the establishment of the KFIC private ownership fund at a value of $155 million, which is expected to achieve rewarding revenues for investors in the next three years.

Despite the rarity of investment opportunities that meet our clients' expectations, the company managed to offer the KFIC private ownership fund. The rarity in investment opportunities has led to a decrease in the management consultancy revenue from KD18.6 million in 2006 to approximately KD3.6 million in 2007.

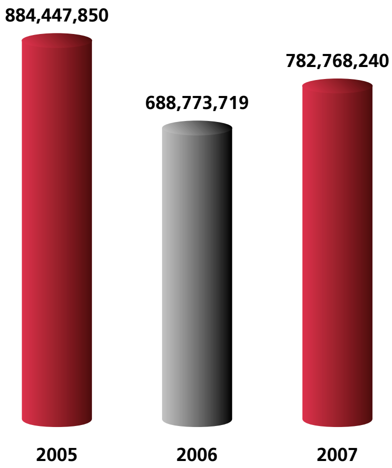
In addition, the Company's decision to withdraw its investment from Hail Economic City, to protect its investors' and clients' money has also contributed to the above-mentioned decrease. The decision to withdraw was taken based on the inability of completing the initial public offering (IPO) in Saudi Arabia within the first year and the uncertainity of the date of the IPO. Although the withdrawal from this investment will reflect negatively on the Company's profitability, the primary concern was the protection of the investors' and clients' money. As a result, the Company returned to the investors all thier funds, without having them incur any losses, leading to a decrease in profit by KD6.2 million.

In order to makeup for the losses in the Company's revenues, resulting from the above-mentioned decision, the Company focused on achieving higher returns from its direct investments. Revenue from investments increased by 39% to reach KD19.8 million at the end of 2007 in comparison to KD14.2 million in 2006. It is worth mentioning that the majority of investment profits are realized profits, whereas the unrealized profits constitute only 10.7% of the total investment revenues.

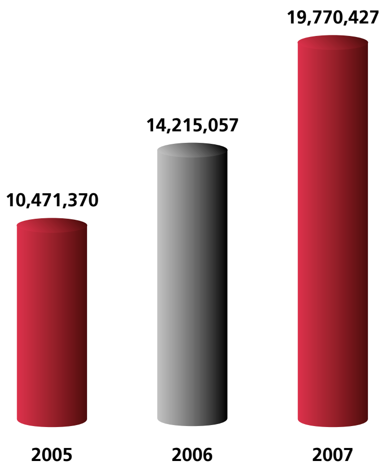
Frankfurt Stock Exchange - Germany

13th century Venetian bankers

In the middle of the 13th century Venetian bankers began to trade in government securities. In 1351 the Venetian government outlawed spreading rumors intended to lower the price of government funds. Bankers in Pisa, Verona, Genoa and Florence also began trading in government securities during the 14th century. This was only possible because these were independent city-states not ruled by a duke but a council of influential citizens. The Dutch later started joint stock companies, which let shareholders invest in business ventures and get a share of their profits or losses.



Assets Under Management (KWD)



Investment Income (KWD)

Financial brokerage and online trading sector

In 2007 the company acquired 65% of Al-Ahlia Brokerage Company as part of its expansion plan in the brokerage sector, both locally and regionally. This move is also considered part of the Company's attempt to diversify its income for consistent revenue streams and to avoid fluctuations in profits.

As for the online trading sector, the company succeeded in providing online trading across the region going beyond Kuwait to reach the United States of America, Europe, the United Kingdom, the Kingdom of Saudi Arabia, and the United Arab Emirates.

Online trading attracted numerous clients and recorded an unprecedented growth of 82% in 2007 acquiring 3,543 clients in comparison with 1,593 clients in 2006. Moreover, the company plans to add the Qatari and Egyptian markets to their online trading services during 2008, which will again strengthen the clients' trust and aid the Company in achieving higher profitability levels.

Dearest Shareholders,

The Board of Directors recommends the following profit distribution for the year ending 31 December 2007:

- 30% cash dividends
- 20% stock dividends (bonus shares)

I would like to take this opportunity to express gratitude on behalf of the Company's Board of Directors, employees and myself and thank all shareholders for their constant support. I would also like to extend my appreciation for the Executive Management for their dedication and commitment and we hope that our recommendations will be approved.

I would also like to thank the Central Bank of Kuwait (CBK), the Ministry of Commerce and Industry and all government agencies for their support.

Finally, I pray to our mighty Allah to protect Kuwait and its people under the leadership of His Highness the Amir and His Highness the Crown Prince.

Paris Bourse - France

France's courtiers de change

In 12th century France the courtiers de change were concerned with managing and regulating the debts of agricultural communities on behalf of the banks. Because these men traded with debts, they are considered by historians as the first brokers. The trade in agricultural debt in France developed into different bundles of products being traded in numerous other European countries. The courtiers met at Le Grand Pont, the bridge over the Seine River in Paris, which was later named the Pont au Change, due to the activities of the courtiers de change.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the accompanying financial statements of Kuwait Finance and Investment Company K.S.C.C. which comprise the balance sheet as of 31 December 2007, and the 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 Company's management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2007, and of its financial performance and its 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 financial statements, are in accordance therewith. We further report that we obtained the information and explanations that we required for the purpose of our audit and that the 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 count was duly carried out and that, to the best of our knowledge and belief, no violations of provision of the Commercial Companies Law of 1960, as amended, or of the Parent Company's Articles of Association have occurred during the year ended 31 December 2007 that might have had a material effect on the business of the Group or on its 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.A
PricewaterhouseCoopers

Barrak Al-Ateeqi
Licence No. 69 A
An Independent Member
of B.K.R. International

Kuwait 18 March 2008

Consolidated Balance Sheet as of 31 December 2007

(All amounts are in Kuwaiti Dinars)

		Kuwaiti Dinars	
	Note	2007	2006
ASSETS			
Bank balances	5	5,547,387	1,074,843
Investments at fair value through profit and loss	6	69,863,210	42,480,699
Finance receivables	7	94,347,910	91,337,766
Available for sale investments	8	22,890,438	38,078,313
Other assets	9	5,201,198	3,435,498
Properties and equipment		947,040	716,247
Intangible assets	10	24,745,141	-
TOTAL ASSETS		223,542,324	177,123,366
LIABILITIES AND EQUITY			
LIABILITIES			
Bank overdraft	11	9,213,370	6,222,591
Term loans	12	81,306,333	67,955,500
Bonds	13	21,419,292	21,382,042
Other liabilities	14	4,975,104	6,228,719
		116,914,099	101,788,852
EQUITY			
Equity attributable to the shareholders of the parent company			
Share capital	15	34,942,475	30,384,761
Share premium		2,210,849	2,210,849
Treasury shares	16	(5,316,181)	(5,556,022)
Statutory reserve	17	8,948,771	6,681,717
General reserve	18	7,704,302	5,752,124
Changes in fair value reserve		(216,106)	3,015,552
Treasury shares reserve		85,410	1,094,117
Foreign currency translation reserve		15,038	-
Retained earnings		29,636,168	31,751,416
		78,010,726	75,334,514
Minority interest		28,617,499	-
Total Equity		106,628,225	75,334,514
TOTAL LIABILITIES AND EQUITY		223,542,324	177,123,366

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

Saleh Yacoub Al Humaizi
Chairman

Riham Fouad Al Ghanim
Vice Chairman

Consolidated Statement of Income - Year ended 31 December, 2007

(All amounts are in Kuwaiti Dinars)

	Note	Kuwaiti Dinars 2007	2006
REVENUE			
Financing income		11,019,030	9,878,194
Investment income	20	19,770,427	14,215,057
Management and advisory fees		3,584,388	18,641,539
Gain on sale of investment properties		470,000	-
Net brokerage commission		2,768,610	-
Other income		316,116	111,046
		37,928,571	42,845,836
EXPENSES			
Finance cost		9,012,529	5,917,153
Staff expenses		2,653,595	4,004,561
Depreciation		291,496	278,417
Marketing expenses		428,656	379,661
Other operating expenses		1,506,825	1,105,564
Provisions		455,639	(29,892)
Contribution to Kuwait Foundation for the Advancement of Science		187,293	280,713
Board of Directors' remuneration		120,000	120,000
National labour support tax		561,917	779,575
Zakat expense	21	12,506	-
		15,230,456	12,835,752
Net profit for the year		22,698,115	30,010,084
Distributed as follows:			
Attributable to shareholders of the parent company		21,788,829	30,010,084
Minority interest		909,286	-
		22,698,115	30,010,084
Earnings per share (fils)	22	63.12	86.93

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

Consolidated Statement of Changes in Equity - Year ended 31 December, 2007

(All amounts are in Kuwaiti Dinars)

	Kuwaiti Dinars											
	Equity of the Parent Company's shareholders											
	Share capital	Share Premium	Treasury shares	Statutory Reserve	General reserve	Change in fair value reserve	Treasury shares reserve	Foreign currency translation reserve	Retained earnings	Total	Minority Interest	Total
Balance as of 31 December 2005	24,307,809	2,210,849	(2,505,050)	3,562,680	3,063,019	697,069	1,031,419	-	19,660,316	52,028,111	-	52,028,111
Change in fair value of investments	-	-	-	-	-	1,984,215	-	-	-	1,984,215	-	1,984,215
Transferred to the statement of income for sales of investments	-	-	-	-	-	334,268	-	-	-	334,268	-	334,268
Gain on sale of treasury shares	-	-	-	-	-	-	62,698	-	-	62,698	-	62,698
Profit recognized directly in equity	-	-	-	-	-	2,318,483	62,698	-	-	2,381,181	-	2,381,181
Net profit for the year	-	-	-	-	-	-	-	-	30,010,084	30,010,084	-	30,010,084
Total recognized profit	-	-	-	-	-	2,318,483	62,698	-	30,010,084	32,391,265	-	32,391,265
Issue of bonus shares for 2005	6,076,952	-	-	-	-	-	-	-	(6,076,952)	-	-	-
Cash dividends for 2005	-	-	-	-	-	-	-	-	(6,033,890)	(6,033,890)	-	(6,033,890)
Purchase of treasury shares	-	-	(24,880,234)	-	-	-	-	-	-	(24,880,234)	-	(24,880,234)
Sale of treasury shares	-	-	21,829,262	-	-	-	-	-	-	21,829,262	-	21,829,262
Transfers to reserves	-	-	-	3,119,037	2,689,105	-	-	-	(5,808,142)	-	-	-
Balance as of 31 December 2006	30,384,761	2,210,849	(5,556,022)	6,681,717	5,752,124	3,015,552	1,094,117	-	31,751,416	75,334,514	-	75,334,514
								-				
Balance as of 31 December 2006	30,384,761	2,210,849	(5,556,022)	6,681,717	5,752,124	3,015,552	1,094,117	-	31,751,416	75,334,514	-	75,334,514
Acquisitions of subsidiary	-	-	-	-	-	-	-	-	-	-	9,952,250	9,952,250
Consolidation of investment funds	-	-	-	-	-	-	-	-	-	-	17,755,963	17,755,963
Change in fair value of investments	-	-	-	-	-	(675,171)	-	-	-	(675,171)	-	(675,171)
Transferred to the statement of income for sales of investments	-	-	-	-	-	(2,556,487)	-	-	-	(2,556,487)	-	(2,556,487)
Gain on sale of treasury shares	-	-	-	-	-	-	(1,008,707)	-	-	(1,008,707)	-	(1,008,707)
Translation of financial statements in foreign currencies	-	-	-	-	-	-	-	15,038	-	15,038	-	15,038
Profit recognized directly in equity	-	-	-	-	-	(3,231,658)	(1,008,707)	15,038	-	(4,225,327)	-	(4,225,327)
Net profit for the year	-	-	-	-	-	-	-	-	21,788,829	21,788,829	909,286	22,698,115
Total recognized profit	-	-	-	-	-	(3,231,658)	(1,008,707)	15,038	21,788,829	17,563,502	909,286	18,472,788
Issue of bonus shares for 2006 (note 19)	4,557,714	-	-	-	-	-	-	-	(4,557,714)	-	-	-
Cash dividends for 2006 (note 19)	-	-	-	-	-	-	-	-	(15,127,131)	(15,127,131)	-	(15,127,131)
Purchase of treasury shares	-	-	(23,030,354)	-	-	-	-	-	-	(23,030,354)	-	(23,030,354)
Sale of treasury shares	-	-	23,270,195	-	-	-	-	-	-	23,270,195	-	23,270,195
Transfers to reserves	-	-	-	2,267,054	1,952,178	-	-	-	(4,219,232)	-	-	-
Balance as of 31 December 2007	34,942,475	2,210,849	(5,316,181)	8,948,771	7,704,302	(216,106)	85,410	15,038	29,636,168	78,010,726	28,617,499	106,628,225

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

Consolidated Statement of Cash Flows - Year ended 31 December, 2007

(All amounts are in Kuwaiti Dinars)

	Note	Kuwaiti Dinars 2007	2006
Operating Activities			
Net profit for the year		22,698,115	30,010,084
Adjustments for:			
Available-for-sale investments income		(8,686,627)	(846,139)
Negative goodwill resulted from acquisition of a subsidiary		(5,482,752)	-
Gain on sale of investment properties		(470,000)	-
Depreciation and amortization		348,454	278,417
Provisions		455,639	(29,892)
Finance costs		9,012,529	5,917,153
Amortization of bond issue fees		37,250	37,250
Losses from sale of properties and equipment		373	6,904
Operating profit before changes in operating assets and liabilities		17,912,981	35,373,777
Finance receivables		(3,465,783)	197,124
Investments at fair value through profit and loss		(10,522,942)	(40,799,117)
Other assets		(854,269)	7,826,192
Other liabilities		1,450,211	(9,439,120)
Net cash generated from (used in) operating activities		4,520,198	(6,841,144)
Investing Activities			
Purchase of properties and equipment		(606,888)	(249,889)
Sale of properties and equipment		27,268	11,000
Dividends received		212,166	1,781,162
Purchase of investment properties		(5,250,000)	-
Sale of investment properties		5,720,000	-
Purchase of share in unconsolidated subsidiaries		(13,666,076)	-
Sale of share in unconsolidated subsidiaries		13,666,076	-
Paid for acquisition of a subsidiary		(12,013,965)	-
Establishment of subsidiary mutual fund		(23,908,248)	-
Purchase of available-for-sale investments		(48,757,343)	(16,637,882)
Proceeds from sale of available-for-sale investments		93,096,270	5,899,529
Net cash generated from (used in) investing activities		8,519,260	(9,196,080)
Financing Activities			
Term loans and overdraft		16,341,612	30,890,201
Finance cost paid		(9,012,529)	(5,786,782)
Purchase of treasury shares		(23,030,354)	(24,880,234)
Sale of treasury shares		22,261,488	21,891,960
Dividends paid		(15,127,131)	(6,033,890)
Net cash (used in) generated from financing activities		(8,566,914)	16,081,255
Increase in cash and cash equivalents		4,472,544	44,031
Cash and cash equivalents at beginning of year		1,074,843	1,030,812
Cash and cash equivalents at end of year	5	5,547,387	1,074,843

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

Notes to the Consolidated Financial Statements 31 December, 2007

(All amounts are in Kuwaiti Dinars unless otherwise stated)

1. Constitution of activities

Kuwait Finance and Investment Company K.S.C. Closed (the parent Company) is a Kuwaiti closed shareholding Company incorporated on 29 March 2000 in accordance with Commercial Companies Law No. 15 of 1960. The Parent Company is regulated by the Central Bank of Kuwait as an investment company.

The Parent Company is principally engaged in consumer and commercial financing activities and managing funds and portfolios on behalf of third parties, investing in securities and providing consulting services. Its registered office is at Building No. 2, Rashid Salim Ali Al-Rashid Building, Murqab, Kuwait City.

The consolidated financial statements included the financial statements of the parent Company and the financial statements of the following subsidiary and mutual fund (referred together as Group) as follows:

Company name	Holding percentage	Activities
Ahlia Brokerage Company	65%	Brokerage
KFIC Private Equity Fund	54.7%	Investment

These financial statements were authorized for issue by the Board of Directors on 18 March 2008 and are subject to the approval of the shareholders of the Parent Company in General Assembly.

2. Significant accounting policies

The principle accounting policies applied in the preparation of these financial statements are set out below.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the State of Kuwait for financial institutions regulated by the Central Bank of Kuwait. Those regulations require adoption of all IFRS except for the IAS 39 requirements for General provisions, which have been replaced by the Central Bank of Kuwait's requirements for a minimum general provision as described in note (2.4).

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, financial assets at fair value through profit or loss and available for sale investments.

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

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

- **Standards, amendments and interpretations effective on the year ending 31 December 2007.**
  - IFRS 7 Financial [Instruments: Disclosures], which requires new disclosures on the Group's financial instruments, but have no impact on the classification and valuation of the Group's financial instruments.
  - Amendments to International Accounting Standard (IAS 1) Presentation of financial statements – Capital disclosures.

- These changes and additional disclosures will enable users to evaluate The significance of financial instruments for the Group's financial position and performance, the nature and extent of risks arising from financial instruments to which the Group is exposed during the year and at the reporting date, and how the Group manages those risks and the Group's objectives, policies and process for managing capital.
- IFRIC Interpretation 10 Interim Financial Reporting and Impairment, Prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Group's financial statements.

• **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 20, Financial reporting in hyperinflationary Economies'; and IFRIC 9, 'Re-assessment of embedded derivatives'.

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

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

2.1 Consolidation

Subsidiaries

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

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

Inter Group Transactions

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

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

2.3 Cash and cash equivalents

Cash on hand, Cash at banks term and demand deposits with banks and financial institutions, whose original maturities do not exceed three months from the date of placements are classified as cash and cash equivalents in the cash flow statement.

2.4 Financial Instruments

Classification

The Group classifies its financial assets upon initial recognition based on the purpose of acquiring these financial assets. The Group classifies its financial assets as, "at fair value through profit and loss", "Loans and receivables" and "available for sale investments".

Financial assets at fair value through profit or loss

This classification is divided into two sub categories: financial assets held for trading, and those designated at fair value through profit or loss at acquisition. Financial assets held for trading are those assets acquired principally for the purpose of selling in the short term. The financial assets designated at fair value through profit and loss at acquisition are classified in this category, if they are managed and their performance is evaluated and internally reported on a fair value basis in accordance with risk management approved by the management or investment strategy.

Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables arise when the Group provides financing directly to the customer with no intention of trading the receivables.

Available for sale investments

These are non-derivative financial assets that are either designated in this category or not included in any of the above categories and are principally, those acquired to be held for indefinite period of time which could be sold when liquidity is needed or upon changes in interest rates.

Recognition and De-recognition

Financial assets are recognized when the Group enters into contractual agreement on those assets. Regular purchases and sales of financial assets are recognized on the settlement date, on which the Group commits to deliver or receive the financial instrument. Financial assets are derecognized when the right to receive cash flows from the assets has expired or has been transferred and the Group has substantially transferred all risks and rewards of ownership.

Measurement

Financial assets are initially recognized at fair value plus transaction costs for all assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss is initially recognized at fair value and transaction costs are expensed in the statement of income. Subsequently, available for sale financial assets and financial assets at fair value through profit and loss are re-measured at fair value. Loans & receivable are carried at amortized cost using the effective interest method.

Realized and unrealized gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss are included in the income statement for the year in which they arise. Changes in the fair value of assets classified as available-for-sale are recognized in equity. Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analyzed between translation differences resulting from changes in amortized cost of the security and other changes in the carrying amount of security. The translation differences on monetary securities are recognized in profit or loss, while translation differences on non-monetary securities are recognized in equity. When available-for sale financial assets are sold or impaired, the accumulated changes in fair value recognized in equity are included in the statement of income.

Fair values

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

Impairment in value

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the statement of income 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 is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of specific provision is the difference between the asset's carrying amount and the present value of the estimated cash flows, including the amounts recoverable from guarantees and collateral, discounted at the effective interest rate. The amount of the provision is recognized in the income statement.

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

2.5 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes the acquisition cost and any direct cost necessary to prepare the asset for its financial intended use. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the statement of income.

Depreciation is calculated on a straight-line basis over the estimated useful lives of 1-5 years. The useful life is reviewed and adjusted if appropriate, at each balance sheet date.

2.6 Intangible assets

License of operation

Acquired licenses are shown at historical cost. The license have a finite useful life are carried at cost less accumulated amortization. Amortization is calculated using the straight line method to allocate the cost of license over its expected economic useful life. Other licenses without finite life are not amortized and are tested for impairment each year, and are stated at cost less impairment in value.

2.7 Provisions

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

2.8 Borrowings

Borrowings are recognized initially at fair value being the proceeds received, net of transaction costs. Subsequently, borrowings are stated at amortized cost. Any difference between proceeds and the redemption value is recognized in the income statement over the period of the borrowings term using the effective yield method.

2.9 End of service benefits

The Group is liable under Kuwaiti Labor law, to make payments to employees for post-employment benefits through a defined benefit plan. Such payment is made on a lump sum basis at the end of an employee's service. This liability is unfunded and has been computed as the amount payable as a result of involuntary termination of employees on the balance sheet date. The Group estimates that this method will give a reliable approximation of the present value of that obligation.

2.10 Treasury shares

Treasury shares represent the Parent company's own shares that have been issued, subsequently purchased by the Group and not yet issued or cancelled. Treasury shares are accounted for using the cost method. Under the cost method, the total cost of the shares acquired is reported as a contra account within equity. When the treasury shares are issued, gains are credited to a separate undistributable account in equity "gain on sale of treasury shares. Any realized 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 reserves, retained earnings and profit on sale of treasury shares.

2.11 Revenue recognition

Financing income are recognized on a time proportion basis so as to yield a constant periodic interest rate on the balance outstanding. The recognition of financing income is suspended when originated loans become impaired such as when overdue by more than 90 days.

Dividends on equity instruments are recognized when the Company's right to receive payment is established.

Management and advisory services fees are recognized as the service is provided and the revenue is earned based on the applicable service contracts.

2.12 Foreign currencies

The functional currency of the parent Company is the Kuwaiti Dinar. Foreign currency transactions are recorded in Kuwaiti Dinars at the rate of exchange prevailing at the time of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from transaction at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Translation difference on non-monetary items classified as "at fair value through profit or loss" are reported as part of the fair value gain or loss in the income statement whereas, those on non-monetary items classified as "available for sale" financial assets are included in "fair value reserve" in the statement of changes in shareholders' equity.

2.13 Fiduciary Assets

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

2.14 Dividends

The dividends attributable to shareholders of the parent company is recognized as liabilities in the consolidated financial statements in the period in which the adoption of such dividends from shareholders of the parent company.

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value risk resulted from changes of interest rates, cash flow risk resulted from changes of interest rates, and price risk), credit risk and liquidity risk. The Group's over all risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group has Risk Management department whereby risks are identified, measured and monitored. Following is the general frame work of the risk management policies applied in the Group.

Risk management structure

Board of Directors

The Board of Directors of the Parent Company is responsible for developing the overall risk management framework, and approving risk strategies and principles.

Treasury Department

Treasury department is responsible for managing the Group's assets and liabilities and also responsible for monitoring the funding and liquidity management.

Risk management and reporting system

Monitoring of risks is managed through reports provided by risk management department and through limits set by the Board of Directors. These limits reflect the Group's business strategy and market conditions and the environment in which the Group is operating and finally the level of the risk that the Parent Company's Board of Directors risk can bear.

(A) Market risk

(i) Foreign currency risk

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

The Group's policy is managing the foreign currency risk by monitoring the position of the main foreign currencies and trying to maintain stable positions of the different foreign currencies.

In case of increasing of the exchange rate of the following currencies with 5% against the Kuwaiti Dinar, with all other variables held constant the Group's net income and equity would have been as the following:

Description	2007		2006	
	Impact on the statement of Income	Equity	Impact on the statement of Income	Equity
USD	1,173,938	298,300	(887,338)	676,317
SAR	-	45,572	308,838	-
UAD	148,867	319,108	2,291	118,244
QR	604,787	-	517,787	-

In case of 5% decreasing of the above currencies exchange rate with against the Kuwaiti Dinar with all other variables remain constant. The Group's net income and equity would have been adversely impacted with the same amounts.

2007	USD	SAR	UAD	QR	Other
Net position of major currencies	29,444,753	911,431	9,359,495	12,095,748	1,122,442

2006	USD	SAR	UAD	QR	Other
Net position of major currencies	(4,220,334)	6,176,762	2,424,701	10,355,737	1,020,779

(ii) Price risk

The Group is exposed to the Price risk arising from its investments that are classified in the consolidated financial statement as "available for sale", and "at fair value through profit or loss".

To manage the risk, the group diversifies its investments within a various segments and markets to avoid centralization risk. Furthermore, the Group has its own policies with relation to studying and evaluating investment opportunities. These policies are implemented through the authority matrix approved from the board of directors of the group.

For the unquoted investments available for sale, the Group's management regularly develops appropriate studies to determine whether there is an impairment in these investments and reporting on this on a timely manner.

The table below summarizes the impact of increases of the various stock exchange index on the group's net profit for the year and on equity. The analysis is based on the assumption that the equity indexes had increased by 10% with all other variables held constant

	Impact on Income Statement		Impact on Equity	
	2007	2006	2007	2006
Kuwait stock exchange	746,588	1,275,971	777,538	28,478
Qatar stock exchange	1,209,575	1,035,574	-	-
Dubai stock exchange	58,221	-	638,216	157,472
Total	2,014,384	2,311,545	1,415,754	185,950

(iii) Interest rate risk

The group exposed to the risk of fluctuations in cash flows resulting from changes in interest rates through financial loans bearing floating interest rates. The group manages this risk dynamically through developing multiple scenarios of fluctuations in interest rates and their impact on net profits of the group. When preparing these scenarios the management takes into consideration, the process of refinancing and renewing the existing facilities.

The group is not exposed to the risk of fluctuations in cash flows received from Finance receivable resulted from fluctuations of interest rates, as most of the finance receivables is bearing fixed interest rate.

The fair value of finance receivables is disclosed in note (7).

If interest rates increased by 5%, the net profit would decrease by the KD 450,626 for the year ended 31 December 2007 (2006: KD 295,858)

(iv) Prepayment risk

Prepayment risk is the risk that the Group will incur a financial loss because its customers and counterparties repay or request repayment earlier than expected, such as fixed rate finance receivable when interest rate fall.

(B) Credit risk

Credit risk is the risk that the Group will incur a loss because the counterparties failed to discharges their contractual obligations.

Credit risk is managed on Group basis. Assets that are exposed to credit risk cash, cash equivalents, deposits with banks and financial institutions, and finance receivables.

The Group manages the credit risk related to in cash, and deposits at banks through dealing with local and foreign financial institutions, which have a good credit reputation. In terms of the finance receivables, the Group established the following policies to mitigate the credit risk of the finance receivable.

Credit Risk Management framework

The group placed credit policy to define the criteria of credit granting process. The Board of Directors approved this credit policy. Any amendment to that policy has to be approved from the board of directors. Furthermore, Credit committees have been formed to decide on granting loans process.

Key Features of the Group's Credit Risk Policy

- Distribution of the credit risk arising from the lending process through diversification of loans portfolio.
- Adherence to the instructions and regulations of the Central Bank of Kuwait in regard of regulations of loans granting.

- Monitoring the Credit risk through the formed committees having clear extent of authority.
- Obtaining the necessary collaterals from the companies and institutions and making necessary studies of the credit position of the customer prior to granting the credit.

Collateral

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

Credit Committees

According to the credit policy of the group, the following committees were formed to decide on credit applications.

The Primary Credit Committee

The Committee consists of three members as maximum; this Committee considers all requests for credit granting exceeding the limit determined by the Board of Directors. In addition, it determines the interest rate on loans granted to customers.

The Secondary Credit Committee

The Committee consists of five members as maximum; this Committee considers all requests for credit granting in addition to the loans less than the limit specified by the Board of Directors.

The Group classifies its customers according to risk exposure as the following:

- High Quality: Regular exposures covered fully by collateral in excess of 100% of the amount outstanding.
- Standard Quality: All other regular exposures where the collateral does not fully cover the amount outstanding.

As of 31 December 2007 the Finance receivables fully covered by collateral is 57% (2006: 55%) of the total balance of the Finance receivables.

Credit Risk Measurement

The Group measures credit risk in terms of asset quality using two primary measures – the provisioning ratio and the non performing finance receivables ratio.

Definitions of past due and impaired

The following classification of credit exposures is considered by the Group for identifying impaired credit facilities.

No of days past due	Classification
More than 30 days but not exceeding 90 days	Watch list
More than 90 days but not exceeding 180 days	Substandard
More than 180 days but not exceeding 365 days	Doubtful
More than 365 days	Bad

The maximum exposure to credit risk as at the balance sheet date is the carrying amount of each financial asset on the balance sheet date.

Hereunder, the assets exposed to credit risk with out considering the collaterals.

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The table below shows the assets exposed to credit risk as at the balance sheet date. These balances are disclosed without any consideration of collaterals.

	Kuwaiti Dinars	
	2007	2006
Cash at banks	5,547,387	1,074,843
Finance Receivables	94,347,910	91,337,766
	99,895,297	92,412,609

(C) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. To provide liquidity, the Group provided various funding sources, and managing its assets to provide the required liquidity and monitoring the cash flows on regular basis. This requires an estimate of the future cash flows and guarantees the sufficient collaterals to obtain the required facility in the reasonable time when required.

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

Maturity profile of assets and liabilities at 31 December 2007:

	Kuwaiti Dinars					
	Up to 3 month	3 - 6 months	6 months – 1 year	1 - 3 years	Over 3 years	Total
LIABILITIES						
Bank overdraft	9,213,370	-	-	-	-	9,213,370
Term loans	40,250,782	17,637,730	11,287,744	14,523,576	1,018,288	84,718,120
Bonds	407,903	394,017	792,365	23,327,201	-	24,921,486
Other liabilities	4,975,104	-	-	-	-	4,975,104
	54,847,159	18,031,747	12,080,109	37,850,777	1,018,288	123,828,080

Maturity profile of assets and liabilities at 31 December 2006:

	Kuwaiti Dinars					
	Up to 3 month	3 - 6 months	6 months – 1 year	1 - 3 years	Over 3 years	Total
LIABILITIES						
Bank overdraft	6,222,591	-	-	-	-	6,222,591
Term loans	31,765,646	653,736	11,560,206	29,627,222	3,167,877	76,774,687
Bonds	416,563	421,191	851,639	1,594,285	23,327,201	26,610,879
Other liabilities	6,228,719	-	-	-	-	6,228,719
	44,633,519	1,074,927	12,411,845	31,221,507	26,495,078	115,836,876

3.2 Capital risk management

The Parent Company objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. To maintain or change, the Parent company may adjust the dividends paid to the shareholders, or return the capital, or issue new shares or sale assets to reduce its debts. In order to maintain or adjust the capital structure, as followed by the other Companies in the same business, the Group monitors capital on the basis of gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity as shown in the consolidated balance sheet plus net debt.

During 2007, the Group's strategy, which was unchanged from year 2006, was to maintain the ratio within 55% to 60%. The gearing rations as at 31 December 2007 and 2006 were as follows:

	Kuwaiti Dinars	
	2007	**2006**
Total borrowings	111,938,995	95,560,133
Less : cash and cash equivalent	(5,547,387)	(1,074,843)
Net debt	106,391,608	94,485,290
Total equity	78,010,726	75,334,514
Total capital	184,402,334	169,819,804
Gearing ratio	57.69%	55.64%

3.3 Fair value estimation

The fair values of quoted investments are based on current bid prices.

As for unlisted securities, the Group establishes fair value by using other valuation techniques. These include the use of recent arm's length transactions, reference to other similar instruments and by discounted cash flow analysis.

The group using a variety of methods based on several assumptions according to market conditions ruling at the balance sheet date. Future cash flows are used to determine the fair value of financial assets

The carrying value of short term financial assets less impairment and liabilities are assumed to approximate their fair values. The fair value of long term financial liabilities is estimated by discounting the future contractual cash flows at the current market yield rate that is available to the Group for similar financial instruments. The fair value of the financial assets and liabilities is disclosed in the relevant notes in the financial statements.

4. Critical accounting estimates and assumptions

Judgments

According to the Group's accounting policies included in the International Financial Reporting Standards that required management to make the following judgements and estimations, which may have effect on the amounts of assets and liabilities.

Classification of financial instruments

Management has to decide on acquisition of a financial instrument whether it should be classified as at fair value through profit and loss or available for sale. In making that judgment the Company considers the primary purpose for which it is acquired and how it intends to manage and report its performance. Such judgment determines whether it is subsequently measured at cost or at fair value and if the changes in fair value of instruments are reported in the income statement or directly in equity. The Group classified investments as trading investments when acquired principally for the purpose of generating profits in the short term. All other investments are classified as available for sale investments.

Evidence of impairment

When there is a significant or prolonged decline in the fair value of available for sale investments, the management uses estimations and objective evidences to assess whether impairment exists.

At each balance sheet date, management determines whether there is an impairment of the available for sale investment values. The determination of the impairment requires considerable judgment and involves evaluating factors including industry and market conditions.

Estimation uncertainty

The Group determines assumptions relating to future. The outcomes of accounting estimation are rarely equal to the actual results. Estimations and assumptions that have material impact attributable to adjustments affecting the carrying values of the assets and liabilities during the next financial year are as follows:

Fair value of unquoted equity investments

Valuation techniques of unquoted equity investments is in which estimates are used representing the expected cash flows discount rates, return trades, adjusted local market prices, credit risks, related cost and other valuation techniques leased by the practices generally.

The Group calibrates the valuation techniques periodically and tests these for validity using either prices from observable current market transactions in the same instrument or other available observable market data.

Impairment losses on loans and receivables

The Group reviews non performing loans on an ongoing basis to assess whether a provision for impairment should be recorded in the income statement. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may differ resulting in future changes to such provisions.

5. Cash and cash equivalents

	Kuwaiti Dinars	
	2007	2006
Bank balances	5,547,387	1,074,843

The fair value of bank balance equals their book value as of 31 December 2007, 31 December 2006

6. Investments at fair value through profit and loss

	Kuwaiti Dinars	
	2007	2006
Held for trading investments – quoted	12,652,831	14,739,382
Designated at fair value at inception	57,210,379	27,741,317
	69,863,210	42,480,699

6.1 The fair value of the quoted investments is determined based on their current bid prices in active markets.

6.2 Investments designed at fair value at inception include quoted investments amounted to KD 14,669,981 which its fair value have been determined based on bid price of those investments. It also includes unquoted investments with an amount of KD 42,540,398 as of 31 December 2007 (KD 17,385,573 as of 31 December 2006) which its fair value has been determined based on the average prices of deals took place on such investments.

6.3 Here under the break down of the investment at fair value through profit and loss on the level of currency.

	2007	2006
KD	33,670,884	13,718,602
USD	21,969,576	11,208,818
QR	12,095,748	10,355,737
SAR	-	6,176,762
Others	2,127,002	1,020,780
	69,863,210	42,480,699

6.4 For the purpose of cash flow statements, an amount of KD 17,755,963 has been eliminated from investing and operating activities. The amount represents the monitory interest resulting from the consolidations of KFIC ME Private Equity Fund against investment at fair value through profit and loss.

7. Finance receivables

	Kuwaiti Dinars	
	2007	2006
Gross receivables	109,317,194	104,495,743
Less: deferred income	(11,883,150)	(10,527,482)
	97,434,044	93,968,261
Less: provision for credit losses	(3,086,134)	(2,630,495)
	94,347,910	91,337,766

7.1 Hereunder, the break down of Finance receivable dominated in foreign currency:

	2007	2006
Kuwaiti Dinar	88,737,732	91,337,766
U.S. Dollar	5,610,178	-
	94,347,910	91,337,766

7.2 The average interest rate on finance receivables as of 31 December 2007 10.2% (9.75 as of 31 December 2006).

7.3 The fair value of the finance receivables as of 31 December 2007 is amounted to KD 94,453,718 (KD 94,964,461 as of 31 December 2006). This fair value has been determined based on the discounted cash flow analysis by using a rate of return with 7.25% (2006: 8.25%).

7.4 The finance receivables which are due in less than three months are not considered impaired. The total amount of the finance receivables which are past due but not impaired has amounted to KD 14,247,486 as of 31 December 2007 (KD 14,580,562 as of 31 December 2006). According to the Group's policy and CBK regulations, General provision is provided for finance receivable which are due less than 3 months.

The following is the maturity analysis of finance receivables:

	Kuwaiti Dinars	
	2007	2006
Less than three months	10,715,923	17,392,406
More than three months and less than six months	5,853,438	8,355,762
More than six months and less than one year	37,993,883	26,537,960
More than a year	42,870,800	41,682,133
	97,434,044	93,968,261

7.5 The Group has collaterals against the finance receivables with the fair value amounting to KD 122,172,197 as of 31 December 2007(KD 137,039,013 as of 31 December 2006).

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

Hereunder break down for provision of finance receivable as of 31 December:

	Kuwaiti Dinars			
	2007		2006	
	Finance Receivable	Provision	Finance Receivable	Provision
General Provision				
Up to 90 day	95,438,589	1,903,153	92,621,669	1,846,250
Specific Provision				
From 91 to 180 day	662,565	146,785	388,829	102,957
From 181 to 365 day	383,738	192,727	432,753	194,892
More than 365 day	949,152	843,469	525,010	486,396
Total	97,434,044	3,086,134	93,968,261	2,630,495

Notes to the Consolidated Financial Statements 31 December, 2007

(All amounts are in Kuwaiti Dinars unless otherwise stated)

7.7 Hereunder, the breakdown of the provision for impairment:

	Kuwaiti Dinars		
	Specific provision	**General provision**	**Total**
Balance as at 1 January 2006	813,858	1,846,529	2,660,387
Provision no longer required	(254,047)	(1,215,733)	(1,469,780)
Amounts charged during the year	224,434	1,215,454	1,439,888
Balance as at 31 December 2006	784,245	1,846,250	2,630,495
Provision no longer required	(130,027)	(549,445)	(679,472)
Amounts charged during the year	528,764	606,347	1,135,111
Balance as at 31 December 2007	1,182,982	1,903,152	3,086,134

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group's policy is to calculate the specific provision disregarding the fair value of the collateral.

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

	Kuwaiti Dinars		
	Neither past due nor impaired		
	High Qualitiy	**Medium Qualitiy**	**Total**
2007			
Finance receivables:			
Consumer finance	21,450	30,283,479	30,304,929
Commercial finance	50,496,460	389,714	50,886,174
	50,517,910	30,673,193	81,191,103
2006			
Finance receivables:			
Consumer finance	113,005	32,607,149	32,720,154
Commercial finance	45,114,997	205,957	45,320,954
	45,228,002	32,813,106	78,041,108

7.9 The finance income has been reduced by an amount of KD 40,110 which represents the financial effect of adopting the central Bank of Kuwait instructions dated 13 February 2007.

8. Available for sale investment

8.1 Available for sale investments include investments in unquoted securities amounted to KD 2,331,367 as of 31 December 2007, (KD 4,738,587 as of 31 December 2006) carried at cost as they are recently purchased. Currently there were no indicators of impairment in these investments.

Notes to the Consolidated Financial Statements 31 December, 2007

(All amounts are in Kuwaiti Dinars unless otherwise stated)

8.2 Following is the break down of available for sale investment by currency:

	2007	2006
Kuwaiti Dinar	10,542,276	22,173,085
U.S. Dollar	5,965,999	13,526,348
Emirates Dirham	6,382,163	2,378,880
	22,890,438	38,078,313

9. Other assets

	Kuwaiti Dinars	
	2007	2006
Kuwait clearing company	160,232	896,901
Other debit balances	1,362,304	679,288
Accrued income	3,147,953	1,424,417
Prepayments	280,709	434,892
Guarantee brokerage operating system	250,000	-
	5,201,198	3,435,498

10. Intangible assets

The balance of the intangible assets includes an amount of KD 24,708,608 which represents the fair value of the Brokerage Licence arising from the acquisition of "Al Ahlia Brokerage Company".

The fair value of this License is determined using studies prepared by the Parent Company which relied on the latest similar transactions in State of Kuwait and by using the discounted cash flows method.

11. Bank overdraft

11.1 The average of interest on Bank overdraft as of 31 December 2007 7.6% (8% as of 31 December 2006).

11.2 All the Bank overdraft as of 31 December 2007 and 31 December 2006 are in Kuwaiti Dinars.

12. Term loans

12.1 The loans have been obtained from local and foreign financial institutions with an average interest rate of 7.3% as of 31 December 2007 (7.4% as of 31 December 2006). Term loans include nil as of 31 December 2007 (KD 10,000,000 as of 31 December 2006) secured by finance receivable amounting Nil KD as of 31 December 2007 (KD 12,000,000 as of 31 December 2006) in addition of a promise of a negative pledge on any of the parent Company's assets, other than what has been disclosed, during the duration period of the loan which is three years.

12.2 Term loans breakdown as follows:

Kuwaiti Dinars			
2007		2006	
Loan balance	Interest rate	Loan balance	Interest rate
19,205,333	6.75%	-	-
62,101,000	7.46%	67,955,500	7.42%
81,306,333		67,955,500	

12.3 Term loans include an amount of KD 4,101,000 equivalent to US Dollar as of 31 December 2007 (KD 28,955,500 equivalent to US Dollar as of 31 December 2006).

12.4 The following is the exposure of term loans for re-pricing risks:

	Kuwaiti Dinars	
	2007	2006
For one year	58,000,000	67,955,500
Between two and five years	23,306,333	-
	81,306,333	67,955,500

The fair value of term loans equals the book value since the average interest rates on the loans are approximately equal to the current average market rates.

13. Bonds

On 1 March 2005, the Company issued bonds at floating interest rate with a principal amount of KD 21,500,000 at an issue price of 100%. The bonds bear interest of 1.5% per annum above the Central Bank of Kuwait discount rate and are payable semi-annually. The bonds will mature on 1 March 2010.

14. Other liabilities

	Kuwaiti Dinars	
	2007	2006
Payable to suppliers and others	820,104	1,100,111
Amounts due to related parties	29,925	47,893
Employees' end of service benefits	186,949	126,989
Accrued expenses and other payables	3,938,126	4,953,726
	4,975,104	6,228,719

Notes to the Consolidated Financial Statements 31 December, 2007

(All amounts are in Kuwaiti Dinars unless otherwise stated)

15. Share capital

On 9 April 2007, the general assembly meeting approved bonus shares with 15% as of that the issued and paid up capital as of 31 December 2007 is KD 34,942,475 distributed over 349,424,750 shares with par value 100 fils per share (KD 30,384,761 distributed over 303,847,610 shares with par value 100 fils per share as of 31 December 2006).

16. Treasury shares

	Kuwaiti Dinars	
	2007	2006
(Number of shares (share	11,525,000	7,300,000
to the share capital %	3.3	2.4
(Market value (KD	4,494,750	5,110,000

17. 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 contribution to Kuwait Foundation for Advancement of sciences, directors' remuneration, and National Labour Support Tax and Zakat expense has been transferred to statutory reserve. The parent Company may resolve to discontinue such annual transfers when the reserve totals 50% of the issued 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 accumulated profits are not sufficient for the payment of a dividend of that amount.

18. General reserve

The board of directors of the Company has proposed a transfer of 10% of the net profit for the year after transfer to statutory reserve, contribution to Kuwait Foundation for the Advancement of Sciences, National Labour Support Tax and director's remuneration and Zakat expense to the general reserve of KD 1,952,178 (2006: KD 2,689,105) subject to the approval of the shareholders' General Assembly. There are no restrictions on the distribution of the general reserve.

19. Dividends

On 9 April 2007, the shareholders approved the financial statements for the year ended 31 December 2006 and the following dividends for the year 2006:

- Cash dividends of 50 fils per share
- Bonus share dividends of 15% per share

Proposed dividends

On 18 March 2008, the Board of Directors proposed cash dividends of 30 fils per share after treasury shares deduction and also bonus share dividends of 20 % of the paid up capital for the year 2007 profit.

This proposal is subject to the approval of the shareholders' General Assembly.

20. Investment income

	Kuwaiti Dinars	
	2007	2006
Available for sale Investments		
Cash dividends	212,166	478,164
Profit on sale	8,474,461	367,975
	8,686,627	846,139
At fair value through profit and loss		
Profit on sale	3,273,641	1,450,307
Changes in fair value	2,125,262	11,918,611
	5,398,903	13,368,918
Payable interest	202,145	-
Negative goodwill resulted from acquisition of a subsidiary	5,482,752	-
	19,770,427	14,215,057

21. Zakat expense

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

22. Earnings per share

Earnings per share is computed by dividing the net profit for the year by the weighted average number of ordinary shares outstanding during the year as follows:

	Kuwaiti Dinars	
	2007	2006 (Restated)
Net profit for the year	21,788,829	30,010,084
Weighted average number of outstanding shares during the year	345,194,362	345,230,693
(Earnings per share (fils	63.12	86.93

The earnings per share for year 2006, has been recalculated taking into account the bonus shares issued in year 2007.

23. Acquisition of subsidiary company

During the year ended 31 December 2007, the Parent Company acquired 65% from Al Ahlia Brokerage Company (KSCC). The fair value of net assets acquired as of 31 March 2007 (date of acquisition):

Cash and cash equivalents	986,033
Receivables	343,943
Investment at fair value through profit or loss	2,142,883
The company contribution in the guarantee brokerage operation system	250,000
Fixed and intangible assets	115,130
The fair value for the brokerage license	24,708,608
Trade payables and other credit balances	(57,996)
Indemnity	(53,601)
Net assets acquired	28,435,000
Less: minority interest	(9,952,250)
Net assets acquired	18,482,750
Less: the excess fair value over the acquisition cost (Note 20)	(5,482,752)
Amount paid at the acquisition	12,999,998
Less: Cash at the subsidiary	(986,033)
Net cash used for the acquisition	12,013,965

The profit from the date of acquisition to 31 December 2007 of the subsidiary amounting to KD 2,575,729 was included to the Group's consolidated financial statements.

If the acquisition has occurred on 1 January 2007, Group revenue and net profit in the consolidated financial statements for the period ended 31 December 2007 would have been KD 37,390,760 and KD 22,254,372 respectively.

24. Related parties transactions

Representing transactions with related parties such as shareholders of the Parent Company represented by directors of the Group and their related concerns. Pricing policies and terms of these transactions are approved by the Group's management. Transactions with related parties are as follows:

	Kuwaiti Dinars	
	2007	**2006**
Management and advisory fees	231,095	237,187
Off balance sheet items		-
Investment portfolio managed for others	43,932,129	61,996,393

25. Employee share ownership plan

The Company has established an Employee Share Ownership Plan (the "plan"). Under the plan, the Company operates two schemes to reward the performance of its employees, namely a Share Purchase Scheme (SPS) and a Share Option Scheme (SOS). Both schemes will be in operation for a period of 10 years and the total capital increase to meet the requirements of the schemes should not exceed 15% of the company's share capital at the end of 2012.

The subscription price for the shares allotted is the book value per share at the end of each year adjusted by any dividend distribution for that fiscal year.

No outstanding shares according to the plan as of 31 December 2007.

26. Segment Information

The Group is organized into two major business segments operating principally in the state of Kuwait.

	Kuwaiti Dinars					
	Finance		Investment		Total	
	2007	2006	2007	2006	2007	2006
Segment results	11,761,549	9,989,240	26,167,022	32,856,596	37,928,571	42,845,836
Allocated expenses	6,245,552	4,784,436	8,103,188	6,791,028	14,348,740	11,575,464
Unallocated expenses		-		-	881,716	1,260,288
Net profit	5,515,997	5,204,804	18,063,834	26,065,568	22,698,115	30,010,084
Segment assets	98,376,995	92,855,116	125,165,329	84,268,250	223,542,324	177,123,366
Segment liabilities	115,474,266	98,685,624	1,439,833	3,103,228	116,914,099	101,788,852

27. Capital Commitments

	Kuwaiti Dinars	
	2007	2006
Purchase of available for sale investments	275,000	275,000

28. Fiduciary assets

As of 31 December 2007, portfolios under management amounted to KD 782,768,240 (2006 - KD 688,773,719).