



شركة الصفاء للاستثمار
AL SAFAT INVESTMENT COMPANY

Annual Report 2007

Leaders in Private Equity In Kuwait



شركة دانة الصفاء الغذائية
Danat Al Safat Foodstuff Co.



شركة مجموعة الصفوة الفايزة
ش.م.ك (مفلة)



بسم الله الرحمن الرحيم

Our Mission

We strive to uphold on shareholders interest, sustain their equity and achieve high long – term and stable returns. We also endeavor to provide professional and distinctive services to meet our clientele needs and surpass their expectations. In doing so, we always consider our obligations towards the society by contributing to the economic growth and development of our beloved Kuwait.



الصفاء
AL SAFAT

شركة الصفاء للاستثمار
AL SAFAT INVESTMENT COMPANY

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الصفاء
AL SAFAT



*H.H. SHEIKH
SABAH AL-AHMAD AL-JABER AL-SABAH*
Amir of the state of Kuwait



*H.H. SHEIKH
NAWAF AL-AHMAD AL-JABER AL-SABAH*
Crown Prince of the state of Kuwait

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Board of Directors



Waleed Ahmad Al-Sharhan
Chairman and Managing Director



Mohamed Ali Al Naqi
Vice Chairman



Mishary Ziad Al Khalid
Director



Adel Yousef Al Saqabi
Director



Waleed Mohamed Al Issa
Director



Azam Abdul Aziz Al Fulaij
Director



Yousef Sultan Al Majed
Director

Board of Directors Report



In the Name of God Most Gracious Most Merciful

Dear shareholders;

We have the pleasure to meet on the occasion of convening the general assembly of Al Safat Investment Company and to submit the annual report of the Board of Directors and the financial statements of the company for the financial year ended on 31.12.2007.

Dear Shareholders:

The year 2007 was a very distinct year for Al Safat Investment Company due to the considerable accomplishments and developments realized therein after the company has followed up the provisions of generous Islamic Sharia on 11.02.2007. This distinguished performance has been realized by the grace of Allah and the support and trust of our valuable shareholders.

Indexes of company's performance

By the grace of Allah; the company has realized excellent results during the year 2007 to continue the way of success as the net profit has reached to (KD 24,770,333) in comparison with (KD 7,987,611) in 2006, this represents an increase of (210%). Furthermore; the net operation profit has reached to (KD 25,711,233) in comparison with (KD 8,241,212) in 2006 thus it has realized a return on the capital of 47.42% compared with 36.25% in 2006, also the company's share profit has reached this year to (Fils 82.12) compared with (Fils 31.08) in 2006.

Dear Shareholders;

As we promised you in the general assembly meeting in 2006 to expand in investments through acquiring main shares in companies in Kuwait and abroad to support their future activities.

Board of Directors Report

The most important activities and works accomplished in 2007

Inside the State of Kuwait:

First: Restructuring of (Al-Alamiah Technology Company), a company listed in KSE (Kuwait Stock Exchange) and its title has been changed to (Al Safat Tech. Holding Company) to focus on technology, education and communications sectors, for a capital of (KD 40,000,000). The company has managed the capital appreciation and sharing in the company by (25%).

Second: The company was given the opportunity to acquire (52%) fifty two percent of Hasibat Holding Company (K.S.C), a company listed in KSE. This has been carried out within the steps taken by the company to expand and diversify its activity as the company aspires to invest in many sectors such as energy with a considerable volume and for the purpose of restructuring the company and float a portion of investment to the new investors in subsequent phase. The activity of the company has been changed to work in the oil sector in the name of Al Safat Energy Holding Company for a capital of (KD 60,000,000) to be executed in 2008, God willing.

Third: Restructuring of (Al Taibat International General Trading Company), whose name has been changed to Asia Holding Company. It is one of the steps taken by the company to expand and diversify its activity. Whereas the company has conducted the preparation of incorporation study of (Asia Holding Company) which revealed the advantage to work in Asia the continent of, therefore the company has acquired 10% of the capital of Asia Holding Company amounting to KD 30,000,000.

Fourth: Within the trends of the company to diversify investment activities, services and tools, the company has established (Al Safat local Equities Fund). The fund is working in the shares of companies listed in KSE particularly in industry and services sectors pursuant to the rules of Islamic Sharia.

Fifth: The company has participated in the incorporation study of (Dar Al Huda Holding Company) through the reconstruction of the company and appreciation of its capital (KD 20,000,000). Dar Al Huda Holding Company will work in the field of four star hotels management in Mecca and thereafter it will work in Medina in future considering thereof as one of the leading operation areas throughout the year, therefore the company acquired 19% therein.

Board of Directors Report

Outside the State of Kuwait:

First: The management of the company has carried out careful study on the geographical expansion outside the State of Kuwait. Choice has been given to (Abu Dhabi City) in United Arab Emirates – to be the first and distinct location for the expansion of the company outside the State of Kuwait in 2007 based on its stability, economic strength, economical influence, promising market and brilliant future, God willing.

Having studied the multiple economic opportunities, God eases to us to acquire (10%) of Al Qudra Holding Company. It is a public investments company working in all investment sectors and supported by different assets of high values, therefore it brings glad tidings to high future returns reflect positively on the results of the company in the coming years.

Second: In order to diversify the investment opportunities, a main share has been acquired in Al Dhaen Group Companies for Trading & Manufacturing W.L.L– Kingdom of Bahrain through purchase of 45% (forty five percent) of the company's shares as well as all branches and exhibitions of the company in the Kingdom of Bahrain and State of Qatar. The company is specialized in the production of high quality boats and yachts and have an international reputation which matches the international trademarks.

To complete the administrative chart of the company and to cope with the expansions and activities, a CEO “Chief Executive Officer” has been appointed for the company and he is one of the local competent youth competences. The administrative chart, procedures, policies and personnel affairs manual have been approved, furthermore the human development plans for all staff have been completed to enable us to cope with the increase in work, improve performance and production considering the staff in the company as the actual wealth of the company and its future.

Finally I express my thanks to the supervising entities in the State of Kuwait for their support and interest to maintain the relationship with financial institutions and also I express my thanks to my colleagues the members of the Board of Directors, auditors and employees in the company for their efforts and endeavors.

Also; I express my thanks to our shareholders for their support and contribution in supporting the activities of the company entrusted to us. Me and my brothers the members of the Board of Directors look forward to rendering our best efforts to take the company to the height of success.

Best regards.

*Waleed Ahmad Al Sharhan
Chairman & Managing Director*

The Sharia Report of Al Safat Investment Company

In the name of Allah the merciful,

We, Al Raya Int'l Consulting & Training, confirm that we have verified all applied principles and relevant contracts pertaining to all transactions carried out by Al Safat Investment Company for the financial year ending in 2007/12/31. We have performed all relevant assessments and given the appropriate guidance to ensure whether or not the company's activities comply with the Sharia principles, and which also eliminate the Company from participating in all Non-Sharia activities and profits.

Through our Sharia Management, we have revised the Company's transactions, by reviewing both the contracts and the procedures being implemented.

Al Raya Int's Consulting & Training concludes the following:

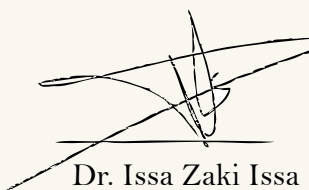
1. All transactions and business matters executed by the company during the financial year ending in 2007/12/31 have been conducted in accordance with the Sharia principles.
2. Profit distributions and sustained losses in investment accounts adhere to the Sharia Principles.
3. We would like to indicated that the Company does not implement Zakat payments on its shares, the Zakat is to be borne by the shareholders and the owners.

We seize this opportunity to express our gratitude and appreciation to the Company's Management for its collaboration and compliance with Al Raya Int'l Consulting and Training and it Sharia Management, and also, we would like to express our high regards to all the Company's shareholders and clientele.

Regards,



Dr. Abdul Aziz Khalifa Al Qassar
Chairman of the Sharia Committee



Dr. Issa Zaki Issa
Shaira Committee Member



Dr. Ali Ibrahim Al Rashed
Shaira Committee Member

Financial Indicators

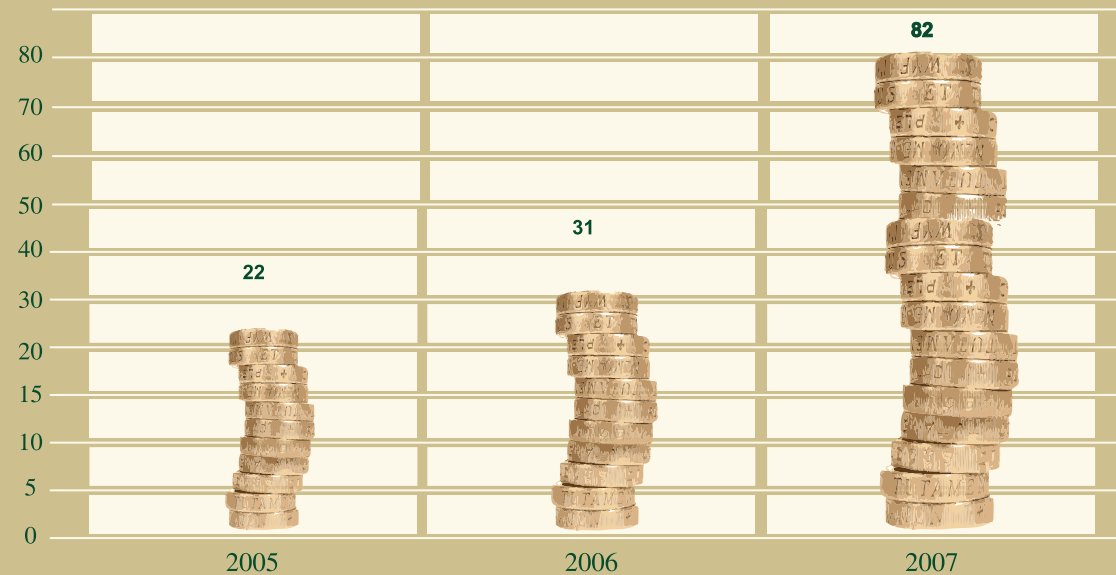
2007

Growth in Shareholder's Equity



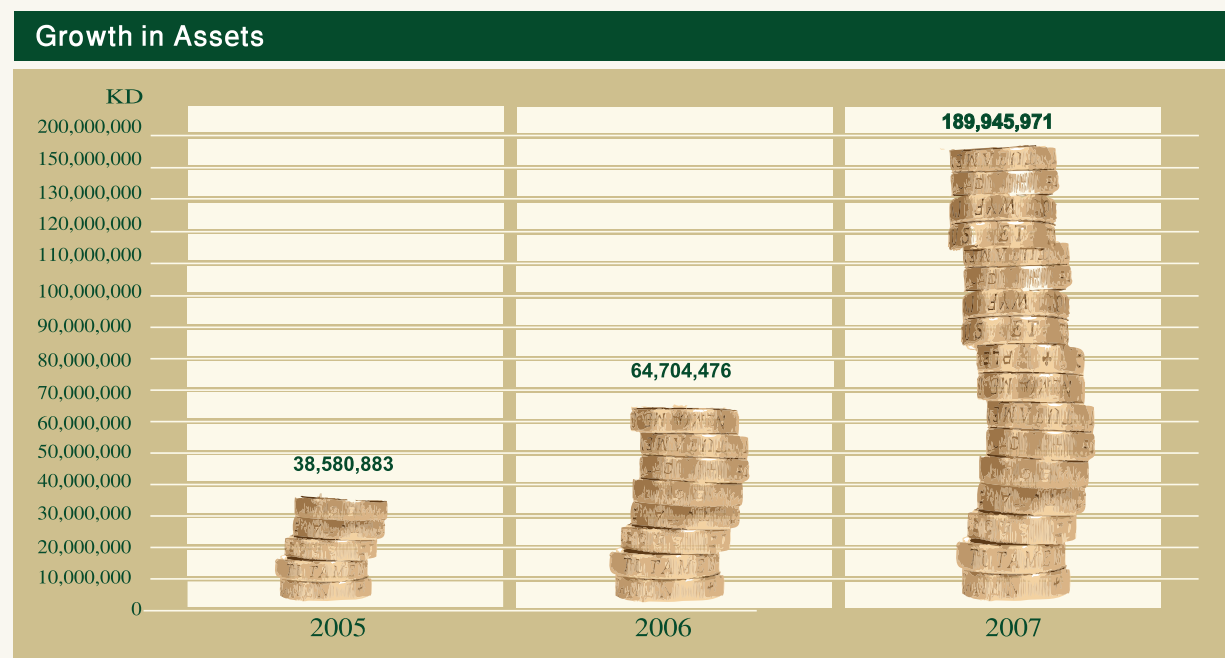
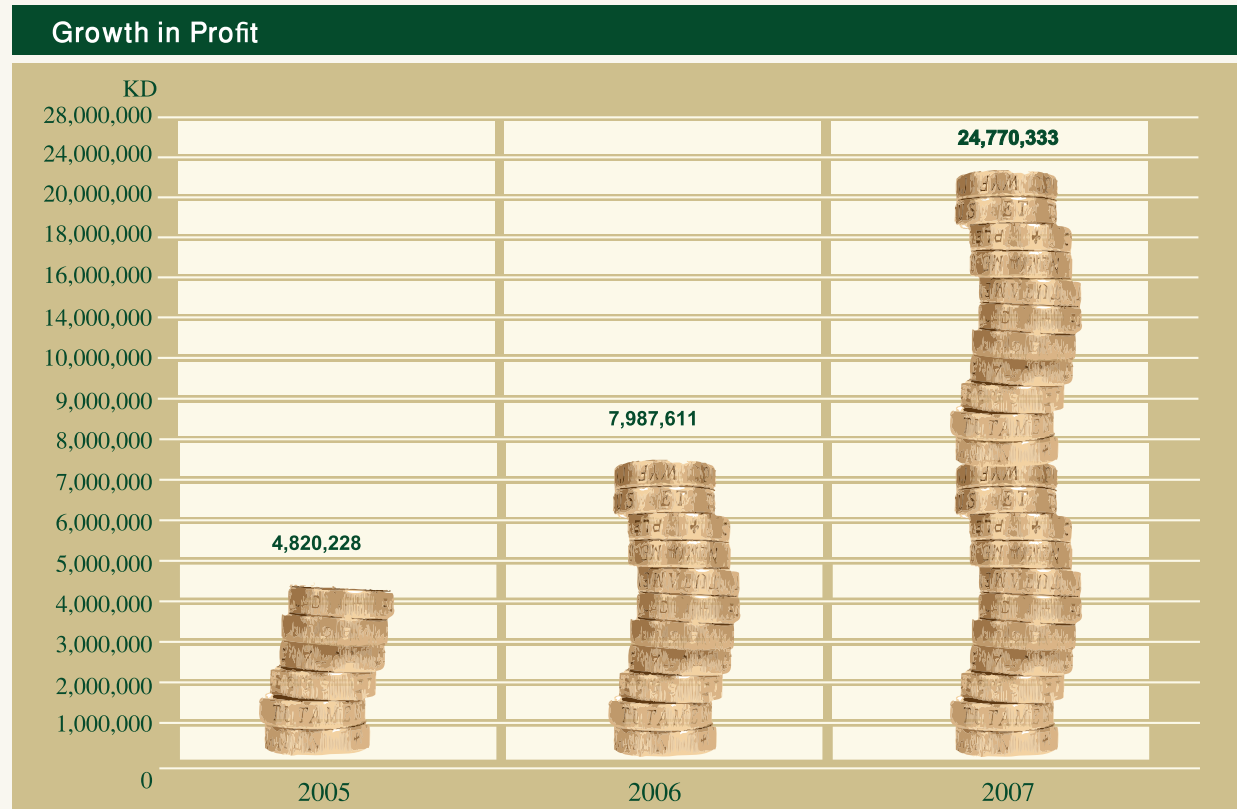
Earnings Per Share

EPS in fils



Financial Indicators

2007



Al Safat Group of Companies

Al Safat Investment Company is proud that it has successfully established and reconstructed a group of its subsidiary and sister companies that it owns and controls shares in. These companies constitute the Al safat investment arms in different sectors in which some of them are:

Company name	Capital (K.D)	Year of Foundation	Activity
Al Safat Investment Co.	30.294 Million	1983	Investment in various sectors
Al Safwa Group Holding Co.	100 Million	1966	Ownership of stocks and stakes in different companies
Al Safat Holding Co.	10 Million	2003	Ownership of stock and stakes in different companies
Asia Holding Co.	30 Million	2002	Direct Investments in Asia
Al Safat Energy Holding Co.	60 Million	1983	investment in the energy sector (oil and gas)
Eastern Group for Energy Services Co.	15 Million	2004	Energy services
Eastern National Oilfield Services Co.	3.500 Million	2004	Oil well Services
Al Safat Real state Co.	24 Million	2003	Real estate investment
Gulf Horizon Holding Co.	3 Million	1992	Investment in Real Estate Sector
Al Safat Real Estate Development Co.	6 Million	2005	Islamic insurance
Dar Al - Houda Holding Co.	20 Million	2002	Real Estate Investments in Saudi Arabia
Al Dana Village Real Estate Co.	15 Million	2005	Real estate Investment in Kuwait
Kuwait Medical Center Holding Co.	20 Million	1984	Hospitals, health clinic, and services
Al Safat TEC Holding Co.	40 Million	1994	IT solutions and information technology
Kuwait British Company for Education Services	4 Million	2003	Educational Services
Al Marifa Al Namothageya for Education	5 Million	1997	Educational services for special needs
Shuaiba Paper Products Co.	5 Million	1978	Focus on technology, education, communications sectors
Al –Assriya Industrial Holding Co.	10 Million	2002	Ownership of stock and stakes in different companies
Danat Al Safat Foodstuff Co.	23.100 Million	1972	Serving the food services Industry
Al Safat Tourism and Travel	1 Million	2003	Travel and Tourism services
Al Safat Takaful Insurance Co.	5 Million	2005	Islamic insurance (cooperative)

Listed in KSE

Al Safat Investment Company also owns 10% of Al Qudra Holding Company in Abu Dhabi and 45% of Al Dhaen Group in the Kingdom of Bahrain

Al Safat Investment Company Brief

Al Safat Investment Company k.s.c.

<i>Legal Entity</i>	: Kuwait Shareholding Company (closed)
<i>Capital</i>	: 30,294,000 KD (Three million two hundred and ninety four thousand Kuwaiti Dinars. Approximately 110.50 Million US Dollars)
<i>Shareholders</i>	: Group of institutional and individual investors
<i>Establishment</i>	: 15/9/1983

Activities :

- 🏛 Investments in various sectors such as real estate, industrial, agriculture, and services.
- 🏛 To contribute in the establishment of specialized companies or partial ownership of the companies or buying shares or bonds of these companies in different sectors, as well as in the restructuring of companies, asset management ,investment funds and portfolios, lending, mediation and business pertaining to the consultation inside and out side the state of Kuwait .
- 🏛 Feasibility and market studies as well as financial modeling for the institutions and companies. Mediation in borrowing and lending.
- 🏛 To carry out the functions of managers issuances of bonds issued by companies, organizations and the functions of Investment Trustees.

The board of Directors suggested to the general assembly upon the review of 2007 financials to raise the capital to 78 million KD which is equivalent to 283.6 million USD



Brief Introduction of Al Safat Group Of Companies

1. Al Safwa Group Holding Company

Legal Entity : Kuwait Shareholding Company (closed)
 The company is operating according to the provisions and conditions of the Islamic laws
Capital : 100 million Kuwaiti Dinars paid up in full. Approximately 365 million Us Dollars
Establishment: 1966

Activities :

- 🏢 Being a holding company, and according to the law, it can work in the majority of permitted economic activities through the incorporation, ownership or acquisition of new or existing companies.
- 🏢 It emphasizes on the oil and gas industry and the energy field in general through incorporation, acquisition, and management of independent companies each of which practices its independent business investing in the privatization programs in Kuwait and the Gulf countries. It also will invest the surplus of its funds in promising future projects.

2. Al Safat Holding Company

Legal Entity : Kuwaiti shareholding Company (closed)
Capital : 10 million Kuwait Dinars paid up in full. Approximately 36.5 million Us Dollars
Establishment: 2003

Activities :

- 🏢 Ownership of shares of joint stock companies, ownership of shares in companies with limited liabilities or participating in the incorporation of these companies, managing them, lending to them and guaranteeing the before third parties.
- 🏢 Ownership of industrial properties rights including patents or trade marks.
- 🏢 Ownership of the required moveable and immovable properties required for undertaking its activities.
- 🏢 Utilizing financial surpluses by investing them in financial portfolios managed by specialized companies and authorities inside and outside the state of Kuwait.

Brief Introduction of Al Safat Group Of Companies

3. Asia Holding Company

Legal Entity : Kuwaiti Shareholding Company (closed)
The company is operating according to the provisions and conditions of the Islamic laws

Capital : 30 million Kuwaiti Dinars paid in full. Approximately 109.5 million Us Dollars.

Establishment : 2002

Activities :

- Direct investments in Asia.
- Ownership of shares of joint stock companies, ownership of shares in companies with limited liabilities or participation in the incorporation of these companies, managing them , lending to them and guaranteeing the before third parties.
- Ownership of the required moveable properties required for undertaking its activities.
- Utilizing financial surpluses by investing them in financial portfolio' managed by specialized companies and authorities inside and out side the state of Kuwait.

4. Al Safat Energy Holding Company

Legal Entity : Kuwaiti Shareholding Company (closed)
The company is operating according to the provisions and conditions of the Islamic laws

Capital : 60 million Kuwaiti Dinars paid in full. Approximately 219 million Us Dollars.

Establishment : 1983

Activities :

- Investments in the energy sector which includes oil and gas
- Ownership of shares of joint stock companies, ownership of shares in companies with limited liabilities or participation in the incorporation of these companies, managing them , lending to them and guaranteeing the before third parties.
- Ownership of industrial properties rights including patent or trade marks.
- Utilizing financial surpluses by investing them in financial portfolio' managed by specialized companies and authorities inside and out side the state of Kuwait.

Brief Introduction of Al Safat Group Of Companies

5. Eastern Group 4 Energy Services Holding Company

Legal Entity : Kuwaiti Shareholding Company (closed)
Capital : 15 Million Kuwaiti Dinars paid in full. Approximately 54.7 Million US Dollars.
Establishment : 2004

Activities :

Maintenance and general services to all Petroleum related jobs. In addition to working as intermediaries to all other operations needed by other companies in all oil related services in the petroleum sector.

6. Eastern National Oilfield Services Company

Legal Entity : Kuwaiti Shareholding Company (closed)
Capital : 3.5 million Kuwait Dinars paid in full. Approximately 12.7 million Dollars.
Establishment : 2003

Activities :

- 🔧 Performing support services to oil well drilling operations, exploration, and repair of oil wells and preparing them for production.
- 🔧 Performing maintenance works and general various services.
- 🔧 Establishing industrial installations related to its business.
- 🔧 Import and ownership of various industrial equipments for the company objectives.

Brief Introduction of Al Safat Group Of Companies

7. Al Safat Real Estate Company

Legal Entity : Kuwait Shareholding Company (closed)
 The company is operating according to the provisions and conditions of the Islamic laws
Capital : 24 million Kuwaiti Dinars paid in full. Approximately 87.5 million US Dollars.
Establishment : 2003

Activities :

Ownership, selling and buying real estate, lands and developing then for the company's account, inside and outside Kuwait, managing third parties, properties, selling and buying shares and bond of real estate companies for the company's account, preparing studies and consultations in the real estate field, and performing maintenance works.

8. Gulf Horizon Holding Co. (S.A.K.C)

Legal Entity : Kuwait Shareholding Company (closed).
Capital : 3 million Kuwaiti Dinars paid in full. Approximately 10.9 million US Dollars.
Establishment : 1992

Activities :

Owns shares in Kuwaiti and foreign shareholding companies as well as shares in limited liability companies. Incorporate and manage companies. Engages in lending to companies owned by no less than 20% ownership of patented industrial property right, or industrial brands loading of the same for use by other companies in Kuwait and abroad.

Brief Introduction of Al Safat Group Of Companies

9. Al Safat Real Estate Development Company

Legal Entity : Kuwaiti Shareholding Company (closed)
 The company is operating according to the provisions and conditions of the Islamic laws

Capital : 6 million Kuwait Dinars paid in full. Approximately 21.8 million US Dollars

Establishment : 2004

Activities :

- Real estate investments in Lebanon
- Ownership and management of apartment building and hotels.
- Building, selling, and renting apartments.

10. Dar Al Huda Holding Company

Legal Entity : Kuwaiti Shareholding Company (closed)
 The company is operating according to the provisions and conditions of the Islamic laws

Capital : 10 million Kuwaiti Dinars. paid in full. Approximately 34.5 million US Dllars.

Establishment : 2002

Activities :

- Real Estate Investments in Saudi Arabia, The company owns several 4 Star hotels in Mecca and is in the process to acquire a few more in Medina.
- Ownership of shares of joint stock companies, ownership of shares in companies with limited liabilities or participation in the incorporation of these companies, managing them, lending to them and guaranteeing the before third parties.
- Utilizing Financial surpluses by investing them in financial portfolios managed by specialized companies and authorities inside and outside the State of Kuwait.

Brief Introduction of Al Safat Group Of Companies

11. Al Dana Village Real Estate

Legal Entity : Kuwaiti shareholding Company (Closed)
 The company is operating according to the provisions and conditions of the Islamic laws
Capital : 15 million Kuwait Dinars paid in full. Approximately 54.7 million US Dollars
Establishment : 2004

Activities :
 Building, developing, and managing (Al Dana Village), located on the Gulf Road side restaurants area in Salmiya, Kuwait.

12. Kuwait Medical center Holding Company

Legal Entity : Kuwaiti Shareholding Company (closed)
Capital : 20 million Kuwaiti Dinars paid in full. Approximately 73 million US Dollars
Establishment: 1984

Activities :
 Building and managing hospitals and medical centers, building and managing sanitariums and recovery houses, trading in medical materials and equipment in addition to establishing medical labs of the first class equipped with the latest medical technologies, and participating in health projects inside and outside the state of Kuwait .

Brief Introduction of Al Safat Group Of Companies

13. Al Safat TEC Holding Company

Legal Entity : Kuwaiti Shareholding Company (closed)
Capital : 40 million Kuwaiti Dinars paid in full. Approximately 146 million US Dollars
Establishment: 1991

Activities :

- ✚ Marketing and promoting technological solutions and equipment to go hand to hand with modern technological requirements for information systems, office equipment and consumer electronics, in addition to providing after sales maintenance services and provide qualified technical manpower with specialized certificates. Accredited from international companies.
- ✚ The company also is specialized in Education through its subsidiary companies.

14. Kuwait British Company for Education Services

Legal Entity : Kuwaiti Shareholding Company (closed)
Capital : 4 million Kuwaiti Dinars paid in full. Approximately 14.6 million US Dollars
Establishment : 2003

Activities :

Establishing and managing schools, training facilities, colleges, and universities.

Brief Introduction of Al Safat Group Of Companies

15. Al Marifa Al Namothageya for Education

Legal Entity : With Limited Liability (W.L.L).

Capital : 5 million Kuwaiti Dinars. Approximately 18.2 million US Dollars

Establishment : 1997

Activities :

Establishing and managing schools and training Facilities.

16. Shuaiba Paper Products Co. (K.S.C.Closed)

Legal Entity : Kuwaiti Shareholding Company (closed).

Capital : 5 million Kuwaiti Dinars. Approximately 18.2 million US Dollars

Establishment : 1978

Activities :

Manufacturing paper materials & trading in the same. Import and export of materials necessary for the company's activities. Trading in equipment and accessories relating to paper works. Participating in reserches connected to the above activities. Investing the company's surplus funds in portfolios managed by specialised companies.

Brief Introduction of Al Safat Group Of Companies

17. Al –Assriya Industrial Holding Company

Legal Entity : Kuwaiti Shareholding Company (closed).

The company is operating according to the provisions and conditions of the Islamic laws

Capital : 10 million Kuwaiti Dinars paid in full. Approximately 36.5 Million US Dollars.

Establishment : 2002

Activities :

- The company owns several different factories one of which is the carpet manufacturing Co. which is the first Kuwaiti factory that engages in the production of local carpeting with international technical standards .
- Al Assriye pivoting press engages in all types of publishing including books and magazines amongst other things.
- Owns Middle East chemical manufacturing company.

18. Danat Al Safat Foodstuff Company

Legal Entity : Kuwaiti Shareholding Company (closed)

The company is operating according to the provisions and conditions of the Islamic laws

Capital : 23.100 million Kuwaiti Dinars paid in full. Approximately 84.3 Million US Dollars.

Establishment : 1972

Activities :

- Fishing, import and export, and local marketing.
- Establishing local points of sale for fresh fish and investing in other food stuff companies.
- Owns real estate related to fishing activities.
- Participates in all activities related to fishing.
- Invest access funds in financial portfolios managed by specialized institutions.
- Establishing, operating, and managing restaurants.

Brief Introduction of Al Safat Group Of Companies

19. Al Safat Tourism and Travel Company

Legal Entity : Kuwaiti Shareholding Company (closed)
Capital : One million Kuwaiti Dinars paid in full. Approximately 3.6 million US Dollars
Establishment: 2003

Activities :

- ✚ Performing all tourism, travel, and airfreight activities.
- ✚ Commercial agencies related to travel and tourism activity.
 Exercising the business related to reservation for treatment, Sanitariums and hospitals inside and outside of Kuwait.
- ✚ Participating in the formation of companies related to travel, tourism, and airfreight activity inside and outside Kuwait.
- ✚ Successfully opened new locations namely Sanbouk travel and tourism and Al Sanbouk air freight located in Kuwait city.

20. Al Safat Takaful Insurance Company

Legal Entity : Kuwaiti shareholding Company (closed)
 The company is operating according to the provisions and conditions the Islamic laws
Capital : 5 million Kuwaiti Dinars. 50% paid. Approximately 18.2 million US Dollars
Establishment: 2005

Activities :

The Company Carries out all types of Takaful (cooperative) insurance works and takafuli re-insurance, as per the provisions of Islamic Laws to cover all types of insurance works such as maritime insurance, motor insurance, theft insurance, fire insurance, insurance of various kinds of general accidents, airplane insurance, oil tankers insurance, family insurance and health insurance.



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شركة الصفاة للاستثمار
AL SAFAT INVESTMENT COMPANY

Contents

Al Safat Investment Company K.S.C. (Closed) and its subsidiaries Kuwait

Consolidated financial statements and independent auditors' report

For the year ended 31 December 2007

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INDEPENDENT AUDITORS' REPORT TO THE SHARE HOLDERS OF AL SAFAT INVESTMENT COMPANY K.S.C. (CLOSED)

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Al Safat Investment Company K.S.C. (Closed) ("the parent company") and its subsidiaries (together referred to as "the group") which comprise the consolidated balance sheet as at 31 December 2007, and the related consolidated statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

The parent company's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free 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.

Auditors' responsibility

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

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

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

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INTERNATIONAL

*Al Safat Investment Company K.S.C. (Closed) and its subsidiaries Kuwait***Opinion**

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

Report on other Legal and Regulatory Requirements

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

We have not become aware of any contravention, during the year ended 31 December 2007, of the Kuwait Commercial Companies Law of 1960 or of the parent company's articles and memorandum of association, or 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, that would materially affect the group's activities or its financial position.



Qais M. Al Nisf
Licence No. 38 "A"
Of Moore Stephens Al Nisf & Partners
Member firm of Moore Stephens International

Kuwait: 19 February 2008



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

Al Safat Investment Company K.S.C. (Closed) and its subsidiaries Kuwait

Consolidated balance sheet As at 31 December 2007

	Notes	2007 KD	2006 KD
Assets			
Cash and cash equivalents	3	11,655,658	8,189,620
Investments at fair value through statement of income	4	73,820,239	19,716,614
Accounts receivable and other assets	5	5,503,619	3,425,167
Available for sale investments	6	71,830,759	16,902,442
Non-current asset held for sale	7	2,880,000	-
Investment in unconsolidated subsidiaries	8	1,004,915	1,829,391
Investment in associates	9	15,924,576	11,485,400
Property and equipment	10	7,326,205	3,155,842
Total assets		189,945,971	64,704,476
Liabilities and equity			
Liabilities			
Wakala payables	11	97,837,530	17,485,000
Due to related parties	12	808,899	1,625,000
Accounts payable and other liabilities	13	9,805,403	1,487,404
Provision for staff indemnity		136,652	100,323
Total liabilities		108,588,484	20,697,727
Equity			
Share capital	14	30,294,000	28,050,000
Share premium	15	3,784,500	3,784,500
Statutory reserve	16	4,352,245	1,781,122
Voluntary reserve	17	4,346,553	1,775,430
Treasury shares	18	(43,248)	(926,134)
Treasury shares reserve	19	615,002	33,940
Fair value reserve		15,295,805	(1,383,793)
Foreign currency translation reserve		(4,341)	-
Retained earnings		22,716,971	10,891,684
Total equity		81,357,487	44,006,749
Total liabilities and equity		189,945,971	64,704,476

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

Waleed Ahmed Al-Sharhan
Chairman and Managing Director

Al Safat Investment Company K.S.C. (Closed) and its subsidiaries Kuwait

Consolidated statement of income for the year ended 31 December 2007

	Notes	2007 KD	2006 KD
Revenue			
Income from Islamic deposits		244,698	176,083
Dividend income		1,659,947	317,009
Income from portfolio and asset management		2,944,179	277,656
Profit / (loss) on sale of investments at fair value through statement of income		10,096,032	(771,339)
Unrealised gain / (loss) on investments at fair value through statement of income	4	6,085,811	(1,881,485)
Profit on sale of available for sale investments		145,651	2,214,311
Income from investment in associates	9	1,303,381	15,731
Income from investment in unconsolidated subsidiaries		257,029	130,685
Fee income		5,657,253	7,886,054
Gain on sale of investment in associates and subsidiaries	8&9	3,838,513	2,745,190
Gross income from sales by subsidiary	20	-	99,524
Foreign exchange loss		(479,947)	-
Other income	21	570,908	125,662
		32,323,455	11,335,081
Expenses			
General and administrative expenses	22	(2,721,335)	(1,503,583)
Selling and distribution expenses	23	-	(15,049)
Finance cost	11	(3,890,887)	(1,490,762)
Profit before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST), Zakat and Directors' fees			
		25,711,233	8,325,687
Contribution to KFAS	24	(220,581)	(70,397)
NLST		(601,282)	(197,679)
Zakat		(14,037)	-
Directors' fees		(105,000)	(70,000)
Profit for the year		24,770,333	7,987,611
Earnings per share (fils)			
	25	82.12	31.08

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

Al Safat Investment Company K.S.C. (Closed) and its subsidiaries Kuwait

Consolidated statement of changes in equity for the year ended 31 December 2007

	Share capital	Share premium	Statutory reserve	Voluntary reserve	Treasury shares	Treasury Shares reserve	Fair value reserve	Foreign currency translation reserve	Retained earnings	Total equity
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
Balance at 1 January 2007	28,050,000	3,784,500	1,781,122	1,775,430	(926,134)	33,940	(1,383,793)	-	10,891,684	44,006,749
Net change in fair value of available for sale investments	-	-	-	-	-	-	16,401,577	-	-	16,401,577
Transfer to statement of income on sale of available for sale investments	-	-	-	-	-	-	278,021	-	-	278,021
Change in foreign currency translation	-	-	-	-	-	-	-	(4,341)	-	(4,341)
Total income and expense recognised directly in equity	-	-	-	-	-	-	16,679,598	(4,341)	-	16,675,257
Profit for the year	-	-	-	-	-	-	-	-	24,770,333	24,770,333
Total recognised income and expense for the year	-	-	-	-	-	-	16,679,598	(4,341)	24,770,333	41,445,590
Bonus issue	2,244,000	-	-	-	-	-	-	-	(2,244,000)	-
Dividend paid	-	-	-	-	-	-	-	-	(5,558,800)	(5,558,800)
Sale of treasury shares	-	-	-	-	1,639,377	581,062	-	-	-	2,220,439
Transfer to reserves	-	-	2,571,123	2,571,123	-	-	-	-	5,142,246	(756,491)
Purchase of treasury shares	-	-	-	-	(756,491)	-	-	-	-	(756,491)
Balance at 31 December 2007	30,294,000	3,784,500	4,352,245	4,346,553	(43,248)	615,002	15,295,805	(4,341)	22,716,971	81,357,487
Balance at 1 January 2006	17,000,000	384,500	948,553	942,861	-	19,969	-	-	7,119,211	26,415,094
Net change in fair value of available for sale investments	-	-	-	-	-	-	(1,383,793)	-	-	(1,383,793)
Total income and expense recognised directly in equity	-	-	-	-	-	-	(1,383,793)	-	-	(1,383,793)
Profit for the year	-	-	-	-	-	-	-	-	7,987,611	7,987,611
Total recognised income and expense for the year	-	-	-	-	-	-	(1,383,793)	-	7,987,611	6,603,818
Bonus issue	2,550,000	-	-	-	-	-	-	-	(2,550,000)	-
Rights issue	8,500,000	3,400,000	-	-	-	-	-	-	-	11,900,000
Sale of treasury shares	-	-	-	-	332,343	13,971	-	-	-	346,314
Transfer to reserves	-	-	832,569	832,569	-	-	-	-	(1,665,138)	-
Purchase of treasury shares	-	-	-	-	(1,258,477)	-	-	-	-	(1,258,477)
Balance at 31 December 2006	28,050,000	3,784,500	1,781,122	1,775,430	(926,134)	33,940	(1,383,793)	-	10,891,684	44,006,749

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

Al Safat Investment Company K.S.C. (Closed) and its subsidiaries Kuwait

Consolidated statement of cash flows for the year ended 31 December 2007

	Note	2007 KD	2006 KD
OPERATING ACTIVITIES			
Profit for the year before KFAS, NLST, Zakat and Directors' fees		25,711,233	8,325,687
Adjustments for:			
Depreciation		64,388	54,503
Income from Islamic deposits		(244,698)	(176,083)
Finance cost		3,890,887	1,490,762
Profit on sale of available for sale investments		(145,651)	(2,214,311)
Unrealized (gain) / loss from investments at fair value through statement of income		(6,085,811)	1,881,485
Gain on sale of investment in associates and subsidiaries		(3,838,513)	(2,745,190)
Income from associates and unconsolidated subsidiaries		(1,560,410)	146,416
Provision for staff indemnity		63,603	90,050
		17,855,028	6,560,487
<i>Changes in operating assets and liabilities</i>			
Increase in investments at fair value through statement of income		(48,017,814)	(11,426,894)
Increase in accounts receivable and other assets		(2,072,698)	(1,457,308)
Decrease in due from related parties		-	495,242
Increase in accounts payable and other liabilities		7,229,184	911,595
(Decrease) / increase in due to related parties		(816,101)	1,161,910
Cash utilised for operations		(25,822,401)	(3,754,968)
Payment to KFAS		(70,397)	(36,052)
NLST Paid		(204,315)	(99,968)
Indemnity paid		(27,274)	(2,782)
Net cash used in operating activities		(26,124,387)	(3,893,770)
Cash flows from investing activities			
Net purchase of available for sale investments		(38,182,026)	(9,355,249)
Purchase of non-current asset held for sale		(2,880,000)	-
Investment in unconsolidated subsidiaries		-	(665,011)
Net purchase of property and equipment		(4,234,751)	(2,891,839)
Proceeds from disposal of associates		7,560,000	8,364,574
Increase in investment in associates		(7,237,486)	(2,250,000)
Net proceeds from disposal of unconsolidated subsidiary		1,536,326	392,563
Income from Islamic deposits received		238,944	147,658
Net cash used in investing activities		(43,198,993)	(6,257,304)
Cash flows from financing activities			
Increase in capital from right issue		-	11,900,000
Increase in wakala payables		80,352,530	11,485,000
Cash dividend paid		(5,558,800)	-
Purchase of treasury shares		(756,491)	(1,258,477)
Sale of treasury shares		2,220,439	346,314
Finance cost paid		(3,468,260)	(1,490,762)
Net cash from financing activities		72,789,418	20,982,075
Increase in cash and cash equivalents		3,466,038	10,831,001
Cash and cash equivalents at beginning of the year		8,189,620	(2,641,381)
Cash and cash equivalents at end of the year	3	11,655,658	8,189,620

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

Al Safat Investment Company K.S.C. (Closed) and its subsidiaries Kuwait

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

1. Incorporation and activities

Al Safat Investment Company K.S.C. (Closed) («the parent company») is a closed shareholding company incorporated on 15 September 1983 in the name of Middle East Chemical Manufacturing Company K.S.C. (Closed). Its name was changed to Al Safat Investment Company K.S.C. (Closed) in accordance with the resolutions of the extraordinary general assembly of the parent company held on 22 June 2003. The parent company is incorporated in accordance with the Commercial Companies Law in the State of Kuwait. The parent company is listed on Kuwait Stock Exchange on 21 November 2005 and is governed under the directives of the Central Bank of Kuwait.

The group comprises the parent company and its subsidiaries. Details of the subsidiaries are set out in Note 8.

The parent company is engaged in carrying out investment activities for its own account and for clients, investing in various sectors through interests in companies, portfolio and fund management activities, lending, brokerage and related activities.

The shareholders of the parent company have decided in their general meeting held on 11 February 2007 to carry out the parent company's objectives in accordance with Islamic Sharia.

The address of the parent company's registered office is Al-Kharafi Tower, Al-Qebila, Floor 12/13, P.O. Box 20133, Safat 13062, Kuwait.

The consolidated financial statements of Al Safat Investment Company K.S.C. (Closed) and its subsidiaries (the group) for the year ended 31 December 2007 were authorized for issue by the parent company's board of directors on 19 February 2008 and are subject to the approval of the Annual General Assembly of the shareholders. The shareholders of the parent company have the power to amend these financial statements at the Annual General Assembly.

2. Basis of preparation and significant accounting policies.

2.1 Basis of preparation

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

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

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

The group has adopted IFRS 7 Financial Instruments: Disclosures and the amendments to IAS 1 Presentation of Financial Statements effective for year ended 31 December 2007 which has resulted in amended and additional disclosures relating to financial instruments and associated risks, capital and capital management.

The principal accounting policies are set out below.

Al Safat Investment Company K.S.C. (Closed) and its subsidiaries Kuwait

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

2.2 Basis of consolidation

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

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

Minority interests represent the portion of profit or loss and net assets not held by the group and are presented separately in the consolidated statement of income and within equity in the consolidated balance sheet, separately from parent shareholders' equity.

2.3 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair values at the acquisition date.

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

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

2.4 Investments in associates

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

Al Safat Investment Company K.S.C. (Closed) and its subsidiaries Kuwait

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

2.4 Investments in associates (continued)

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

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

Distributions received from the associate reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the group's share in the associate arising from changes in the associate's equity. The group's share of those changes is recognised directly in equity.

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

Unrealised gains on transactions with associate are eliminated to the extent of the group's share in the associate. Unrealised losses are also eliminated unless the transactions provide evidence of impairment in the asset transferred. An assessment for impairment of investments in associates is performed when there is an indication that the asset has been impaired, or that impairment losses recognised in prior years no longer exist.

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

2.5 Non-current asset held for sale

Assets (and disposal groups) are classified as non-current asset held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Assets (and disposal groups) classified as non-current asset held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Al Safat Investment Company K.S.C. (Closed) and its subsidiaries Kuwait

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

2.6 Investments

The group classifies investments as “investments at fair value through statement of income” or “available for sale investments”

2.6.1 Investments at fair value through statement of income

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

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

Designated investments are investments which are designated as investments at fair value through statement of income on initial recognition 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 documented risk management or investment strategy.

After initial recognition, investments at fair value through statement of income are remeasured at fair value. Gain or loss arising either from the sale or changes in fair value of “investments at fair value through statement of income” are recognised in the consolidated statement of income.

2.6.2 Available for sale investments

Available for sale investments are financial assets that are not held as investments at fair value through statement of income and which may be sold in response to need from liquidity or changes in interest rate.

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

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

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

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

Al Safat Investment Company K.S.C. (Closed) and its subsidiaries Kuwait

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

2.6.3 Fair values

For investments traded in organised financial markets, fair value is determined by reference to stock exchange quoted market bid prices at the close of business on the balance sheet date.

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

2.6.4 Trade and settlement date accounting

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

2.7 Financial instruments

Financial assets and liabilities carried on consolidated balances sheet include cash and cash equivalents, accounts receivable, accounts payable, investments at fair value through statement of income, available for sale investments, due to banks and term loan. Financial instruments are recognized in the balance sheet when the group becomes a party to the contractual provisions of the instrument.

2.8 Financial liabilities

All financial liabilities are measured at cost.

2.9 Cash and cash equivalents

Cash and cash equivalents include cash on hand, current accounts with banks and short-term deposits with an original maturity of three months or less, net of overdrawn account.

2.10 Receivables

Receivables are initially recognized at cost and subsequently measured at cost less provision for impairment losses.

Al Safat Investment Company K.S.C. (Closed) and its subsidiaries Kuwait

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

2.11 Derecognition of financial assets and financial liabilities

Financial assets

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

- the rights to receive cash flows from the asset have expired, or
- the group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement, or
- the group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the group could be required to repay.

Financial liabilities

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

2.12 Impairment of financial assets

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset, or a group of similar assets, may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined based on the net present value of future cash flows, discounted at original yield rates and any impairment loss is recognised in the consolidated statement of income.

In respect of available for sale investments, any increases in fair value subsequent to an impairment loss is recognised directly in equity.

2.13 Provisions

A provision is recognized in the balance sheet when the group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Al Safat Investment Company K.S.C. (Closed) and its subsidiaries Kuwait

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

2.14 Provision for staff indemnity

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

2.15 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Properties in the course of construction are carried at cost, less any recognised impairment loss. Depreciation is calculated based on the estimated useful lives of the applicable assets on a straight-line basis commencing when the assets are ready for their intended use.

The estimated useful lives, residual values and depreciation methods are reviewed at each year end, with the effect of any changes in estimate accounted for on prospective basis. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred.

Significant improvements and replacements of assets are capitalised. The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in consolidated statement of income in the period in which they occur.

2.16 Foreign currency translation

Transactions in foreign currencies are recorded in KD at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Exchange differences arising on settlement or translation of monetary items are taken to the consolidated 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. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Translation differences on non-monetary items such as equity investments which are classified as investments at fair value through statement of income 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 investments are included in "fair valuation reserve" in the consolidated statement of changes in equity.

2.17 Revenue recognition

Income from Islamic deposits is recognised based on estimation of expected income and it is distributed on accrual basis at the time of deposit. Murabaha income is recognised on a straight line basis over the period of murhaba based on expected income embedded in the transaction. Dividend income is recognised when the right to receive payment is established. Portfolio management fees and commission income is recognised when earned in accordance with related contract terms.

Al Safat Investment Company K.S.C. (Closed) and its subsidiaries Kuwait

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

2.18 Wakala costs

Wakala costs are calculated on the accrual basis and is recognised in the consolidated statement of income in the period in which it is incurred.

2.19 Treasury shares

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

Gains realized subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and treasury shares reserve account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

2.20 Fiduciary assets

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

2.21 Dividends

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

2.22 Segment reporting

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

2.23 Contingent liabilities and assets

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless there is a possibility of outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the consolidated financial statements, but disclosed when an inflow of economic benefit is possible.

Al Safat Investment Company K.S.C. (Closed) and its subsidiaries Kuwait

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

2.24 Significant accounting judgements and estimation uncertainty

Accounting judgements

In the process of applying the group's accounting policies, management has used judgements and made estimates in determining the amounts recognised in the consolidated financial statements. The most significant use of judgements and estimates are as follows:

Impairment of investments

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

Classification of investments

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

The group classifies investments as trading if they are acquired primarily for the purpose of making a short term profit by the dealers.

Classification of investments as investment at fair value through statement of income depends on how management monitor the performance of these investments. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of income statement in the management accounts, they are classified as at fair value through statement of income. All other investments are classified as available for sale.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Valuation of unquoted equity investments

- Valuation of unquoted equity investments is normally based on one of the following recent arm's length market transactions;
- current fair value of another instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation.

Al Safat Investment Company K.S.C. (Closed) and its subsidiaries Kuwait

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

2.25 Future changes in accounting policies

The following standards have been issued but are not yet effective and applicable to the group. These standards have not been applied in these financial statements. The group intends to comply with these standards from the effective dates.

IFRS 8 'Operating Segments' effective for accounting periods beginning on or after 1 January 2009 replaces IAS 14 'Segment Reporting', and would amend the disclosures of the group's operating segments, products, services and geographical areas in which it operates.

IAS 1 'Presentation of Financial Statements' (revised) effective for the annual accounting periods beginning on or after 1 January 2009 would impact the presentation of financial statements to enhance the usefulness of the information presented.

3. Cash and cash equivalents

	2007 KD	2006 KD
Cash in hand and at banks	10,759,497	1,954,032
Islamic deposits	1,852,720	6,235,588
	<u>12,612,217</u>	<u>8,189,620</u>
Overdrawn account	(956,559)	-
	<u>11,655,658</u>	<u>8,189,620</u>

The effective yield on Islamic deposits as at balance sheet date was between 5.25% and 5.75% (2006: 6.00% and 6.125%) per annum. These deposits mature within three months from the balance sheet date.

4. Investments at fair value through statement of income

These represent a portfolio of investments quoted at Kuwait Stock Exchange and unquoted equity investments are summarized below:

	2007 KD	2006 KD
<i>Quoted investments</i>		
Banking sector	1,152,000	2,976,571
Investment sector	2,560,100	2,815,550
Real Estate sector	5,382,885	373,950
Industrial sector	2,313,805	967,275
Services sector	22,661,267	3,223,555
Food sector	1,445,525	-
Non-Kuwaiti sector	702,708	-
	<u>36,218,290</u>	<u>10,356,901</u>
<i>Unquoted investments</i>	37,601,949	9,359,713
	<u>73,820,239</u>	<u>19,716,614</u>

Investments at fair value through statement of income in the amount of KD 10,718,065 (2006: KD 2,881,100) are pledged against wakala payables (refer note 11).

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

4. Investments at fair value through statement of income (continued)

Unrealised gain/(loss) on investments at fair value through statement of income are summarised below:

	2007 KD	2006 KD
Quoted investments	(1,269,137)	(2,061,485)
Unquoted investments	7,354,948	180,000
	<u>6,085,811</u>	<u>(1,881,485)</u>

Unquoted investments have been valued according to latest available prices. Management has no indications of any impairment.

5. Accounts receivable and other assets

	2007 KD	2006 KD
Staff receivables	3,122	13,857
Refundable deposits	14,790	4,890
Accrued income	2,346,635	145,364
Prepaid expenses	461,171	6,996
Project advances	619,027	162,831
Other receivables	2,058,874	3,091,229
	<u>5,503,619</u>	<u>3,425,167</u>

6. Available for sale investments

These represent investment in shares of quoted and unquoted companies. Certain unquoted investments are carried at cost less impairment losses, since these investments are primarily in newly formed companies and funds, fair value of which cannot be reliably determined.

	2007 KD	2006 KD
Quoted securities	29,865,040	11,647,520
Unquoted securities	41,965,719	5,254,922
	<u>71,830,759</u>	<u>16,902,442</u>

Available for sale investments are acquired with the intention of capital appreciation over a medium to long-term time frame. Unquoted securities amounting to KD 5,122,484 (2006: KD 3,317,831) are carried at cost since their fair values could not be measured reliably.

Available for sale investments include investments amounting to KD 36,843,235 (2006:KD 1,937,091) whose fair values are determined using valuation techniques that are used by fund managers that are not based on observable market prices or rates.

Available for sale investments having a carrying value of KD 43,584,680 as at 31 December 2007 (31 December 2006: 8,250,000) are pledged against wakala payables (refer to note 11).

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7. Non-current asset held for sale

On 30 May 2007, the parent company's subsidiary Al-Safat Holding Company K.S.C.(Closed) acquired 48% interest in Al Sakhr Software Company K.S.C. (Closed) engaged in the business of information technology services, for a purchase consideration of KD 2,880,000.

Subsequently, the Company's management decided to dispose of the investment in Al Sakhr Software Company K.S.C. (Closed) for strategic reasons and expects to sell this investment within one year from the date of classification. Accordingly, this investment is classified as non-current asset held for sale and is carried at lower of its carrying amount and fair value less costs to sell, and has not recognized any impairment loss.

8. Investment in subsidiaries

8.1 Consolidated subsidiaries

The subsidiaries of the parent company which have been consolidated in these financial statements together with the holdings at 31 December are set out below:

	2007 Ownership (%)	2006 Ownership (%)
Al Safat Holding Company K.S.C.(Closed)		
Al Safat Holding Company Bahrain B.S.C.(Closed)	100	100
	100	-

Al Safat Holding Company B.S.C.(Closed) was incorporated, in Bahrain, on 2 October 2007 for the purpose of investing in companies shares.

8.2. Unconsolidated subsidiaries

The parent company has investments in the following subsidiaries which have not been consolidated since they are considered by the management as immaterial to the consolidated financial statements:

Company name:	2007 Holding %	2006 Holding %	2007 KD	2006 KD
Al Safat United Food Company K.S.C. (Closed)	-	85	-	1,060,145
Al Safat Tourism and Travel Company K.S.C.(Closed)	65.5	65.5	833,915	694,246
First Future Real Estate Development Co. W.L.L.	75	75	75,000	75,000
Safat House for Consultancy K.S.C. (Closed)	96	-	96,000	-
			<u>1,004,915</u>	<u>1,829,391</u>

During October 2007, the parent company sold its shares in Al Safat United Food Company K.S.C. (Closed) to an outside party for KD 1,550,000 and realized a gain of KD 454,821.

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8. Investment in subsidiaries (continued)

First Future Real Estate Development Co. W.L.L. was incorporated for purpose of renting and leasing real estate, buying and selling real estate for its own account and managing third party properties and projects. Safat House for Consultancy K.S.C. (Closed) was incorporated for purpose of providing professional consultancy services. These Companies have not commenced commercial operations at balance sheet date.

9. Investment in associates

The Group's shareholding in associate companies is as follows:

<u>Company name</u>	<u>Percentage of shareholding</u>		<u>Carrying value</u>	
	2007 (%)	2006 (%)	2007 KD	2006 KD
Al Safat Real Estate Company K.S.C.(Closed)	25	25.00	8,174,998	7,309,436
Al Daen Group for General Trading B.S.C.(Closed)	45	-	7,749,578	-
Warba Investment Company K.S.C.(Closed)	-	28.52	-	4,175,964
			<u>15,924,576</u>	<u>11,485,400</u>

During March 2007, the parent company sold 28% of its stake in Warba Investment Company K.S.C. (Closed) to an outside party for KD 7,560,000 and realized a gain of KD 3,383,692. As a result, the parent company's shareholding in Warba Investment Company K.S.C (Closed) has been reduced from 28.52% to 0.52%, which has been reclassified as available for sale investment.

During the year the parent company's subsidiary Al Safat Holding Company B.S.C.(Closed) acquired 45% stake in Al Daen Group for General Trading B.S.C. (Closed), for an amount of KD 7,271,179 and recognised a goodwill of KD 6,329,668.

Investment in Al Safat Real Estate Company K.S.C.(Closed) with carrying value of KD 8,140,935 (31 December 2006: KD 10,225,000) are pledged against wakala payables (refer to note 11).

Summarized financial information of the Group's associates is set out below:

	2007 KD	2006 KD
Total assets	47,376,777	71,111,803
Total liabilities	(11,521,432)	(27,231,828)
Net assets	35,855,345	43,879,975
Group's share of associates' net assets	<u>9,594,908</u>	<u>11,485,400</u>
Revenue	5,463,774	4,390,876
Profit for the year	4,380,428	361,506
Group's share of associates' profit for the year	<u>1,303,381</u>	<u>15,731</u>

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10. Property and equipment

	Buildings KD	Furniture, fixtures and computers KD	Vehicles KD	Machinery and equipment KD	Capital work in progress KD	Total KD
Cost						
Balance at 1 January 2006	500,911	216,821	10,203	79,697	162,534	970,166
Additions	75	44,048	50	681	2,846,985	2,891,839
Relating to disposal of a subsidiary	(500,986)	(21,388)	(10,253)	(80,378)	-	(613,005)
Balance at 1 January 2007	-	239,481	-	-	3,009,519	3,249,000
Additions	-	213,037	-	-	4,021,714	4,234,751
Balance at 31 December 2007	-	452,518	-	-	7,031,233	7,483,751
Accumulated depreciation and impairment losses						
Balance at 1 January 2006	498,185	61,968	4,809	74,399	-	639,361
Charge for the year	178	51,585	915	1,825	-	54,503
Relating to disposal of a subsidiary	(498,363)	(20,395)	(5,724)	(76,224)	-	(600,706)
Balance at 1 January 2007	-	93,158	-	-	-	93,158
Charge for the year	-	64,388	-	-	-	64,388
Balance at 31 December 2007	-	157,546	-	-	-	157,546
Carrying value						
31 December 2007	-	294,972	-	-	7,031,233	7,326,205
31 December 2006	-	146,323	-	-	3,009,519	3,155,842

Annual Depreciation rates are furniture and fixtures 20% and computers 33%

Capital work-in-progress as at 31 December 2007, includes payment made and expenses incurred on a Build, Operate and Transfer ("B.O.T") project awarded to the Company during the year 2005.

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11. Wakala payables

	2007 KD	2006 KD
Current portion	82,837,530	17,485,000
Non - current portion	15,000,000	-
	<u>97,837,530</u>	<u>17,485,000</u>

The Group has obtained wakala from a local bank in the amount of KD 54,990,000 carrying contracted costs of 1.375% and 2% (31 December 2006: 1.375% and 2.75%) over the Central Bank of Kuwait discount rate. The current portion of wakala are secured by the parent company's investments having carrying value of KD 22,250,935 as at 31 December 2007 (31 December 2006: KD 21,356,100) (refer notes 4, 6 and 9).

The Group has also obtained wakala from a foreign bank in the amount KD 27,042,530 carrying contracted costs of 12% (31 December 2006: Nil). This wakala is secured by the parent company's investments having carrying value of KD 40,192,745 as at 31 December 2007 (31 December 2006: Nil) (refer notes 4 and 6).

Further, the Group has obtained unsecured wakala from local investment companies in the amount of KD 15,805,000 at cost of 10% and 11% per annum.

12. Related party transactions

Related parties primarily comprise of directors, key management personnel, associates, subsidiaries, shareholders and companies of which the parent company is principal owner or over which they are able to exercise significant influence. All related party transactions are carried out on terms approved by the Group's management. Significant related party transactions other than disclosed elsewhere in the financial statements during the year are as follows:

	2007 KD	2006 KD
<i>Transactions during the year</i>		
Managing director's salaries and benefits	133,802	179,097
Key management personnel's salaries and benefits	268,122	305,844
Associates and unconsolidated subsidiaries	1,763,877	6,960,191
	<u>2,165,801</u>	<u>7,445,132</u>
<i>Due to:</i>		
Directors	105,000	70,000
Key management personnel	-	100,000
Associates and unconsolidated subsidiaries	703,899	-
Loan from a related party	-	1,455,000
	<u>808,899</u>	<u>1,625,000</u>

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13. Accounts payable and other liabilities

	2007 KD	2006 KD
Trade payables	7,625,583	977,984
Staff payables	646,050	180,000
Accrued expenses	438,627	7,512
Provision for leave	89,835	53,832
Dividend payable	170,752	-
Contribution to KFAS	219,237	70,397
National Labour Support Tax	601,282	197,679
Zakat	14,037	-
	<u>9,805,403</u>	<u>1,487,404</u>

14. Share capital

	2007 KD	2006 KD
Authorised, issued and fully paid : 302,940,000 (2006 : 280,500,000) shares of KD 0.100 each	<u>30,294,000</u>	<u>28,050,000</u>

The movement in ordinary shares in issue during the year was as follows:

	2007	2006
Number of shares in issue 1 January	280,500,000	170,000,000
Bonus issue	22,440,000	25,500,000
Rights issue	-	85,000,000
Number of shares in issue 31 December	<u>302,940,000</u>	<u>280,500,000</u>

15. Share premium

The share premium is due to issue of 85,000,000 right shares at a premium of 40 fils per share during the year 2006. The share premium account is not available for distribution.

16. Statutory reserve

In accordance with the Commercial Companies Law of 1960, as amended, and the parent company's articles of association, 10% of the net profit for the year is required to be transferred to the statutory reserve until the reserve totals 50% of the paid-up share capital. Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of paid-up share capital to be made in years when retained earnings are not sufficient for the payment of a dividend of that amount.

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17. Voluntary reserve

As required by the parent company's articles of association, 10% of the net profit for the year is required to be transferred to the voluntary reserve. Such annual transfers can be discontinued by a resolution of shareholders in the annual general assembly meeting upon recommendation by the Board of directors. There are no restrictions on the distribution of this reserve.

18. Treasury shares

	2007 KD	2006 KD
Number of shares (No's)	104,000	3,020,000
Percentage of issued shares (%)	0.03%	1.08
Market value (KD)	73,840	966,400
Cost (KD)	43,248	926,134

These shares were acquired based on an authorization granted to the Board of Directors by the shareholders and in accordance with Ministerial Decrees No.10 of 1987 and No. 11 of 1988. Reserves equivalent to the cost of treasury shares held are not distributable.

19. Treasury shares reserve

During the year, the Group bought and sold treasury shares and realized gain of KD 581,062 (2006: KD 13,971).

20. Gross income from sales by subsidiary

	Sales KD	2007 Cost of sales KD	Gross income KD
	-	-	-
		2006	
Middle East Chemical Manufacturing Co. W.L.L.	258,261	(158,737)	99,524

21. Other income

	2007 KD	2006 KD
Wakala income		12,712
Consultancy income	569,000	46,800
Other miscellaneous income	1,908	66,150
	570,908	125,662

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22. General and administrative expenses

	2007 KD	2006 KD
Staff costs	1,923,292	1,049,121
Legal and professional fees	243,913	66,503
Rent	187,557	145,077
Depreciation and amortisation	64,388	54,503
Others	302,185	188,379
	<u>2,721,335</u>	<u>1,503,583</u>

23. Selling and distribution expenses

	2007 KD	2006 KD
Selling and distribution expenses	<u>-</u>	<u>15,049</u>

24. Contribution to KFAS

	2007 KD	2006 KD
Share of KFAS in net profit for the year of parent company	200,301	40,832
Share of KFAS in consolidated subsidiary	<u>20,280</u>	<u>29,565</u>
	<u>220,581</u>	<u>70,397</u>

25. Earnings per share

Earnings per share is computed by dividing profit attributable to equity holders of the parent company by the weighted average number of shares outstanding during the year. The following reflects profits and weighted average number of shares outstanding during the year used in computation of earnings per share:

	2007 KD	2006 KD
Profit for the year	24,770,333	7,987,611
Weighted average number of shares (Nos)	<u>301,652,096</u>	<u>256,984,335</u>
Earnings per share (fils)	<u>82.12</u>	<u>31.08</u>

During the year, the parent company issued 22,440,000 bonus shares (2006: 25,500,000) and nil right shares (2006: 85,000,000) at strike price lower than market price, having a corresponding impact on earnings per share of the prior year.

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26. Fiduciary assets

Third party funds managed by the parent company and assets held in trust or in a fiduciary capacity and related liabilities are not treated as the Group's assets or liabilities and accordingly are not included in these consolidated financial statements. Total fiduciary assets as at the balance sheet date amounted to KD 284,139,000 (2006: KD 118,684,967).

27. Commitments and contingencies

	2007 KD	2006 KD
Bank guarantees	300,000	2,605,000

28. Proposed dividends

Subject to the requisite consent of the relevant authorities and approval from the general assembly, the board of directors propose to distribute a cash dividend of 20 Fils per share and bonus shares of 45% to the shareholders of record as of the date of the general assembly. The board of directors propose to recommend increase in share capital as follows:

- Right issue of 196,911,000 shares for nominal value of 100 fils and share premium of 170 fils per share.
- Issue of 135,411,000 shares to strategic investors for nominal value of 100 fils and share premium of 300 fils per share.
- Issue of 8,415,000 shares under employee stock option plan.

During 2007, cash dividends of 20 Fils per share and bonus shares of 8% for the year ended 31 December 2006 were approved by the general assembly held on 11 April 2007 and were paid following that approval.

29. Financial risk and capital management**(a) Capital risk management**

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The group sets the amount of capital in proportion to risk. The group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

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29. Financial risk and capital management (continued)

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The group credit policy and exposure to credit risk are monitored on an ongoing basis. The group seeks to avoid undue concentration of risks with individuals or group of customers in specific locations or business through diversification of lending activities. It also obtains security when appropriate.

The maximum credit risk exposure arising from default of the counter-party is limited to the carrying amount of cash and cash equivalents, accounts receivable, investments at fair value through statement of income and available for sale investments.

(c) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the group does not hedge foreign currency exposure.

At 31 December 2007, the group had the following significant exposures denominated in foreign currencies:

	2007 <i>Equivalent</i> KD	2006 <i>Equivalent</i> KD
US Dollars	2,394,533	1,746,840
UAE Dirhams	59,418,500	-
Bahraini Dinar	6,204,180	-
Egyptian Pounds	231,603	-
Qatari Riyal	(27,105,959)	-
Net assets denominated in foreign currency	<u>41,142,857</u>	<u>1,746,840</u>

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

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

29. Financial risk and capital management (continued)

Currency	Change in currency rate in %	2007		2006	
		Effect on profit KD 000's	Effect on equity KD 000's	Effect on profit KD 000's	Effect on equity KD 000's
USD	+5	(119,727)	(119,727)	(87,342)	(87,342)
AED	+5	(2,970,925)	(2,970,925)	-	-
BHD	+5	(310,209)	(310,209)	-	-
EGP	+5	(11,580)	(11,580)	-	-
QAR	+5	1,355,298	1,355,298	-	-

(d) Liquidity risk

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

For liquidity profile of financial assets and liabilities as at 31 December 2007 and 2006 refer to note 31.

(e) Equity price risk

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

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

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29. Financial risk and capital management (continued)

	<i>Change in equity price 2007</i>	<i>Effect on profit before KFAS, NLST, Zakat & Directors' fees 2007</i>	<i>Effect on equity 2007</i>	<i>Change in equity price 2006</i>	<i>Effect on profit before KFAS, NLST, Zakat & Directors' fees 2006</i>	<i>Effect on equity 2006</i>
	KD	KD	KD	KD	KD	KD
Kuwait	+5%	2,641,138	4,684,033	+5%	1,651,570	2,366,028
Middle East	+5%	1,896,348	3,528,991	+5%	-	130,665

(f) Fair value of financial instruments

In the opinion of management, cash and cash equivalents, accounts receivable, accounts payable, investments at fair value through statement of income and available for sale investments are not significantly different from fair values.

30. Segment information

A segment is a distinguishable component of the Group either in providing products or services known as 'Business Segment' or in providing products or services within a particular economic environment known as 'Geographical Segment', which is subject to risks and rewards that are different from those of other segments. Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments is based on the Group's major operating divisions. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

a) Primary segment information – Business Segments

Financial information about business segments for the year ended 31 December 2007 are set out below:

The Chemical products segment was discontinued in the consolidated segment information from the date of disposal of the subsidiary.

	<i>Investment management</i>	<i>Chemical products</i>	<i>Total</i>
	KD	KD	KD
Total revenue	32,323,455	-	32,323,455
Segment results	24,770,333	-	24,770,333
Segment assets	189,945,971	-	189,945,971
Segment liabilities	108,588,484	-	108,588,484

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

30. Segment information(continued)

Financial information about business segments for the year ended 31 December 2006 are set out below:

	Investment management KD	Chemical products KD	Total KD
Total revenue	11,233,673	101,408	11,335,081
Segment results	7,918,980	68,631	7,987,611
Segment assets	64,704,476	-	64,704,476
Segment liabilities	20,697,727	-	20,697,727

b) Geographical segments

Apart from its main operations in Kuwait, the group also operates through its foreign subsidiary in Bahrain. Financial information about geographical segments are set out below:

	Kuwait KD	Middle East KD	Total KD
Total revenue	24,735,108	7,588,347	32,323,455
Segment results	17,467,743	7,302,590	24,770,333
Segment assets	119,302,698	70,643,273	189,945,971
Segment liabilities	79,383,629	29,204,855	108,588,484

Financial information about geographical segments for the year ended 31 December 2006 are set out below:

	Kuwait KD	Middle East KD	Total KD
Total revenue	11,335,081	-	11,335,081
Segment results	7,987,611	-	7,987,611
Segment assets	62,091,186	2,613,290	64,704,476
Segment liabilities	20,697,727	-	20,697,727

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31. Maturity analysis of assets and liabilities

The Group's maturity profile set out below is based on the remaining period at the balance sheet date to the contractual maturity date. In the case of financial instruments that do not have a contractual maturity date, the maturity is based on management's estimate of time period in which the asset will be collected or disposed and the liability settled.

At 31 December 2007

	Up to 1 month KD	1 to 3 months KD	3 months To 1 year KD	Over 1 year KD	Total KD
Assets					
Cash and cash equivalents	11,655,658	-	-	-	11,655,658
Investments at fair value through statement of income	73,820,239	-	-	-	73,820,239
Accounts receivable and other assets	2,346,635	-	3,156,984	-	5,503,619
Available for sale investments	-	-	-	71,830,759	71,830,759
Non-current asset held for sale	-	-	2,880,000	-	2,880,000
Investment in unconsolidated subsidiaries	-	-	-	1,004,915	1,004,915
Investment in associates	-	-	-	15,924,576	15,924,576
Property and equipment	-	-	-	7,326,205	7,326,205
Total assets	87,822,532		6,036,984	96,086,455	189,945,971
Liabilities and equity					
Wakala payables	-	42,340,000	40,497,530	15,000,000	97,837,530
Due to related parties	-	808,899	-	-	808,899
Accounts payable and other liabilities	-	9,544,816	260,587	-	9,805,403
Provision for staff indemnity	-	-	-	136,652	136,652
Total liabilities	-	52,693,715	40,758,117	15,136,652	108,588,484
Equity	-	-	-	81,357,487	81,357,487
Total liabilities and equity	-	52,693,715	40,758,117	96,494,139	189,945,971

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31. Maturity analysis of assets and liabilities (continued)**At 31 December 2006**

	Upto 1 month KD	1 to 3 months KD	3 months To 1 year KD	Over 1 year KD	Total KD
Assets					
Cash and cash equivalents	8,189,620	-	-	-	8,189,620
Investments at fair value through statement of income	19,716,614	-	-	-	19,716,614
Accounts receivable and other assets	-	415,244	3,009,923	-	3,425,167
Available for sale investments	-	-	-	16,902,442	16,902,442
Investment in unconsolidated subsidiaries	-	-	-	1,829,391	1,829,391
Investment in associates	-	-	-	11,485,400	11,485,400
Property and equipment	-	-	-	3,155,842	3,155,842
Total assets	27,906,234	415,244	3,009,923	33,373,075	64,704,476
Liabilities and equity					
Wakala payables	17,485,000	-	-	-	17,485,000
Due to related parties	-	1,625,000	-	-	1,625,000
Accounts payable and other liabilities	-	1,219,328	268,076	-	1,487,404
Provision for staff indemnity	-	-	-	100,323	100,323
Total liabilities	17,485,000	2,844,328	268,076	100,323	20,697,727
Equity	-	-	-	44,006,749	44,006,749
Total liabilities and equity	17,485,000	2,844,328	268,076	44,107,072	64,704,476

32. Comparative figures

Certain comparative figures have been reclassified to conform to current year's presentation .