AIM TO CONSERVE

AL MAZAYA HOLDING CO. K.S.C.P
HOLDING AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENT

31 December 2007

MAZAYA

AIM TO LEAD

AL MAZAYA HOLDING COMPANY K.S.C. (CLOSED)
AND SUBSIDIARIES
STATE OF KUWAIT

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

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Independent Auditors' report

The Shareholders
Al Mazaya Holding Company K.S.C. (Closed)
State of Kuwait

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Al Mazaya Holding Company K.S.C. (Closed) (the Parent Company) and subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2007, and the 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.

We did not audit the financial statements of the subsidiaries, First Dubai for Real Estate Development Company K.S.C. (Closed) and Mazaya Lebanon Holding - S.A.L. (Holding) whose total assets and revenues constitute 28.61% and 14.52% of the respective consolidated totals. The financial statements of First Dubai for Real Estate Development Company K.S.C. (Closed) and Mazaya Lebanon Holding S.A.L. (Holding) for the year ended December 31, 2007 were audited by other auditors, whose reports were provided to us and our opinion in so far as it relates to the amounts included in the consolidated financial statements related to these subsidiaries is based solely on the reports of the other auditors.

Management's responsibility for the consolidated financial statements

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 the consolidated financial statements that are free of material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained and the reports of other auditors are sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and based on the reports of the other auditors, the consolidated financial statements present fairly, in all material respects, the financial position of Al Mazaya Holding Company K.S.C. (Closed) as of December 31, 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other Legal and Regulatory Requirements

Also in our opinion, the consolidated financial statements include the disclosures required by the Commercial Companies Law and the Parent Company's Articles of Association, and we obtained the information we required to perform our audit. In addition, proper books of account have been kept, physical stocktaking was carried out in accordance with recognized practice, and the accounting information given in the Director's Report is in agreement with the Parent Company's books. According to the information available to us, there were no contraventions during the year ended December 31, 2007 of either the Commercial Companies Law or of the Parent Company's Articles of Association which might have materially affected the Group's financial position or results of its operations.

Ali Owaid Rukheyes
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State of Kuwait
February 18, 2008

AL MAZAYA HOLDING COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2007
(All amounts are in Kuwaiti Dinars)

ASSETS	Notes	2007	2006
Cash and cash equivalents	3	27,500,543	16,096,502
Investments at fair value through income statement	4	17,171,474	19,555,139
Accounts receivable and other debit balances	5	43,268,002	23,567,628
Investments available for sale	6	11,728,068	2,260,844
Investment in joint ventures	7	7,016,428	1
Properties under development	8	122,359,810	59,191,060
Investment properties	9	25,662,337	43,226,075
Work in progress	10	8,824,150	1,075,479
Fixed assets	11	764,156	274,381
Leasehold right	12	1,766,002	-
Goodwill	2	1,005,927	920,096
		267,066,897	166,167,205
LIABILITIES AND EQUITY			
Liabilities:			
Accounts payable and other credit balances	13	47,836,824	30,285,627
Term loans	14	54,754,329	2,830,000
Wakala and Murabaha payables	15	10,039,068	8,000,000
Deferred consideration on acquisition of properties	16	38,699,426	33,421,846
Total liabilities		151,329,647	74,537,473
Equity:			
Capital	17	31,589,150	28,601,242
Share premium	18	33,234,971	32,758,688
Statutory reserve	19	7,777,758	4,514,191
Voluntary reserve	20	7,777,758	4,514,191
Treasury shares reserve		1,359,542	97,258
Assets revaluation surplus		1,038,731	1,038,731
Foreign currency translation adjustment		(2,433,513)	-
Effect of changes in subsidiary's equity		68,900	-
Retained earnings		31,715,370	23,290,875
		112,128,667	94,815,176
Treasury shares	21	(2,889,821)	(7,013,148)
Equity attributable to equity holders of the Parent Company		109,238,846	87,802,028
Minority interest		6,498,404	3,827,704
Total equity		115,737,250	91,629,732
		267,066,897	166,167,205

The accompanying notes (1) to (37) form an integral part of the consolidated financial statements

Rashid Y. Al-Nafisi
Chairman

Khalid S. Esbaitah
Vice Chairman and Managing Director

AL MAZAYA HOLDING COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2007
(All amounts are in Kuwaiti Dinars)

	Notes	2007	2006
Gain from sale of properties completed and under development	22	**16,685,849**	19,705,047
Gain from sale of investment properties		**13,839,338**	-
Gain from sale of properties held for sale		**-**	2,515,489
Loss from sale of rights to certain properties		**-**	(605,436)
Changes in fair value of investment properties	9	**120,298**	3,307,995
Share of results from joint ventures	7	**3,398,690**	(19,973)
Management, commission and consultancy fees	23	**1,864,480**	2,814,780
Gain on partial disposal of subsidiary	2	**2,334,208**	-
Net investment income	24	**1,476,479**	740,289
Foreign currency exchange gain		**370,881**	66,084
Marketing expenses		**(1,268,641)**	(718,076)
Administrative expenses		**(2,847,296)**	(2,081,938)
Expenses related to equity settled share based payment		**(481,160)**	-
Depreciation and amortization	25	**(222,818)**	(57,815)
Interest income		**302,986**	67,065
Finance charges		**(2,205,446)**	(940,353)
Other expenses		**(296,858)**	(279)
Profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences, National Labor Support Tax, contribution to Zakat and Board of Directors' remuneration		**33,070,990**	24,792,879
Contribution to Kuwait Foundation for the Advancement of Sciences	26	**(249,078)**	(216,197)
National Labor Support Tax	27	**(691,883)**	(610,185)
Contribution to Zakat	28	**(17,556)**	-
Board of Directors' remuneration		**(75,000)**	(150,000)
Net profit for the year		**32,037,473**	23,816,497
Attributable to:			
Equity holders of the Parent Company		**31,602,151**	23,431,021
Minority interest		**435,322**	385,476
Net profit for the year		**32,037,473**	23,816,497
		Fils	Fils
Basic and diluted earnings per share attributable to the equity holders of the Parent Company	29	**103.97**	91.27

The accompanying notes (1) to (37) form an integral part of the consolidated financial statements

AL MAZAYA HOLDING COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2007
(All amounts are in Kuwaiti Dinars)

	Attributable to equity holders of the Parent Company												
	Capital	Share premium	Statutory reserve	Voluntary reserve	Treasury shares reserve	Assets revaluation surplus	Foreign currency translation adjustment	Effect of changes in subsidiary's equity	Retained earnings	Treasury shares	Subtotal	Minority interest	Total equity
Balance at December 31, 2005	15,150,000	30,000	2,073,451	2,073,451	-	-	-	-	13,456,881	(1,370,562)	31,413,221	-	31,413,221
Gain on sale of treasury shares	-	-	-	-	97,258	-	-	-	-	-	97,258	-	97,258
Net income recognized directly in equity	-	-	-	-	97,258	-	-	-	-	-	97,258	-	97,258
Net profit for the year	-	-	-	-	-	-	-	-	23,431,021	-	23,431,021	385,476	23,816,497
Total recognized income for the year	-	-	-	-	97,258	-	-	-	23,431,021	-	23,528,279	385,476	23,913,755
Transfer to reserves	-	-	2,440,740	2,440,740	-	-	-	-	(4,881,480)	-	-	-	-
Increase in capital (Note 17)	9,663,742	-	-	-	-	-	-	-	-	-	9,663,742	-	9,663,742
Share premium (Note 18)	-	32,728,688	-	-	-	-	-	-	-	-	32,728,688	-	32,728,688
Bonus shares (2005 – 25%) (Note 34)	3,787,500	-	-	-	-	-	-	-	(3,787,500)	-	-	-	-
Cash dividends (2005 – 25 fils per share) (Note 34)	-	-	-	-	-	-	-	-	(3,595,545)	-	(3,595,545)	-	(3,595,545)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	(6,057,220)	(6,057,220)	-	(6,057,220)
Sale of treasury shares	-	-	-	-	-	-	-	-	-	1,712,294	1,712,294	-	1,712,294
Effect of consolidating newly consolidated subsidiary	-	-	-	-	-	1,038,731	-	-	(1,332,502)	(1,297,660)	(1,591,431)	-	(1,591,431)
Share of minority from newly consolidated subsidiary	-	-	-	-	-	-	-	-	-	-	-	3,442,228	3,442,228
Balance at December 31, 2006	28,601,242	32,758,688	4,514,191	4,514,191	97,258	1,038,731	-	-	23,290,875	(7,013,148)	87,802,028	3,827,704	91,629,732
Foreign currency translation adjustment	-	-	-	-	-	-	(2,433,513)	-	-	-	(2,433,513)	-	(2,433,513)
Gain on sale of treasury shares	-	-	-	-	1,262,284	-	-	-	-	-	1,262,284	-	1,262,284
Net income (loss) recognized directly in equity	-	-	-	-	1,262,284	-	(2,433,513)	-	-	-	(1,171,229)	-	(1,171,229)
Net profit for the year	-	-	-	-	-	-	-	-	31,602,151	-	31,602,151	435,322	32,037,473
Total recognized income (loss) for the year	-	-	-	-	1,262,284	-	(2,433,513)	-	31,602,151	-	30,430,922	435,322	30,866,244
Transfer to reserves	-	-	3,263,567	3,263,567	-	-	-	-	(6,527,134)	-	-	-	-
Increase in capital (Note 17)	116,167	-	-	-	-	-	-	-	-	-	116,167	-	116,167
Share premium (Note 18)	-	476,283	-	-	-	-	-	-	-	-	476,283	-	476,283
Bonus shares (2006 – 10%) (Note 34)	2,871,741	-	-	-	-	-	-	-	(2,871,741)	-	-	-	-
Cash dividends (2006 – 50 fils per share) (Note 34)	-	-	-	-	-	-	-	-	(13,778,781)	-	(13,778,781)	-	(13,778,781)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	(5,999,370)	(5,999,370)	-	(5,999,370)
Sale of treasury shares	-	-	-	-	-	-	-	-	-	10,122,697	10,122,697	-	10,122,697
Net movement in minority interest	-	-	-	-	-	-	-	-	-	-	-	2,235,378	2,235,378
Effect of changes in subsidiary's equity	-	-	-	-	-	-	-	68,900	-	-	68,900	-	68,900
Balance at December 31, 2007	**31,589,150**	**33,234,971**	**7,777,758**	**7,777,758**	**1,359,542**	**1,038,731**	**(2,433,513)**	**68,900**	**31,715,370**	**(2,889,821)**	**109,238,846**	**6,498,404**	**115,737,250**

The accompanying notes (1) to (37) form an integral part of the consolidated financial statements

AL MAZAYA HOLDING COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2007
(All amounts are in Kuwaiti Dinars)

	2007	2006
Cash flows from operating activities:		
Profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences, National Labor Support Tax, contribution to Zakat and Board of Directors' remuneration	33,070,990	24,792,879
Adjustments for:		
Gain from sale of properties under development	(16,685,849)	(19,705,047)
Gain from sale of investment properties	(13,839,338)	-
Change in fair value of investments properties	(120,298)	(3,307,995)
Net investments income	(1,476,479)	(740,289)
Share of results from joint ventures	(3,398,690)	19,973
Gain on partial disposal of subsidiary	(2,334,208)	-
Depreciation and amortization	222,818	57,815
Interest income	(302,986)	(67,065)
Finance charges	2,205,446	940,353
Loss on disposal of fixed assets	-	23,277
	(2,658,594)	2,013,901
Accounts receivable and other debit balances	(6,946,645)	(10,242,268)
Properties under development	(41,458,577)	17,365,176
Accounts payable and other credit balances	18,001,697	15,229,290
Deferred consideration on acquisition of properties	5,277,580	20,279,003
Cash (used in) generated from operations	(27,784,539)	44,645,102
Paid to Kuwait Foundation for the Advancement of Sciences	(216,197)	(129,766)
Paid to National Labor Support Tax	(610,185)	(280,199)
Board of Directors' remuneration paid	(150,000)	-
Net cash (used in) generated from operating activities	(28,760,921)	44,235,137
Cash flows from investing activities:		
Purchase of investments at fair value through income statement	(3,898,708)	(1,204,475)
Proceeds from sale of investments at fair value through income statement	6,333,330	612,296
Purchase of investment available for sale	(9,625,829)	(2,260,844)
Proceed from sale of investments available for sale	189,786	-
Cash dividend received	574,637	225,000
Interest income received	311,300	76,249
Proceed from partial sale of a subsidiary	5,250,246	-
Proceed from sale of investment properties	24,846,605	-
Purchase of investment properties	(18,355,455)	(39,517,155)
Paid against investment in joint venture	(3,617,737)	-
Amount paid for work in progress	(864,755)	-
Purchase of leasehold right	(1,820,635)	-
Purchase of fixed assets	(660,378)	(233,008)
Proceed from sale of fixed assets	-	22,290
Net cash used in investing activities	(1,337,593)	(42,279,647)

	2007	2006
Cash flows from financing activities:		
Term loans received	52,084,329	3,500,000
Paid up capital	-	4,307,909
Share premium received	-	10,769,771
Paid for purchase of treasury shares	(4,737,086)	(6,057,220)
Cash dividends paid	(13,711,272)	(3,127,768)
Finance charges paid	(2,061,206)	(751,713)
Wakala and Murabaha received	2,199,068	-
Proceeds from sale of treasury shares	10,122,697	1,809,552
Movement in equity of a subsidiary	68,900	-
Net cash generated from financing activities	43,965,430	10,450,531
Net increase in cash and cash equivalents	13,866,916	12,406,021
Net cash relating to newly consolidated subsidiary	-	460,283
Net cash relating to partial sale of a subsidiary	(29,362)	-
Foreign currency translation adjustment	(2,433,513)	-
Cash and cash equivalents at the beginning of the year	16,096,502	3,230,198
Cash and cash equivalents at the end of the year (Note 3)	27,500,543	16,096,502

The accompanying notes (1) to (37) form an integral part of the consolidated financial statements.

1. Establishment and activities of the Group

Al Mazaya Holding Company - K.S.C. (Closed) was incorporated on November 7, 1998 under the Commercial Companies Law No. 15 of 1960 and amendments there to.

The Parent Company is engaged in investment in local and foreign companies, real estate properties and consultancy services.

The registered office of the Parent Company is at Salhia complex, Fahed Al Salem Street, P.O. Box 3546, Safat 13036, Kuwait.

These consolidated financial statements were approved for issue by the Board of Directors on February 18, 2008. The shareholders' general assembly has the power to amend these consolidated financial statements after issuance.

2. Significant accounting policies

The accompanying consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standard Board (IASB).

Significant accounting policies are summarized as follows:

a) Basis of preparation

The consolidated financial statements are presented in Kuwaiti Dinars and are prepared under the historical cost convention, except that investments at fair value through income statement, and investment properties are stated at their fair value. The accounting policies applied by the Group are consistent with those used in the previous year unless otherwise stated.

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions in the process of applying the Group's accounting policies. Significant accounting judgments, estimates and assumptions are disclosed in Note 2(c).

Standard and amendments to standard effective in 2007
The Group has adopted IFRS 7 "Financial Instruments: Disclosure" and the complementary amendment to IAS 1 "Presentation of Financial Statements" introducing amended and additional disclosures relating to financial instruments and associated risks and capital disclosures respectively.

Standards and Interpretations issued but not effective
The following IASB Standard and Interpretation have been issued but are not yet effective, and have not yet been adopted by the Company:

IFRS 8 "Operating Segments"
The application of IFRS 8, which will be effective for the annual periods beginning on or after January 1, 2009, will result in disclosure of information to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.

IAS 1 "Presentation of Financial Statements" (Revised)
The application of IAS 1 (Revised), which will be effective for the annual periods beginning on or after January 1, 2009, will impact the presentation of financial statements to enhance the usefulness of the information presented.

IAS 23 "Borrowing Cost" (Revised)
The application of IAS 23 (Revised), which will be effective for the annual periods beginning on or after January 1, 2009, will require an entity to capitalize borrowing costs attributable to the acquisition, construction or production of a qualifying asset as a part of the cost of that asset and removing an option of expensing these borrowing costs in the consolidated statement of income.

IFRIC Interpretation 11 "IFRS 2 - Group and Treasury Share Transactions"
The application of IFRIC Interpretation 11, which will be effective for annual periods beginning on or after March 1, 2007, provides guidance as to whether certain share options given to employees should be accounted as an equity-settled or cash-settled transaction.

b) Recognition / derecognition of financial assets and financial liabilities

A financial asset or a financial liability is recognized when the Group becomes a party to the contractual provisions of the instrument. Financial asset (in whole or in part) is de-recognized when the contractual rights to the cash flows from the financial asset expire or when the group transfers substantially all the risks and rewards of ownership or when the group has neither transferred or retained substantially all the risks and rewards of ownership and when it no longer has control over the asset or a proportion of the assets. A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expired.

c) Critical accounting estimates and judgments

The Group makes judgments, estimates and assumptions concerning the future. The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from the estimates.

a) Judgments

In the process of applying the Group's accounting policies which are described in note 2, management has made the following judgments that have the most significant effect on the amounts recognized in the consolidated financial statements.

(i) Revenue Recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The determination of whether the revenue recognition criteria as specified under IAS 18 are met requires significant judgment.

(ii) Determination of contract cost

Determination of costs which are directly related to the specific contract or attributable to the contract activity in general requires significant judgment. The determination of contract cost has a significant impact upon revenue recognition in respect of long term contracts. The Group follows guidance of IAS 11 for determination of contract cost and revenue recognition.

(iii) Classification of Land

Upon acquisition of a land, the Group classifies the land into one of the following categories, based on the intention of the management for the use of the land:

1) Properties under development

When the intention of the Group is to develop land in order to sell it in the future, both the land and the construction costs are classified as properties under development.

2) Work in progress

When the intention of the Group is to develop a land in order to rent it in the future, both the land and the construction costs are classified as work in progress.

3) Properties held for sale

When the intention of the Group is to sell land in the ordinary course of business, the properties are classified as properties held for sale.

4) Investment property

When the intention of the Group is to earn rentals from land or hold land for capital appreciation or if the intention is not determined for land, the land is classified as investment property.

(iv) Provision for doubtful debts

The determination of the recoverability of the amount due from customers and the factors determining the impairment of the receivable involve significant judgment.

(v) Classification of investments

On acquisition of an investment, the Group decides whether it should be classified as "at fair value through statement of income" or "available for sale". The Group follows the guidance of IAS 39 on classifying its investments.

The Group classifies investments as "at fair value through income statement" if they are acquired primarily for the purpose of short term profit making or if they are designated at fair value through statement of income at inception, provided their fair values can be reliably estimated. All other investments are classified as "available for sale".

b) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimating uncertainty at the consolidated 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.

(i) Fair value of unquoted equity investments

If the market for a financial asset is not active or not available, the Group establishes fair value by using valuation techniques which 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 refined to reflect the issuer's specific circumstances. This valuation requires the Group to make estimates about expected future cash flows and discount rates that are subject to uncertainty.

(ii) Impairment of Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the "value in use" of the asset or the cash-generating unit to which the goodwill is allocated. Estimating a value in use requires the Group to make an estimate of the expected future cash-flows from the asset or the cash-generating unit and also choose an appropriate discount rate in order to calculate the present-value of the cash-flows.

(iii) Long term contracts

Revenue from long term contracts is recognized in accordance with the percentage of completion method of accounting measured by reference to the percentage that actual costs incurred to date bear to total estimated costs for each contract. The revenue recognition as per the above criteria should correspond to the actual work completed. The determination of estimated costs and the application of percentage of completion method involve estimation. Further, the budgeted cost and revenue should consider the claims and variations pertaining to the contract.

(iv) Provision for doubtful debts

The extent of provision for doubtful debts involves estimation process. Provision for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified. The benchmarks for determining the amount of provision or write-down include analysis, technical assessment and subsequent events. The provisions and write-down of receivables are subject to management approval.

d) Principles of consolidation

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 an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Inter-company balances and transactions, including inter-company profits and unrealized profits and losses are eliminated on consolidation. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

The consolidated financial statements include the financial statements of Al Mazaya Holding Company - K.S.C. (Closed) (the Parent Company) and the following subsidiaries:

Subsidiaries	Country of incorporation	Percentage of holding 2007 %	2006 %
1) Al Mazaya Real Estate Development Company – K.S.C. (Closed)	Kuwait	**100**	100
2) Al Mazaya Real Estate FZ/LLC and its subsidiaries:	U.A.E.	**100**	100
a) Al Dana Real Estate Limited	U.A.E	**100**	100
b) Al Rayhan Real Estate Limited	U.A.E	**100**	100
c) Advantage General Trading Co. – W.L.L.	U.A.E	**100**	-
3) Al Mazaya Al Khalijia General Trading and Contracting Company – Khalid S. Esbaitah and Partners – W.L.L.	Kuwait	**100**	100
4) Al Mazaya Arabian Real Estate Company – Khalid S. Esbaitah and Partners – W.L.L.	Kuwait	**100**	100
5) Al Mazaya International Project Management Company– Khalid S. Esbaitah and Partners – W.L.L.	Kuwait	**100**	100
6) Mazaya Lebanon Holding - S.A.L. (Holding) and its subsidiary:	Lebanon	**100**	100
a) Mazaya Lamartien - S.A.L.	Lebanon	**100**	100
7) First Dubai for Real Estate Development Company - K.S.C. (Closed)	Kuwait	**81.78**	89.78

During the year, the Parent Company acquired additional 1.92% interest in the equity of First Dubai for Real Estate Development Company - K.S.C. (Closed) for an amount of KD 714,934. The goodwill resulting from the additional acquisition of this subsidiary is as follows:

Consideration paid	122,484
Value of shares issued	592,450
Less: The group's share of fair value of identifiable assets and liabilities at the date of the acquisition	(513,936)
Goodwill	200,998

Also, the Parent Company sold a portion of its interest in the equity of First Dubai for Real Estate Development Company – K.S.C. (Closed) representing 9.92% resulting in a gain of KD 2,334,208. The decrease in the goodwill related to the sale transaction amounted to KD 115,167.

As of December 31, 2007, the balances in the consolidated financial statements of the Group include the following assets and revenue of Advantage General Trading Co. – W.L.L. located in UAE while the comparative figures for December 31, 2006 do not include such information:

	Amount
Balance Sheet:	
Cash and cash equivalents	**22,344**
Income Statement:	
Gain from sale of investment properties	**5,834,835**

e) Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

f) Investments

The Group classifies its investments in the following categories: investments at fair value through income statement and investments available for sale. The classification depends on the purpose for which the investments were acquired and is determined at initial recognition by the management.

(i) Investments at fair value through income statement

This category has two sub-categories: investments held for trading, and those designated at fair value through statement of income at inception.

An investment is classified as held for trading if acquired principally for the purpose of selling in the short term or if it forms part of an identified portfolio of investments that are managed together and has a recent actual pattern of short-term profit making or it is a derivative that is not designated and effective as a hedging instrument.

An investment is designated by the management on initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise or; if they are managed and their performance is evaluated and reported internally on a fair value basis in accordance with a documented risk management or investment strategy.

Investments in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months of the balance sheet date.

(ii) Investments available for sale

Investments available for sale are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognized on trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through income statement.

After initial recognition, investments at fair value through income statement and investments available for sale are subsequently carried at fair value. The fair values of quoted investments are based on current bid prices. If the market for an investment 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 refined to reflect the issuer's specific circumstances.

Realized and unrealized gains and losses from investments at fair value through income statement are included in the consolidated statement of income. Unrealized gains and losses arising from changes in the fair value of investments available for sale are recognized in cumulative changes in fair value in consolidated statement of changes in equity.

Where investments available for sale could not be measured reliably, these are stated at cost less impairment losses, if any.

When an investment available for sale is disposed off or impaired, any prior fair value earlier reported in equity is transferred to the consolidated statement of income.

An investment (in whole or in part) is derecognized either when: the contractual rights to receive the cash flows from the investment have expired; or the Group has transferred its rights to receive cash flows from the investment and either (a) has transferred substantially all the risks and rewards of ownership of the investment, or (b) has neither transferred nor retained substantially all the risks and rewards of the investment, but has transferred control of the investment. Where the Group has retained control, it shall continue to recognize the investment to the extent of its continuing involvement in the investment.

The Group assesses at each balance sheet date whether there is an 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 in determining whether the securities are impaired. If any such evidence exists for investments available for sale, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss – is removed from equity and recognized in the consolidated statement of income. Impairment losses recognized in the consolidated statement of income on available for sale equity instruments are not reversed through the consolidated statement of income.

g) Receivables

Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables 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 the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated statement of income within "selling and marketing costs/general and administration expense". When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the consolidated statement of income.

h) Joint venture

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control that is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

Where a Group undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognized in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognized when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group reports its interests in jointly controlled entities using the equity method of accounting. Under the equity method, investments in joint ventures are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the joint venture, less any impairment in the value of individual investments.

Where the Group transacts with its jointly controlled entities, unrealized profits and losses are eliminated to the extent of the Group's interest in the joint venture.

i) Properties under development

Properties acquired, constructed or in the course of construction for sale are classified as properties under development. Unsold properties are stated at cost. Sold properties in the course of development are stated at cost plus attributable profit/loss less progress billings. The cost of properties under development includes the cost of land and other related expenditure which are capitalized as and when activities that are necessary to get the properties ready for sale are in progress. Net realizable value represents the estimated selling price less costs to be incurred in selling the property.

The property is considered to be completed when all related activities, including the infrastructure and facilities for the entire project, have been completed. At that stage, the total asset value is eliminated from properties under development.

j) Investment properties

Investment properties, which are properties, held to earn rentals and/or for capital appreciation, are stated at their fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment properties are included in the consolidated statement of income for the period in which they arise.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains or losses arising on the retirement or disposal of an investment property are recognized in the consolidated statement of income.

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

k) Fixed assets

The initial cost of fixed assets comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to the consolidated statement of income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of fixed assets beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of fixed assets.

Fixed assets are stated at cost less accumulated depreciation and impairment losses. 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 consolidated statement of income.

Land is not depreciated. Depreciation is computed on a straight-line basis over the estimated useful lives of other fixed assets as follows:

	Years
Furniture and equipment	5
Leasehold improvements	3 - 5
Computers and softwares	3
Motor vehicles	5

Certain fixed assets used in certain projects are depreciated over the period of the respective contracts.

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of fixed assets.

l) Leasehold right

Leasehold right represents a long term lease agreement. The Group amortizes the lease value over the lease period.

m) Goodwill

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

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

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

Where there is an excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost, the Group is required to reassess the identification and measurement of the net identifiable assets and measurement of the cost of the acquisition and recognize immediately in the consolidated statement of income any excess remaining after that remeasurement.

n) Impairment of assets

At each balance sheet date, the Group 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 Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of the 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.

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 recognized 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 recognized 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.

o) Accounts payable

Accounts payable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

p) Wakala and Murabaha payable

Wakala and Murabaha payables represent an agreement whereby the Company takes a certain amount of cash from another party, and invests it according to specific conditions in return for a certain fee (percentage of the amount invested). They are subsequently re-measured and carried out at amortized cost using the effective yield method. Costs of Wakala and Murabaha payable are expensed on a time proportion basis.

q) Borrowing costs

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

r) End of service indemnity

Provision is made for amounts payable to employees under the Kuwaiti Labor Law in the private sector and employees' 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.

s) Treasury shares

Treasury shares consist of the Parent Company's own shares that have been issued, subsequently reacquired by the Parent Company and not yet reissued or canceled. The treasury shares are accounted for using the cost method. Under the cost method, the weighted average cost of the shares reacquired is charged to a contra equity account. When the treasury shares are reissued, 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 then reserves.

Gains realized subsequently on the sale of treasury shares are first used to offset any recorded losses in the order of reserves, retained earnings and the gain on sale of treasury shares 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.

Where any Group's company purchases the Parent Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Parent Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs, is included in equity attributable to the Parent Company's equity holders.

t) Revenue recognition

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

i) Sale of property:

Revenue on sale of plots of land is recognized on the basis of the full accrual method as and when all of the following conditions are met:

- A sale is consummated and contracts are signed;
- The buyer's investment, to the date of the financial statements, is adequate to demonstrate a commitment to pay for the property;
- The Group's receivable is not subject to future subordination;
- The Group has transferred to the buyer the usual risks and rewards of ownership in a transaction that is in substance a sale and does not have a substantial continuing involvement with the property; and
- Work to be completed is either easily measurable and accrued or is not significant in relation to the overall value of the contract.

If all except for the last criterion listed above are fulfilled, the percentage of completion method is adopted to recognize revenue.

The risk of the purchaser being able to rescind the contract for reasons stated in the contract which are dependent on the enactment of pending legislation and therefore outside the Group's control is considered by management to be remote.

Revenue on sale of apartments and villas is recognized on the basis of percentage completion based on internal surveys of work performed as and when all the following conditions are met:

- The buyer's investment, to the date of the financial statements, is adequate to demonstrate a commitment to pay for the property;
- Construction is beyond a preliminary stage. The engineering, design work, construction contract execution, site clearance and building foundation are finished;
- The buyer is committed. The buyer is unable to require a refund except for non-delivery of the unit and, in certain cases, in the event of the non-enactment of pending legislation regarding freehold title and immigration visas. Management believes that the likelihood of the Group being unable to fulfill its contractual obligations for these reasons is remote; and
- The aggregate sales proceeds and costs can be reasonably estimated.

ii) Cost of revenue

Cost of revenue includes the cost of land and development costs. Development costs include the cost of infrastructure and construction.

iii) Construction contracts

Revenue from construction contracts is recognized in accordance with the percentage of completion method of accounting measured by reference to the percentage that actual costs incurred to date bear to total estimated costs for each contract. Profit is only recognized when the contract reaches a point where the ultimate profit can be estimated with reasonable certainty. Claims, variation orders and incentive payments are included in the determination of contract profit when approved by contract owners. Anticipated losses on contracts are recognized in full as soon as they become apparent.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognized as expenses in the period in which they are incurred.

iv) Interest income

Interest income is recognized on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognized either as cash is collected or on a cost–recovery basis as conditions warrant.

v) Dividend income

Dividend income is recognized when the right to receive payment is established.

vi) Rent income

Rent income is recognized when earned on a time apportionment basis.

vii) Gain on sale of investments

Gain on sale of investments is measured by the difference between the sale proceeds and the carrying amount of the investment at the date of disposal, and is recognized at the time of the sale.

viii) Management, commission and consultancy income
- Management fees are recognized on accrual basis.
- Commission income and consultancy revenue is recognized at the time the related services are provided.

u) Fiduciary assets

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

v) Foreign currencies

Foreign currency transactions are translated into Kuwaiti Dinars at rates of exchange prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currency at the balance sheet date are retranslated into Kuwaiti Dinars at rates of exchange prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Translation differences on non-monetary items such as equity investments which are classified as investments at fair value through income statement are reported as part of the fair value gain or loss. Translation differences on non-monetary items such as equity investments classified as available for sale are included in "cumulative changes in fair value" in the consolidated statement of changes in equity.

x) Financial instruments

Financial assets and financial liabilities carried on the balance sheet include cash and cash equivalents, accounts receivable, investments, term loans, accounts payable and Wakala and Murabaha payables. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies found in this Note.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains, and losses relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

y) Contingencies

Contingent liabilities are not recognized but disclosed in the consolidated financial statements except when the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

z) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products and services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments.

3. Cash and cash equivalents

	2007	2006
Cash on hand and at banks	15,956,840	2,359,581
Short term bank deposits	11,500,000	13,587,173
Cash in investment portfolios	43,703	149,748
	27,500,543	16,096,502

Short term bank deposits earn an average interest rate of 7.08% (2006 - 5.25%) per annum. These deposits have an average maturity of 48 days (2006 - 8 days).

4. Investments at fair value through income statement

	2007	2006
Quoted securities	7,774,554	8,569,540
Investment in portfolios	9,396,920	10,985,599
	17,171,474	19,555,139

Investment in portfolios amounting to KD 9,122,500 as of the consolidated balance sheet date are pledged against term loans (2006 - KD 207,000) (Note 14).

The movement during the year is as follows:

	2007	2006
Balance at beginning of the year	19,555,139	13,841,470
Additions during the year	3,898,708	1,204,475
Addition relating to newly consolidated subsidiary	-	4,606,201
Disposals	(6,607,450)	(619,335)
Unrealized gain from changes in fair value of investments at fair value through income statement (Note 24)	325,077	522,328
Balance at end of the year	17,171,474	19,555,139

5. Accounts receivable and other debit balances

	2007	2006
Trade receivables	25,060,707	10,141,238
Advance payments	9,450,941	5,731,030
Amount due from related parties (Note 30)	7,770,607	7,342,323
Staff receivable	31,177	27,510
Other receivables	954,570	325,527
	43,268,002	23,567,628

The fair values of accounts receivable and other debit balances approximated their carrying values as at December 31, 2007.

Advance payments include an amount of KD 2,287,892 for acquisition of a property.

The aging analysis of these trade receivables are as follows:

	2007
Less than 3 months	1,525,691
3 to 6 months	23,289,648
6 months to 1 year	245,368
	25,060,707

6. Investments available for sale

It was not possible to measure the fair value of all investments available for sale due to non-availability of a reliable method that could be used to determine the fair value of such investments. Accordingly, they were stated at cost less impairment losses, if any.

7. Investment in joint ventures

Investment in joint ventures consists of the following:

	Country of Incorporation	Ownership Percentage	2007	2006
Al-Madar Gulf Limited	U.A.E.	50%	4,715,709	-
Al Wahda Real Estate Investment Limited	U.A.E.	50%	2,300,719	1
			7,016,428	1

The movement during the year is as follows:

	2007	2006
Balance at the beginning of the year	1	-
Addition during the year	3,726,877	-
Transfer from investment in unconsolidated subsidiary	-	19,974
Group's share of result from joint ventures	3,398,690	(19,973)
Foreign currency translation adjustments	(109,140)	-
Balance at the end of the year	7,016,428	1

The Group's interests in its joint ventures as at December 31, 2007 were as follows:

	Assets		Liabilities		Net Assets	
	2007	2006	2007	2006	2007	2006
Al-Madar Gulf Limited	6,567,366	-	1,851,657	-	4,715,709	-
Al Wahda Real Estate Investment Limited	4,487,914	3,960,173	2,187,195	3,968,823	2,300,719	(8,650)

	Revenues		Results	
	2007	2006	2007	2006
Al-Madar Gulf Limited	2,107,635	-	1,021,613	-
Al Wahda Real Estate Investment Limited	8,551,017	-	2,377,077	(19,973)

The Group's investment in Al Wahda Real Estate Investment Limited as of December 31, 2006 was as follows:

	Loss	Net liability
Al Wahda Real Estate Investment Limited	**28,625**	**8,651**

8. Properties under development

Properties under development are located in Kuwait and Dubai, UAE which are in the process of construction or development for sale.

	2007	2006
Cost incurred to date	**201,611,808**	8,937,085
Recognized profit	**15,612,024**	11,179,987
Transfer from rights to certain properties	**-**	15,300,318
Additions relating to the newly consolidated subsidiary	**-**	47,063,469
Transfer from work in progress (Note 10)	**-**	3,599,318
Transfer from investment properties (Note 9)	**6,780,670**	-
Less: Progress billings	**(101,644,692)**	(27,189,117)
Total properties under development	**122,359,810**	59,191,060

Properties under development amounting to KD 39,790,061 are pledged as a collateral against term loans (Note 14).

9. Investment properties

	2007	2006
Balance at the beginning of the year	**43,226,075**	400,925
Transfer to work in progress (Note 10)	**(7,281,900)**	-
Transfer to properties under development (Note 8)	**(6,780,670)**	-
Additions during the year	**18,355,455**	32,736,485
Additions relating to the newly consolidated subsidiaries	**-**	6,780,670
Changes in fair value of investment properties	**120,298**	3,307,995
Disposals	**(21,976,921)**	-
Balance at the end of the year	**25,662,337**	43,226,075

10. Work in progress

	2007	2006
Balance at the beginning of the year	**1,075,479**	4,674,797
Transfer to properties under development (Note 8)	**-**	(3,599,318)
Transfer from investment properties (Note 9)	**7,281,900**	-
Additions during the year	**466,771**	-
Balance at the end of the year	**8,824,150**	1,075,479

11. Fixed assets

	Furniture and equipments	Leasehold improvements	Computers and software	Motor vehicles	Total
Cost					
At December 31, 2006	231,570	-	69,236	51,381	352,187
Additions	80,791	290,188	271,057	15,924	657,960
At December 31, 2007	**312,361**	**290,188**	**340,293**	**67,305**	**1,010,147**
Accumulated depreciation					
At December 31, 2006	33,156	-	32,596	12,054	77,806
Charge for the year	18,490	96,729	44,540	8,426	168,185
At December 31, 2007	**51,646**	**96,729**	**77,136**	**20,480**	**245,991**
Net book value					
At December 31, 2007	**260,715**	**193,459**	**263,157**	**46,825**	**764,156**
At December 31, 2006	198,414	-	36,640	39,327	274,381

12. Leasehold right

Leasehold right represents a land leased from a Bahraini Company through a subsidiary. The leasehold right value will be amortized over 25 years which represents the lease period, effective on April 11, 2007, the date of the contract.

13. Accounts payable and other credit balances

	2007	2006
Trade payable	**29,085,787**	8,442,293
Advances received from customers	**9,712,251**	12,165,477
Amount due to related parties (Note 30)	**4,336,830**	6,156,006
Dividend payable	**672,718**	605,209
Other payables and accrued expenses	**4,029,238**	2,916,642
	47,836,824	30,285,627

14. Term loans

	Maturity	2007	2006
Current			
Bank loan bearing interest rate at 8.5% per annum	August 31, 2008	**5,000,000**	-
Bank loan bearing interest rate at 8.25% per annum	January 30, 2008	**5,000,000**	-
Bank loan bearing interest rate at 1% per annum over the Central Bank of Kuwait discount rate	October 21, 2008	**10,000,000**	-
Bank loan bearing interest rate at 2% per annum over the Central Bank of Kuwait discount rate	April 10, 2008	**18,870,000**	-
Bank loan bearing interest rate at 2% per annum over the Central Bank of Kuwait discount rate	April 20, 2008	**11,455,500**	-
Bank loan bearing interest rate at 2% per annum over the Central Bank of Kuwait discount rate	February 28, 2007	-	830,000
Bank loan bearing interest rate at 1.5% per annum over the Central Bank of Kuwait discount rate	February 14, 2007	-	2,000,000
		50,325,500	2,830,000
Non current			
Bank loan bearing interest rate at 7.02% per annum	June 30, 2009	**4,428,829**	-
		4,428,829	-
		54,754,329	2,830,000

The Group has pledged certain investments at fair value through income statement amounting to KD 9,122,500 and properties under development amounting to KD 39,790,061 as of the balance sheet date, as collateral against the term loan (Notes 4, 8).

15. Wakala and Murabaha payables

	2007	2006
Wakala payables	**7,039,068**	8,000,000
Murabaha payable	**3,000,000**	-
	10,039,068	8,000,000

Average cost rate attributable to Wakala payables during the year ended December 31, 2007 was 7.5% (2006 – 7.25%) per annum.

Average cost rate attributable to Murabaha payable during the year ended December 31, 2007 was 9.25% (2006 – Nil) per annum.

16. Deferred consideration on acquisition of properties

	2007	2006
Balance at the beginning of the year	**33,421,846**	5,964,853
Additions during the year	**33,531,783**	19,057,313
Amount transfer from rights to certain properties	**-**	4,862,287
Additions relating to the newly consolidated subsidiary	**-**	7,177,990
Consideration paid during the year	**(28,254,203)**	(3,640,597)
Balance at the end of the year	**38,699,426**	33,421,846

17. Capital

During the year ended December 31, 2007, number of 1,161,670 shares were issued to increase the percentage of equity holding of First Dubai for Real Estate Development Company - K.S.C. (Closed) (Subsidiary). Accordingly, the authorized, issued and paid up capital is as follows:

	2007	2006
Number of authorized shares (shares)	**316,171,500**	287,454,090
Authorized capital (KD)	**31,617,150**	28,745,409
Number of issued and paid up shares (shares)	**315,891,500**	286,012,420
Issued and paid up capital (KD)	**31,589,150**	28,601,242
Number of unsubscribed shares (shares)	**280,000**	1,441,670

18. Share premium

This represents cash received in excess of the par value of the shares issued.

19. Statutory reserve

As required by the Commercial Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year attributable to equity holders of the Parent Company before contribution to Kuwait Foundation for the Advancement of Sciences, National Labour Support Tax, contribution to Zakat and Board of Directors' remuneration is transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve equals 50% of the capital. This reserve is not available for distribution except in cases stipulated by Law and the Parent Company's Articles of Association, the Parent Company has transferred an amount of KD 3,263,567 for the year ended December 31, 2007.

20. Voluntary reserve

As required by the Parent Company's Articles of Association, 10% of the profit for the year attributable to equity holders of the Parent Company before contribution to Kuwait Foundation for the Advancement of Sciences, National Labour Support Tax, contribution to Zakat and Board of Directors' remuneration is transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' General Assembly upon recommendation by the Board of Directors, the Parent Company has transferred an amount of KD 3,263,567 for the year ended December 31, 2007

21. Treasury shares

	2007	2006
Number of shares (shares)	**5,228,695**	13,728,702
Percentage of issued shares (%)	**1.66%**	4.8%
Market value (KD)	**3,450,938**	9,335,517
Cost (KD)	**2,889,821**	7,013,148

22. Gain from sale of properties completed and under development

	2007	2006
Revenue from sale of properties completed and under development	**63,352,764**	37,953,520
Cost of sale	**(46,666,915)**	(18,248,473)
Gain from sale of properties completed and under development	**16,685,849**	19,705,047

23. Management, commission and consultancy fees

The Group acts as project manager for certain real estate properties owned by other parties through developing, managing, and selling those properties. The Group charges those parties certain management fees, commission and consultancy fees against those services.

24. Net investment income

	2007	2006
Unrealized gain from changes in fair value of investments at fair value through income statement (Note 4)	**325,077**	522,328
Realized gain (loss) on sale of investments at fair value through income statement	**534,183**	(7,039)
Realized gain on sale of investments available for sale	**42,582**	
Dividend income	**574,637**	225,000
	1,476,479	740,289

25. Depreciation and amortization

	2007	2006
Depreciation (Note 11)	**168,185**	57,815
Amortization (Note 12)	**54,633**	-
	222,818	57,815

26. Contribution to Kuwait Foundation for the Advancement of Sciences

Contribution to Kuwait Foundation for the Advancement of Sciences is calculated at 1% of the profit of the Parent Company after deducting its share of income from shareholding subsidiaries and transfer to statutory reserve.

27. National Labor Support Tax

National Labor Support Tax is calculated at 2.5% of the profit of the Parent Company and after deducting its share of income from listed shareholding subsidiaries and dividends from Kuwaiti listed shareholding companies.

28. Contribution to Zakat

Contribution to Zakat is calculated at 1% of the profit of the Parent Company after deducting its share of income from shareholding subsidiaries in accordance with Ministry of Finance resolution No. 58/2007 effective December 10, 2007.

29. Basic and diluted earnings per share attributable to the equity holders of the Parent Company

Earnings per share is computed by dividing profit for the period attributable to equity holders of the Parent Company by the weighted average number of shares outstanding during the year. The dilutive effect of share options outstanding has no material impact on earnings per share for the year.

	2007	2006
Net profit for the year attributable to equity holders of the Parent Company	**31,602,151**	23,431,021
	Shares	Shares
Weighted average number of issued and fully paid-up shares	**287,075,428**	239,568,402
Add: Bonus shares for the year 2006	**28,717,410**	28,717,410
Less: weighted average number of treasury shares	**(11,848,797)**	(11,556,549)
Weighted average number of shares outstanding	**303,944,041**	256,729,263
	Fils	Fils
Basic and diluted earnings per share attributable to equity holders of the Parent Company	**103.97**	91.27

Basic earnings per share reported for 2006 was 102.29 fils before retroactive adjustment relating to issue of bonus shares for the year ended 2006.

30. Related party transactions

The Group has entered into various transactions with related parties, i.e. shareholders, key management personnel and other related parties in the normal course of its business concerning financing and other related services. Prices and terms of payment are approved by the Group's management. Significant related party transactions and balances are as follows:

	Key management personnel	Major shareholders	Joint ventures	Other related parties	**2007**	2006
Balance included in the consolidated balance sheet						
Properties under development	-	-	-	-	**-**	10,215,927
Amounts due from related parties (Note 5)	150,000	-	7,564,765	55,842	**7,770,607**	7,342,323
Amounts due to related parties (Note 13)	-	-	4,336,830	-	**4,336,830**	6,156,006
Term loans	-	-	-	-	**-**	830,000
Wakala and Murabaha payables	-	10,039,068	-	-	**10,039,068**	6,000,000
Transactions included in the consolidated income statement						
Profit from sale of properties completed and under development	-	784,852	-	-	**784,852**	16,506,323
Management, commission and consultancy fees	-	-	-	984,380	**984,380**	1,001,372
Finance charges	-	551,029	-	-	**551,029**	550,550
Key management compensation:						
Salaries and other short term benefits					**805,849**	646,449
Terminal benefits					**21,260**	8,449
					827,109	654,898

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

31. Fiduciary accounts

The Group manages projects on behalf of others, and maintains cash balances and notes receivable in fiduciary accounts, which are not reflected in the Group's balance sheet. Assets under management at December 31, 2007, amounted to KD 2,832,792 (December 31, 2006 – KD Nil).

32. Contingent liabilities and commitments

At December 31, 2007, the Group was contingently liable in respect of the following:

	2007	2006
Letters of guarantee	**24,944,145**	21,389,400
Capital commitments	**57,538,953**	64,568,622
	82,483,098	85,958,022

3. Segment information:

For management purposes, the Group is divided into three geographical segments, which are: State of Kuwait, United Arab Emirates and Lebanon, where the Group performs its main activities in the real estate segment, accordingly, the Group has no secondary segment. There are no income generating transactions between the Group's segments. The segment information for the geographical segments that represent the primary segments is as follows:

	2007				2006			
	Kuwait	United Arab Emirates	Lebanon	Total	Kuwait	United Arab Emirates	Lebanon	Total
Gain from sale of properties completed and under development	4,683,360	12,002,489	-	16,685,849	8,733,056	10,971,991	-	19,705,047
Gain from sale of investment properties	1,989,293	11,850,045	-	13,839,338	1,430,564	1,084,925	-	2,515,489
Loss from sale of rights to certain properties	-	-	-	-	-	(605,436)	-	(605,436)
Changes in fair value of investment properties	-	120,298	-	120,298	3,307,995	-	-	3,307,995
Share of result from joint ventures	-	3,398,690	-	3,398,690	8,629	(28,602)	-	(19,973)
Management, commission and consultancy fees	940,232	924,248	-	1,864,480	1,239,995	1,574,785	-	2,814,780
Gain on partial disposal of subsidiary	2,334,208	-	-	2,334,208	-	-	-	-
Net investment income	1,476,479	-	-	1,476,479	740,289	-	-	740,289
Foreign currency exchange gain	391,812	(20,931)	-	370,881	66,088	(4)	-	66,084
Marketing expenses	(345,581)	(923,060)	-	(1,268,641)	(327,689)	(390,387)	-	(718,076)
Administrative expenses	(1,661,371)	(1,164,455)	(21,470)	(2,847,296)	(1,679,653)	(398,368)	(3,917)	(2,081,938)
Expenses related to equity settled share based payment	(481,160)	-	-	(481,160)	-	-	-	-
Depreciation and amortization	(127,539)	(95,279)	-	(222,818)	(36,454)	(21,361)	-	(57,815)
Interest income	101,207	201,779	-	302,986	67,065	-	-	67,065
Finance charges	(2,205,446)	-	-	(2,205,446)	(866,636)	(73,653)	(64)	(940,353)
Other expenses	(239,798)	(57,060)	-	(296,858)	(92,523)	92,244	-	(279)
Contribution to Kuwait Foundation for the Advancement of Sciences	(249,078)	-	-	(249,078)	(216,197)	-	-	(216,197)
National Labor Support Tax	(691,883)	-	-	(691,883)	(610,185)	-	-	(610,185)
Contribution to Zakat	(17,556)	-	-	(17,556)	-	-	-	-
Board of Directors' remuneration	(75,000)	-	-	(75,000)	(150,000)	-	-	(150,000)
Net profit for the year	5,822,179	26,236,764	(21,470)	32,037,473	11,614,344	12,206,134	(3,981)	23,816,497
Total segment assets	130,724,154	135,380,979	961,764	267,066,897	89,881,652	74,587,901	1,697,652	166,167,205
Total segment liabilities	54,433,727	95,915,239	980,681	151,329,647	12,259,451	60,588,066	1,689,956	74,537,473

34. General assembly and proposed dividends

The Board of directors proposed a cash dividend of 50 fils per share and bonus shares of 20 shares for every 100 shares held. This proposal is subject to the approval of the shareholders' annual General Assembly.

The General Assembly held on March 21, 2007 approved the distribution of cash dividend of 50 fils per share and 10 bonus shares for every 100 shares held as of the General Assembly date, for the year ended December 31, 2006.

35. Financial risk management

In the normal course of business, the Group uses primary financial instruments such as cash and cash equivalents, investments, accounts receivable, accounts payable, term loans and Wakala and Murabaha payables and as a result, is exposed to the risks indicated below. The Group currently does not use derivative financial instruments to manage its exposure to these risks.

a) Interest rate risk

Financial instruments are subject to the risk of changes in value due to changes in the level of interest. The effective interest rates and the periods in which interest bearing financial assets and liabilities are repriced or mature are indicated in the respective notes.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit (through the impact on floating rate borrowings). There is no impact on Group's equity.

Year	Increase / decrease in basis points	Sensitivity to net interest expense
2007		
KD	**25**	**116,889**
AED	**25**	**19,997**
2006		
KD	25	7,075

b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets which potentially subject the Group to credit risk consist principally of fixed and short notice bank deposits. The Group's fixed and short notice bank deposits are placed with high credit rating financial institutions. Receivables are presented net of allowance for doubtful debts. Credit risk with respect to receivables is limited due to the large number of customers.

The Group's maximum exposure arising from default of the counter-party is limited to the carrying amount of short-term deposits, receivables and due from related parties.

c) Foreign currency risk

The Group incurs foreign currency risk on transactions that are denominated in a currency other than the Kuwaiti Dinar. The Group may reduce its exposure to fluctuations in foreign exchange rates through the use of derivative financial instruments. The Group ensures that the net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the Kuwaiti Dinar.

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange rates.

Year	Increase / decrease against Kuwaiti Dinars	Effect on profit	Effect on equity
2007			
AED	**5%**	**113,334**	**1,557,939**
USD	**5%**	**8,911**	**-**
LBP	**5%**	**79**	**774**
2006			
AED	5%	246,014	-
USD	5%	1,664	-
LBP	5%	103	-

d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk, the Group periodically assesses the financial viability of customers and invests in bank deposits or other investments that are readily realizable.

Maturity Table for financial liabilities

2007

	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Total
Accounts payable and other credit balances	672,718	4,336,830	42,827,276	-	47,836,824
Term loans	-	-	46,755,500	7,998,829	54,754,329
Wakala and Murabaha payables	-	7,039,068	3,000,000	-	10,039,068
Deferred consideration on acquisition of properties	-	-	-	38,699,426	38,699,426
	672,718	11,375,898	92,582,776	46,698,255	151,329,647

2006

	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Total
Accounts payable and other credit balances	605,209	6,156,006	23,524,412	-	30,285,627
Term loans	-	-	2,000,000	-	2,000,000
Wakala and Murabaha payables	-	8,830,000	-	-	8,830,000
Deferred consideration on acquisition of properties	-	-	-	33,421,846	33,421,846
	605,209	14,986,006	25,524,412	33,421,846	74,537,473

e) Equity price risk

Equity price risk is the risk that fair values of equities decrease as the result of changes in level of equity indices and the value of individual stocks. The equity price risk exposure arises from the Group's investment in equity securities classified as investment at fair value through income statement and available for sale investment.

The following table demonstrates the sensitivity to a reasonably possible change in equity indices as a result of change in the fair value of these investments, to which the Group had significant exposure at December 31, 2007:

	2007		2006	
Market indices	**Change in equity price %**	**Effect on consolidated statement of income**	Change in equity price %	Effect on consolidated statement of income
Kuwait Stock Exchange	**±5%**	**±388,728**	±5%	±428,477

Fair value of financial instruments

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and other models as appropriate. As of December 31, the fair values of financial instruments approximate their carrying amounts, due to their short maturities, except for all unquoted investments available for sale, which are mentioned in Note (6).

For financial assets and financial liabilities that are liquid or having a short term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to variable rate financial instruments.

36. Capital Risk Management

The Group's objectives when managing capital resources are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital resources structure to reduce the cost of capital.

In order to maintain or adjust the capital resources structure, the Group may adjust the amount of dividends paid to shareholders, return paid up capital to shareholders, issue new shares, sell assets to reduce debt, repay loans or obtain additional loans.

For the purpose of capital risk management, the total capital resources consist of the following components:

	2007	2006
Term loans	**54,754,329**	2,830,000
Wakala and Murabaha payable	**10,039,068**	8,000,000
Less: cash and cash equivalent	**(27,500,543)**	(16,096,502)
Net debt	**37,292,854**	(5,266,502)
Total equity attributable to the shareholders of the Parent Company	**109,238,846**	87,802,028
Total capital resources	**146,531,700**	82,535,526

37. Comparative figures

Certain of the prior year amounts have been reclassified to conform with the current year presentation.