

The Future is Noor

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A n n u a l R e p o r t



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A n n u a l R e p o r t



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



H.H. Sheikh
Naser Mohammad Al-Ahmad Al-Sabah
Prime Minister of The State of Kuwait

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Noor increased its share capital from KD 25 million to KD 50 million in April 2007. Noor effectively deployed the capital increase along with other financing to generate KD 66 million in revenues for the year, which represents a 136% increase over KD 28 million achieved in 2006.

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Hussam Fawzi Al Kharafi
Chairman



Naser A. Al Marri
Deputy Chairman & Managing Director



Sheikh Khalifa A. Al Sabah
Board Member



Abdullatif A. Al Asfour
Board Member



Abdulghani M. Behbehani
Board Member

Board Members

Executive Management



Catherine Pfeiffer
General Manager Investment Banking



Nawal Ahmed
Chief Investment Officer



Omar Samara
Director Special Projects



Yousef Faisal Yousef
Mubark Al Mannaei
Portfolio Manager - Local Market



Abdul Muhsen Khalid Abdul
Muhsen Abdulla Al Bahar
Director Client Portfolios
(Local & GCC)



Suleman Shah (ACA)
Accounts Manager



Babu Thomas
Treasurer



Ibrahim Khamees Abulgubein
Administration Manager



Dear Shareholders;

On my behalf and on behalf of my brothers, the members of the Board of Directors, I am pleased to present the company's annual accounts for the fiscal year 2007.

This year has been one of great success for Noor and its shareholders. Our well-diversified investment strategy enabled us to capitalize on local, regional and international opportunities in specific geographies and sectors of interest.

Noor increased its share capital from KD 25 million to KD 50 million in April 2007. Noor effectively deployed the capital increase along with other financing to generate KD 66 million in revenues for the year, which represents a 136% increase over KD 28 million achieved in 2006.

Earnings per share increased substantially in 2007 from 62 fils per share to 104 fils per share and the return on shareholders' equity was 40%. This impressive result was due primarily to Noor's sound business strategy, which is underpinned by careful research and analysis and supported by strong corporate governance and commitment to its corporate vision.

The net profit of the company tripled from KD 15 million in 2006 to KD 45 million in 2007.

The overall favorable market conditions in Kuwait and the GCC that prevailed for most of 2007 led to increased global interest in Kuwait and the region. Internationally, the U.S. subprime and other mortgage related exposures have dramatically affected the profitability of financial institutions there and globally and resulted in significant reductions in earnings per share and return of their shareholders' equity.

Noor's management and talented staff have continued to drive the company's growth and enhance its profile, by promoting Noor's recognition across borders and by building its reputation as a premier investment banking institution in the region. In addition to strategic investment and client development, Noor also cultivated a number of international strategic partnerships and alliances over the year, all of which should continue to contribute toward Noor's growth and expansion in the coming years.

Chairman's Address

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The net profit of the company tripled from KD 15 million in 2006 to KD 45 million in 2007.

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Asset Management

Significant milestones were achieved by the Asset Management Department both on the local and international domains.

Locally, the portfolio management team outperformed all Kuwaiti stock market indices significantly. Noor also launched its first local and GCC funds that outperformed their respective benchmarks. Our client portfolio management service continues to add value for clients and our clients assets under management grew significantly during 2007. We also introduced margin lending for purchasing securities and launched Noor Trader, a unique online brokerage service that allows a trader a single platform to trade all GCC equities. These additional new services have allowed us to enhance our fee based income and thus make positive contributions to our revenue base.

Internationally, we continued to add significant value by identifying and executing excellent trading opportunities in the global markets. Despite the downturn internationally due to the US subprime crisis, our international portfolios returned net positive returns far in excess of global benchmark returns. Noor launched five international funds during 2007 that allow investors to diversify their assets globally. Fee income from our international products have increased significantly thus allowing us to diversify our revenue base.

We hope to continue to add value for our shareholders by continuing to make good investments, hire talented staff and invest in world class systems.

Investment banking

Our Investment Banking business has continued to grow with over twenty transactions completed in which Noor participated in or advised on approximately KD 200 million of investment. These deals were across the MENA region, Asia, and the USA, in various sectors, including infrastructure, power, telecommunications, technology, oil & gas and financial services.

Noor participated in one of the Middle East's largest private infrastructure projects, the rehabilitation, expansion and operation of Queen Alia International Airport in Jordan, in consortium with Aeroports de Paris Management, Joannou & Paraskevaides (Overseas), J&P-Avax, Abu Dhabi Investment Company and EDGO Ventures. We can proudly report that this project has received the Euromoney Project Finance - Middle East Transport Deal of the Year Award.

We continued to build strategic partnerships globally, and in 2008, we have a promising pipeline of acquisition opportunities for our own proprietary books, our group and clients. We are preparing to offer new services in the local and gulf domain as well as internationally to benefit our clients and their businesses. We continued to build our team of professionals, bringing on board individuals from the world's top graduate schools with solid technical, investment banking and private equity experience.

Our goal is to make Noor one of the best investment houses in the region and to provide our clients with superior and value-added service.



Hussam Fawzi Al Kharafi
Chairman

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2007
Success

Consolidated Financial Statements And Independent Auditors' Report

Noor Financial Investment Co. K.S.C (Closed) & Subsidiaries
Kuwait - 31 December 2007

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Independent Auditors' Report

To the shareholders of
Noor Financial Investment Company – KSC (Closed)
Kuwait

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Noor Financial Investment Company (A Kuwaiti Closed Shareholding Company) ("the parent company") and Subsidiaries (collectively "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 from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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.

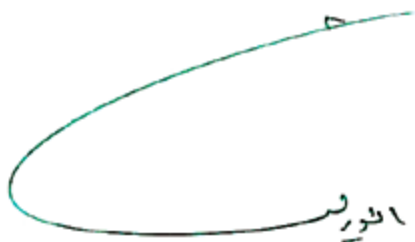
Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the group as at 31 December 2007, and the results 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

In our opinion proper books of account have been kept by the parent company and the consolidated financial statements, together with the contents of the report of the parent company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Commercial Companies Law of 1960, and by the parent company's articles of association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Commercial Companies Law, or of the parent company's articles of association, as amended, have occurred during the year ended 31 December 2007 that might have had a material effect on the business of the group or on its financial position.

We further report that, during the course of our audit we have not become aware of any material violations of the provisions of Law 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations during the year ended 31 December 2007.



Anwar Y. Al-Qatami, F.C.C.A.
Licence No. 50-A
Grant Thornton – Anwar Al-Qatami & Co.



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

Kuwait
10 February 2008

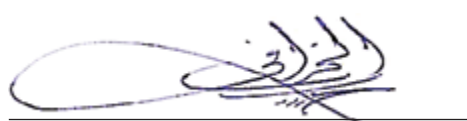
Consolidated statement of income

	Note	Year ended 31 Dec. 2007 KD	Year ended 31 Dec. 2006 KD
Income			
Realised gain on investments at fair value through statement of income		31,273,185	2,629,985
Unrealised gain/(loss) on investments at fair value through statement of income		19,193,866	(9,046,782)
Realised gain on sale of available for sale investments		141,310	25,143,516
Dividend income		5,163,243	4,976,252
Management and placement fees		2,670,552	4,261,660
Interest and other income	7	4,399,912	631,934
Share of profit of associates		2,228,851	-
Foreign exchange gain/(loss)		725,131	(130,106)
		65,796,050	28,466,459
Expenses and other charges			
General, administrative and other expenses	6	9,579,068	5,626,190
Finance costs	9	9,241,411	6,791,098
		18,820,479	12,417,288
Profit before contribution to KFAS, Zakat contribution, NLST and directors' remuneration		46,975,571	16,049,171
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(437,725)	(147,143)
Contribution to Zakat		(28,051)	-
National Labour Support Tax (NLST)		(1,084,307)	(281,638)
Directors' remuneration		(75,000)	(50,000)
Profit for the year		45,350,488	15,570,390
Attributable to:			
Shareholders of the parent company		45,314,974	15,570,390
Minority interest		35,514	-
		45,350,488	15,570,390
BASIC AND DILUTED EARNINGS PER SHARE	10	104 Fils	54 Fils

The notes set out on pages 19 to 41 form an integral part of these consolidated financial statements.

Consolidated balance sheet

	Note	31 Dec. 2007 KD	31 Dec. 2006 KD
Assets			
Cash and bank balances	20	5,083,793	4,553,291
Short term deposits	20	5,526,470	4,188,211
Investments at fair value through statement of income	11	144,469,773	110,291,856
Accounts receivable and other assets	12	62,841,502	10,258,508
Available for sale investments	13	94,751,151	38,749,089
Investment in unconsolidated subsidiary	5	826,845	306,000
Investment in associates	14	22,256,784	-
Equipment		373,394	159,139
Total assets		336,129,712	168,506,094
Liabilities and equity			
Liabilities			
Due to banks	20	8,407,487	8,218,953
Accounts payable and other liabilities	15	11,512,544	22,606,020
Borrowings	16	130,497,295	77,485,418
Provision for end of service indemnity		129,919	69,749
Total liabilities		150,547,245	108,380,140
Equity			
Equity attributable to shareholders of the parent company			
Share capital	17	50,000,000	25,000,000
Share premium	17	50,000,000	-
Legal reserve	18	6,699,281	3,594,433
Voluntary reserve	18	5,943,481	2,838,633
Cumulative changes in fair value		2,416,640	(2,831,732)
Currency translation reserve		(1,112,409)	-
Retained earnings		58,129,898	31,524,620
		172,076,891	60,125,954
Minority interest		13,505,576	-
Total equity		185,582,467	60,125,954
Total liabilities and equity		336,129,712	168,506,094



Hussam F. Al-Kharafi
Chairman



Naser A. Al-Marri
Deputy Chairman & Managing Director

The notes set out on pages 19 to 41 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Equity attributable to shareholders of the parent company										Minority interest	Total
	Share capital KD	Share premium KD	Legal reserve KD	Voluntary reserve KD	Cumulative changes in fair value KD	Currency translation reserve KD	Retained earnings KD	Total KD	KD	KD		
Balance as at 1 January 2007	25,000,000	-	3,594,433	2,838,633	(2,831,732)	-	31,524,620	60,125,954	-	60,125,954		
Change in fair value of available for sale investments	-	-	-	-	5,389,682	-	-	5,389,682	-	5,389,682		
Foreign currency translation adjustments	-	-	-	-	-	(1,112,409)	-	(1,112,409)	-	(1,112,409)		
Net gain realised on sale of available for sale investments	-	-	-	-	(141,310)	-	-	(141,310)	-	(141,310)		
Net income / (expense) recognised directly in equity	-	-	-	-	5,248,372	(1,112,409)	-	4,135,963	-	4,135,963		
Profit for the year	-	-	-	-	-	-	45,314,974	45,314,974	35,514	45,350,488		
Total recognised income/(expense) for the year	-	-	-	-	5,248,372	(1,112,409)	45,314,974	49,450,937	35,514	49,486,451		
Cash dividend (refer note 19)	-	-	-	-	-	-	(12,500,000)	(12,500,000)	-	(12,500,000)		
Issue of right shares (refer note 17)	25,000,000	50,000,000	-	-	-	-	-	75,000,000	-	75,000,000		
Investment by minority shareholders	-	-	-	-	-	-	-	-	13,470,062	13,470,062		
Transfer to reserves	-	-	3,104,848	3,104,848	-	-	(6,209,696)	-	-	-		
Balance as at 31 December 2007	50,000,000	50,000,000	6,699,281	5,943,481	2,416,640	(1,112,409)	58,129,898	172,076,891	13,505,576	185,582,467		

Consolidated statement of changes in equity (continued)

	Equity attributable to shareholders of the parent company										Minority interest	Total
	Share capital KD	Share premium KD	Legal reserve KD	Voluntary reserve KD	Cumulative changes in fair value		Currency translation reserve KD	Retained earnings KD	Total KD	KD		
					fair value KD	reserve KD						
Balance as at 1 January 2006	25,000,000	-	2,259,683	1,503,883	16,563,792	-	18,623,730	63,951,088	-	-	63,951,088	
Change in fair value of available for sale investments	-	-	-	-	(9,978,116)	-	-	(9,978,116)	-	-	(9,978,116)	
Net gain realised on sale of available for sale investments	-	-	-	-	(9,417,408)	-	-	(9,417,408)	-	-	(9,417,408)	
Net expense recognised directly in equity	-	-	-	-	(19,395,524)	-	-	(19,395,524)	-	-	(19,395,524)	
Profit for the year	-	-	-	-	-	-	15,570,390	15,570,390	-	-	15,570,390	
Total recognised (expense)/income for the year	-	-	-	-	(19,395,524)	-	15,570,390	(3,825,134)	-	-	(3,825,134)	
Transfer to reserves	-	-	1,334,750	1,334,750	-	-	(2,669,500)	-	-	-	-	
Balance as at 31 December 2006	25,000,000	-	3,594,433	2,838,633	(2,831,732)	-	31,524,620	60,125,954	-	-	60,125,954	

The notes set out on pages 19 to 41 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Note	Year ended 31 Dec. 2007 KD	Year ended 31 Dec. 2006 KD
OPERATING ACTIVITIES			
Profit before contribution to KFAS, Zakat contribution, NLST and directors' remuneration		46,975,571	16,049,171
Adjustments:			
Realised gain on sale of available for sale investments		(141,310)	(25,143,516)
Dividend income		(5,163,243)	(4,976,252)
Share of profit of associate		(2,228,851)	-
Interest income		(845,075)	(566,437)
Depreciation		101,414	58,584
Provision for end of service indemnity		60,170	47,125
Finance costs		9,241,411	6,791,098
		48,000,087	(7,740,227)
Changes in operating assets and liabilities:			
Investments at fair value through statement of income		(34,177,917)	(31,735,104)
Accounts receivable and other assets		(52,566,734)	(9,002,530)
Accounts payable and other liabilities		(12,895,885)	19,044,412
KFAS and NLST paid during the year		(424,375)	-
Net cash used in operating activities		(52,064,824)	(29,433,449)
INVESTING ACTIVITIES			
Change in blocked deposits		657,500	(2,165,000)
Purchase of available for sale investments		(58,902,943)	(46,933,382)
Proceeds from sale of available for sale investments		8,290,563	47,737,707
Investment in unconsolidated subsidiary		(520,845)	(306,000)
Investment in associates		(21,140,342)	-
Purchase of equipment		(315,669)	(73,811)
Dividend income received		5,146,983	4,930,722
Interest income received		845,075	566,437
Net cash (used in)/from investing activities		(65,939,678)	3,756,673
FINANCING ACTIVITIES			
Increase in borrowings		53,011,877	31,285,418
Issue of rights shares		75,000,000	-
Minority shares		13,470,062	-
Dividend paid		(12,388,026)	-
Finance costs paid		(8,751,684)	(6,732,354)
Net cash from financing activities		120,342,229	24,553,064
Net increase/ (decrease) in cash and cash equivalents		2,337,727	(1,123,712)
Cash and cash equivalents at beginning of the year		(1,642,451)	(518,739)
Cash and cash equivalents at end of the year	20	695,276	(1,642,451)

The notes set out on pages 19 to 41 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements 31 December 2007

1. Incorporation and activities

Noor Financial Investment Company – KSC (Closed) (“the parent company”) was incorporated in Kuwait on 1 February 1997 and during May 2006 its shares were listed on the Kuwait Stock Exchange. The parent company and its subsidiaries (listed in Note 5a) are together referred to as “the group”. The parent company is regulated by the Central Bank of Kuwait as an investment company. The parent company is a subsidiary of National Industries Group Holding – SAK, “the ultimate parent company”, and its principal objectives are as follows:

- Investment in various economic sectors through participating in establishing specialised companies or purchasing securities or shares in those companies;
- Act as investment trustees and manage different investment portfolios for others; and
- Act as intermediary in borrowing operations in return for commission.

Further, the parent company has the right to participate and subscribe, in any way with other firms which operate in the same field or those which would assist in achieving its objectives in Kuwait and abroad and to purchase those firms or participate in their equity.

The address of the parent company’s registered office is 10th and 11th Floor, Mohammed Abdul Mohsin Al-Kharafi Complex, Building 6, Block – 14, Qibla, Kuwait (PO Box 3311, Safat 13034, State of Kuwait).

The board of directors of the parent company approved these consolidated financial statements for issuance on 10 February 2008. The general assembly of the parent company’s shareholders has the power to amend these consolidated financial statements after issuance.

2. Adoption of new and revised International Financial Reporting Standards

In the current year, the group has adopted IFRS 7 Financial Instruments: Disclosures, and the consequential amendments to IAS 1 Presentation of Financial Statements both effective for annual reporting periods beginning on or after 1 January 2007 and IFRIC 10 Interim Financial Reporting and Impairment effective for annual reporting periods beginning on or after 1 November 2006.

IFRS 7 Financial Instruments: Disclosures

IFRS 7 Financial Instruments: Disclosures is mandatory for reporting periods beginning on 1 January 2007 or later. The new standard replaces and amends disclosure requirements previously set out in IAS 32 Financial Instruments: Presentation and Disclosures. All disclosures relating to financial instruments including all comparative information have been updated to reflect the new requirements. In particular, the group’s financial statements now feature:

- A sensitivity analysis, to explain the group’s market risk exposure in regards to its financial instruments, and
- Net gain or loss on each category of financial assets at the balance sheet date.

2. Adoption of new and revised International Financial Reporting Standards (continued)

The first time adoption of IFRS 7, however, has not resulted in any prior-period adjustments of cash flows, net income or balance sheet line items.

IAS 1 Presentation of Financial Statements

In accordance with the amendments to IAS 1 Presentation of Financial Statements, the group now reports on its capital management's objectives, policies and procedures in each annual financial report.

IFRIC 10 Interim Financial Reporting and Impairment

IFRIC 10 Interim Financial Reporting and Impairment prohibits impairment losses recognised in an interim period for goodwill, investments in equity instruments classified as available for sale investments and financial assets carried at cost to be reversed at a subsequent balance sheet date. This interpretation does not have any impact on the group's financial statements.

The following new Standards and Interpretations which are yet to become effective have not been adopted:

- IFRS 8 Operating Segments (effective for annual periods on or after 1 January 2009)

IFRS 8 Operating Segments is a disclosure standard which may result in a redesignation of the group's reportable segments but is not expected to have any impact on the results of financial position of the group.

- IAS 1 (Revised) Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009)

IAS 1 Presentation of Financial Statements has been revised to require that an entity must present all non-owner changes in equity either in one statement of comprehensive income or in two separate statements (i.e. a statement of income and a statement of comprehensive income). Components of comprehensive income such as changes in revaluation surplus, gains and losses on remeasuring available for sale investments and gains and losses arising from translating the financial statements of foreign operation may not be presented in the statement of changes in equity. The application of the revised standard is not expected to result in any prior period adjustments of cash flow, net income or balance sheet line items in the initial period of application.

- IAS 23 (Revised) Borrowing costs (effective for accounting periods beginning on or after 1 January 2009)

IAS 23 Borrowing Costs has been amended resulting in elimination of the previously available option to expense all borrowing costs when incurred. Under the revised standard, all borrowing costs that are directly attributable to qualifying assets are to be capitalised. The application of the revised standard is not expected to have a material impact on the financial statements in the period of initial application because it has always been group's accounting policy to capitalise borrowing costs incurred on qualifying assets.

- IFRIC 11 IFRS 2 Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007)
- IFRIC 12 Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008)
- IFRIC 13 Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008)
- IFRIC 14 IAS 19 – The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2008)

Based on the group's current business model and accounting policies, management does not expect material impact on the group's financial statements in the period of initial applications of the above interpretations.

The group does not intend to apply any of the above pronouncements early.

2. Adoption of new and revised International Financial Reporting Standards (continued)

The following standards, amendments and interpretations are mandatory for reporting periods beginning on or after 1 January 2007 but they are not relevant to the group's operations:

- IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyper-Inflationary Economies; and
- IFRIC 9 Reassessment of Embedded Derivatives.

3. Significant accounting policies

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2006 except for the new accounting policy adopted for "investment in associates". The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below:

Basis of preparation

The consolidated financial statements of the group have been prepared in accordance with International Financial Reporting Standards.

The consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of investments at fair value through statement of income and available for sale investments.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the parent company for the year ended 31 December 2007, and the financial statements of its subsidiaries prepared to that date, using consistent accounting policies.

Subsidiaries are those enterprises controlled by the group and are fully consolidated from the date on which control is transferred to the group. Control is achieved where the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

The financial statements of the subsidiary are consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Any significant intra-group balances and transactions, and any unrealised gains or losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Minority interest represents the portion of profit or loss and net assets not held by the Group and is presented separately in the consolidated statement of income and within equity in the consolidated balance sheet, separately from the equity attributable to the shareholders of the parent company.

Business combinations

Acquisition 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, plus any costs directly attributable to the business combination. The acquirer's identifiable assets, liabilities and contingent liabilities are recognised at their fair values at the acquisition date. Goodwill represents the excess of acquisition cost over the fair value of the group's share of the identifiable net assets of the acquirer at the date of the acquisition. Any excess, at the date of acquisition, of the group's share in the fair value of the identifiable net assets acquired over the acquisition cost is recognised as negative goodwill in the consolidated statement of income.

3. Significant accounting policies (continued)

Goodwill

Goodwill arising on the acquisition of a subsidiary is recognised as a separate asset in the balance sheet. Goodwill arising on the acquisition of an associate is included within the carrying amount of the investment. Goodwill, which represents the excess of the cost of an acquisition over the fair value of the net identifiable assets acquired at the date of acquisition, is measured at cost less impairment losses. Goodwill is tested for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill is allocated to cash generating units.

Recognition of income

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Dividend income

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

Interest income

Interest income is recognised using the effective interest method.

Fee income

Management fees relating to portfolio management services and other fee income are recognised as revenue as the services are provided.

Finance cost

Finance costs are calculated and recognised on a time proportionate basis taking into account the principal loan balance outstanding and the interest rate applicable.

Financial instruments

Classification

The group classifies financial assets upon initial recognition into the following categories:

- i. Investments at fair value through statement of income
- ii. Loans and receivables
- iii. Available for sale investments

Financial liabilities are classified as “non trading financial liabilities”. The group’s non trading financial liabilities are classified under “due to banks”, “accounts payable and other liabilities” and “borrowings” in the consolidated balance sheet.

Investments at fair value through statement of income are either “held for trading” or “designated” as such on initial recognition.

The group classifies investments as trading if they are acquired principally for the purpose of selling 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.

Investments are classified as designated at fair value through statement of income at inception if they have readily available reliable fair values and the changes in fair values are reported as part of the statement of income in the management accounts, according to a documented investment strategy.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The group’s loans and receivables are classified under “accounts receivable and other assets” and “cash and bank balances” in the consolidated balance sheet.

3. Significant accounting policies (continued)

Classification (continued)

Financial assets which are not classified as above are classified as available for sale investments.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of these financial instruments at initial recognition.

Measurement

Investments at fair value through statement of income

Investments at fair value through statement of income are initially recognised at cost, being the fair value of the consideration given, excluding transaction costs.

Subsequent to initial recognition, investments at fair value through statement of income are re-measured at fair value and changes in fair value are recognised in the consolidated statement of income if any.

Loans and receivables

Loans and receivables are stated at amortised cost using the effective interest method.

Available for sale investments

Available for sale investments are initially recognised at cost, being the fair value of the consideration given, plus transaction costs that are directly attributable to the acquisition.

Subsequent to initial recognition, available for sale investments are re-measured at fair value unless fair value cannot be reliably measured, in which case they are measured at cost less impairment, if any.

Changes in fair value of available for sale investments are recognised as a separate component in equity under "cumulative changes in fair value" account until the investment is either derecognised or determined to be impaired. On derecognition or impairment, the cumulative gain or loss previously recognised in equity is recognised in the consolidated statement of income.

Financial liabilities

Non-trading financial liabilities are stated at amortised cost using the effective interest method.

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 using valuation techniques. The group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Valuation techniques used include the use of comparable recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants.

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 group commits to purchase or 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 regulations or conventions in the market place concerned.

3. Significant accounting policies (continued)

Recognition and derecognition of financial assets and liabilities

A financial asset or a financial liability is recognised when the group becomes a party to the contractual provisions of the instrument.

A financial asset (in whole or in part) is de-recognised when the contractual rights to receive cash flows from the financial asset has expired or the group has transferred substantially all risks and rewards of ownership and has not retained control. If the group has retained control, it shall continue to recognise the financial asset to the extent of its continuing involvement in the financial asset. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

Investment in associates

An associate is a company over which the group has significant influence usually evidenced by holding of 20% to 50% of the voting power of the investee company. The consolidated financial statements include the group's share of the associates' results using the equity method of accounting.

Under the equity method, investment in an associate is initially recognised at cost and adjusted thereafter for the post-acquisition change in the group's share of net assets of the investee. The group recognises in the consolidated statement of income its share of the total recognised profit or loss of the associate from the date the influence or ownership effectively commenced until the date that it effectively ceases. Distributions received from an 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 associates equity that have not been recognised in the associate's statement of income. The group's share of those changes is recognised directly in equity. The financial statements of the associates are prepared either to the reporting date of the parent company or to a date not earlier than three months of the parent company's reporting date, using consistent accounting policies.

Unrealised gains on transactions with associates are eliminated to the extent of the group's share in the associate. Unrealised losses are also eliminated unless the transaction provides 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.

Impairment of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the statement of income. Impairment is determined as follows:

- a. For financial assets carried at fair value, impairment is the difference between carrying value and fair value; and
- b. For financial assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.
- c. For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the financial asset no longer exist or have decreased and the decrease can be related objectively to an event occurring after the impairment was recognised. Except for reversal of impairment losses related to equity instruments classified as available for sale, all other impairment reversals are recognised in the consolidated statement of income to the extent the carrying value of the asset does not exceed its amortised cost at the reversal date. Impairment reversals in respect of equity instruments classified as available for sale are recognised in the cumulative changes in fair value.

3. Significant accounting policies (continued)

Impairment of non-financial assets

The group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and then its recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount by recognising impairment loss in the consolidated income statement. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit). In determining fair value less costs to sell an appropriate valuation model is used. These calculations are corroborated by available fair value indicators.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the group makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount.

Equipment and depreciation

Equipment are stated at cost less accumulated depreciation and any impairment in value. The group depreciates its equipment using the straight-line method at rates sufficient to write off the assets over their estimated useful economic lives.

Provisions

Provisions are recognised when the group has a present obligation (legal or constructive) resulting from a past event and the costs to settle the obligation are both probable and able to be reliably measured.

Employees' end of service benefits

End of service benefits are calculated on the basis of accumulated periods of service of employees as at the balance sheet date in accordance with the Kuwait labour law for the private sector.

Fiduciary assets

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

Foreign currencies

Functional and presentation currency

The consolidated financial statements are presented in Kuwaiti Dinars, which is the parent company's functional and presentation currency. Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to "foreign exchange gain/loss" in the consolidated statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

3. Significant accounting policies (continued)

Transactions and balances (continued)

Translation difference on non-monetary asset classified as, "fair value through statement of income" are reported as part of the fair value gain or loss in the statement of income and "available for sale" are reported as part of the cumulative change in fair value reserve , in equity.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at closing rate

Group companies

As at the reporting date, the assets and liabilities of foreign subsidiaries are translated into the parent company's presentation currency (the Kuwaiti Dinar) at the rate of exchange ruling at the balance sheet date, and their statements of income are translated at the average exchange rates for the year. Exchange differences arising on translation are taken directly to foreign exchange translation reserve within equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to the particular foreign operation is recognised in the consolidated statement of income.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and bank balances and short-term deposits maturing within three months from the date of inception net of balances due to banks and blocked deposits.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, which are described in note 3, management is required to make judgements, estimates and assumption about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements

In the process of applying the group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Classification of financial assets

Management decides on acquisition of an investment whether it should be classified as held for trading, designated at fair value through statement of income, loans and receivables or available for sale. In making that judgement the Group considers the primary purpose for which it is acquired and how it intends to manage and report its performance. Such judgement determines whether it is subsequently measured at cost or at fair value and if the changes in fair value of instruments are reported in the statement of income or directly in equity.

Impairment of available for sale investments

The group treats certain financial assets as available for sale and recognise movement in their fair value in equity when the fair value declines, management makes assumption about the decline in value to determine whether it is an impairment that should be recognised in profit or loss. At 31 December 2007 no impairment losses have been recognised for available for sale investments (2006: Nil).

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4. Critical accounting judgements and key sources of estimation uncertainty

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 instruments that is substantially the same; or
- an earnings multiple ;
- the expected cash flow discounted at current rates applicable for items with similar terms and risk characteristics;
- other valuation models.

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

5. Subsidiary companies

5a The details of the consolidated subsidiaries are as follows:

Subsidiary	Percentage ownership		Principal activity
	2007	2006	
• D&B Kuwait for Economic & Management Consulting – KSC (Closed)	100%	100%	Administrative & Economic Consulting & Related Activities
• National Drilling & Petroleum Services Company – KSC (Closed)	100%	100%	Maintenance & Improvement of Petroleum Services & Related Activities
• Kuwait India Holding Company – KSC (Closed)	57%	100%	Investment & Related Activities
• National Warehousing Company – KSC (Closed)	100%	100%	Warehousing
• 5th Company for Managing Projects – WLL	100%	100%	Project Management
• 7th Company for Managing Projects – WLL	100%	100%	Project Management
• India Asia Financial & Management Consulting – KSC (Closed) (this percentage consists of 4% direct and 95% indirect holding)	99%	100%	Financial & Management Consulting
• Plexus Information Systems & Computers – KSC (Closed)	100%	100%	Information Technology
• Noor National Printing and Publication Company – KSC (Closed)	100%	-	Printing and publishing
• Noor Jordanian Kuwaiti Financial Investment Co. Ltd (incorporated in Jordan)	100%	-	Investment & Related Activities
• Noor Telecommunication (Holding) Company – KSC (Closed)	100%	-	Telecommunication
• Aslama Investment Fund (this percentage consists of 49% direct and 50% indirect holding)	99%	-	Equity investments

5b. During the year the subsidiary, Kuwait India Holding Company – KSCC increased its share capital by way of issuing shares through a private placement which resulted in the dilution of the parent company's shareholding in the subsidiary from 100% to 56.6%, resulting in a loss of KD378,512 which is recognised in the statement of income under the heading "interest and other income" (refer Note 7).

5c. All the above subsidiaries are incorporated in the State of Kuwait unless otherwise stated.

5. Subsidiary companies (continued)

5d. The details of the unconsolidated subsidiary are as follows:

Subsidiary	Percentage ownership		Principal activity
	2007	2006	
• Financial Commitment Group Company – KSC (Closed)	51%	51%	Brokerage

The management is of the opinion that the total assets and results of the above subsidiary is not significant to the group's consolidated financial statements, accordingly the subsidiary has not been consolidated. Further, the subsidiary did not have significant operations during the year.

6. General, administrative and other expenses

General, administrative and other expenses include the following:

	2007 KD	2006 KD
Staff costs	4,642,453	2,132,365
Depreciation	101,414	58,584
Unrealised fee payable on managed portfolios for clients	24,841	2,280,360

Unrealised fee payable on managed portfolios for clients

In 2006, the parent company entered into local portfolio management contracts with a related party and another company. This unrealised fee is payable in accordance with the terms of the contracts dependent on the market value of the shares in the portfolio and the clause in the contract that guarantees the capital and a minimum return.

7. Interest and other income

	2007 KD	2006 KD
Interest income (from call accounts included under bank balances and short term deposits)	845,075	566,437
Income from financing of future trade by customers (in the Kuwaiti Share Market)	3,656,552	33,133
Loss on dilution of shareholding in a subsidiary (refer note 5b)	(378,512)	-
Other income	276,797	32,364
	4,399,912	631,934

8. Net gain or loss on financial assets

Net gain or loss on financial assets, analysed by category, is as follows:

	2007 KD	2006 KD
Loans and receivables		
- cash and bank balances and short term deposits	845,075	566,437
- accounts receivables and other assets	3,656,552	33,133
Investments at fair value through statement of income		
- held for trading	54,435,635	(1,884,099)
- designated as such on initial recognition	890,694	(61,514)
Available for sale investments		
- recognised directly in consolidated equity	5,248,372	(19,395,524)
- recycled from equity to consolidated statement of income	141,310	9,417,408
- recognised directly in consolidated statement of income	303,965	16,231,176
	65,521,603	4,907,017

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	2007 KD	2006 KD
Net gain recognised in the consolidated statement of income	60,273,231	24,302,559
Net gain/(loss) recognised in the consolidated statement of changes in equity	5,248,372	(19,395,542)
	65,521,603	4,907,017

9. Finance costs

Finance costs relate to due to banks and borrowings which are financial liabilities stated at amortised cost.

10. Basic and diluted earnings per share

Earnings per share is calculated by dividing the profit for the year attributable to the shareholders of the parent company by the weighted average number of shares outstanding during the year as follows:

	2007	2006
Profit for the year attributable to the shareholders of the parent company (KD)	45,314,974	15,570,390
Weighted average number of shares outstanding during the year	435,832,025	285,714,286
Basic and diluted Earnings per share	104 Fils	54 Fils

Earnings per share reported for the year ended 31 December 2006 was 62 Fils, before retroactive adjustment relating to rights issue.

11. Investments at fair value through statement of income

	2007 KD	2006 KD
Held for trading:		
Quoted shares	132,784,562	101,196,820
Designated on initial recognition:		
Local funds	11,685,211	9,095,036
	144,469,773	110,291,856

Quoted shares with a fair value of KD32,491,273 (2006: 23,361,203) are secured against bank loans (refer note16).

12. Accounts receivable and other assets

	2007 KD	2006 KD
Financial assets:		
Due from ultimate parent company	2,357,496	18,836
Due from an associate	11,597	-
Due from other related parties	834,010	129,435
Due from investment brokerage companies	9,017,817	1,566,238
Due from Kuwait Clearing Company	37,563,065	4,454,886
Advance payments to acquire investments	4,323,296	819,055
Accrued income	327,295	225,328
Other financial assets	222,760	57,605
	54,657,336	7,271,383
Non-financial assets		
Advance payments to acquire properties	7,260,000	2,987,125
Other assets	924,166	-
	8,184,166	2,987,125
	62,841,502	10,258,508

13. Available for sale investments

	2007 KD	2006 KD
Quoted shares	30,245,940	27,041,391
Unquoted shares	21,546,444	10,752,568
Funds:		
Local	14,147,313	-
Foreign	28,811,454	955,130
	94,751,151	38,749,089

Available for sale investments include a number of investments where their fair values cannot be reliably determined and as a result investments with a carrying value of KD21,546,444 (2006: KD10,752,568) are carried at cost.

Certain quoted and unquoted shares are held in the name of the ultimate parent company with letters of assignment in the parent company's favour.

14. Investment in associates

Details of the group's associates are set out below:

	Country of incorporation	Percentage ownership 2007	Principal activity
Al Raya Global Real Estate Co. – WLL	Jordan	50%	Real estate development
Meezan Bank Ltd.	Pakistan	34.7%	Banking

During the first quarter, the parent company invested an amount of KD2,761,090 to participate in the establishment of Al Raya Global Real Estate Co. – WLL.

During the fourth quarter, the parent company acquired additional shares in Meezan Bank Ltd, a bank listed in the Karachi Stock Exchange - Pakistan, increasing its equity holding in the investee from 15.7% at 31 December 2006 to 34.7% giving it significant influence over Meezan Bank Ltd., as a result of which the investment has been classified as investment in associate. In 2006, the investment was classified as "available for sale investments".

14. Investment in associates (continued)

In accordance with IAS 28 "Investment in Associates" and IFRS 3 "Business Combination" the interest in the investee was accounted for under the equity method of accounting. The consequent impact on total consolidated equity of the previous years is not significant. A goodwill amounting to KD8,767,346 has arisen as a result of the above acquisition and this has been included in the carrying value of the investment.

Aggregate share of associates' assets and liabilities:

	2007 KD
Assets	103,632,678
Liabilities	91,244,423

Aggregate share of associates' revenue and profit:

	Year ended 31 Dec. 2007 KD
Revenue	3,313,908
Profit	1,009,903

Investment in a quoted associate with a carrying value of KD18,298,790 has a fair value of KD22,484,768.

15. Accounts payable and other liabilities

	2007 KD	2006 KD
Financial liabilities:		
Unrealised fee payable on managed portfolios :		
- Other related parties (as defined in note 22)	880,198	959,761
- Others	-	1,769,643
Due to key management personnel	3,251,284	1,178,459
Due to other related parties	-	16,266,419
Due to investment brokerage companies	-	1,059,647
Dividend payable	111,974	-
Accrued interest	489,729	278,406
Accrued expenses	3,457,736	518,607
Other payables	3,321,623	575,078
	11,512,544	22,606,020

All above financial liabilities are non-interest bearing except as stated below.

Due to other related parties as at 31 December 2006 include a short term loan of KD16,000,000 availed by the parent company with an effective interest rate of 7.75% per annum which was settled during the year.

16. Borrowings

	Effective interest/cost rate p.a. %	Security	2007 KD	2006 KD
Loans from local banks and financial institutions				
Loans payable – Kuwaiti Dinar	7.75 – 8.75	Unsecured	50,000,000	28,529,918
Loans payable – Kuwaiti Dinar	8.25	Secured	20,000,000	20,000,000
Loans payable – US Dollars	6.355 – 7.285	Unsecured	54,497,295	28,955,500
Wakala payable – Kuwaiti Dinar	8.00 – 8.375	Unsecured	6,000,000	-
			130,497,295	77,485,418

Loans amounting to KD20,000,000 (2006 KD20,000,000) are secured by investments at fair value through statement of income (see note 11). All loans are repayable within one year.

17. Share capital and share premium

The authorised, issued and paid up share capital of the Parent Company comprise of 500,000,000 shares of 100 Fils each. (2006: 250,000,000 shares of 100 Fils each).

During the second quarter, the Parent Company by way of rights issue increased the share capital to 500,000,000 shares by issuing 250,000,000 shares at a par value of 100 Fils per share and premium of 200 Fils per share. This was approved by the Annual General Assembly held on 20 February 2007. The increase in capital was subscribed for in full during the year.

Share premium is not available for distribution.

18. Legal and voluntary reserves

In accordance with the Commercial Companies Law and the parent company's articles of association, 10% of the parent company's profit before KFAS, Zakat, NLST and directors' remuneration for the year is to be transferred to legal reserve. The parent company may resolve to discontinue such annual transfer when the reserve totals 50% of the paid up share capital.

Distribution of the legal 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 distribution of a dividend of that amount.

In accordance with parent company's articles of association, a certain percentage of the parent company's profit before KFAS, Zakat, NLST and directors' remuneration, is to be transferred to the voluntary reserve at the discretion of the board of directors which is to be approved at the general assembly. For the year 2007 the board of directors propose to transfer 10% of the above mentioned profit to the voluntary reserve and this is subject to approval at the general assembly. There are no restrictions on distribution of general reserve.

19. Dividend distribution

Subject to the requisite consent of the relevant authorities and approval from the general assembly, the parent company's board of directors propose a cash dividend of 50 Fils (2006: 50 Fils) per share. Following approval by the annual general assembly on 19 February 2007 the parent company made a cash distribution of 50 Fils per share amounting to KD12,500,000 for the year ended 31 December 2006.

20. Cash and cash equivalents

	Effective interest rate % (per annum)	2007 KD	2006 KD
Cash and bank balances	1 - 3	5,083,793	4,553,291
Short term deposits	3 - 5	5,526,470	4,188,211
Due to banks	6 - 8.75	(8,407,487)	(8,218,953)
		2,202,776	522,549
Blocked balances		(1,507,500)	(2,165,000)
		695,276	(1,642,451)

Cash and bank balances include call accounts which earn interest.

Due to banks represent bank overdraft facilities obtained and utilized by the group.

21. Segment analysis

The group primarily operates in one area of business activity, investments and therefore, its primary basis for segmental reporting is by geographical segment.

The group operates in two geographical markets: Domestic (Kuwait) and International (Middle East, Asia, Europe and USA). The geographical analysis is as follows:

	Domestic KD	International KD	Total KD
31 December 2007			
Income	49,974,842	15,821,208	65,796,050
Profit for the year	30,218,439	15,132,049	45,350,488
Total assets	187,867,944	148,261,768	336,129,712
Total liabilities	(147,970,110)	(2,577,135)	(150,547,245)
Net assets	39,897,834	145,684,633	185,582,467

31 December 2006

Income	7,304,245	21,162,214	28,466,459
Profit for the year	(5,028,900)	20,599,290	15,570,390
Total assets	112,736,952	55,769,142	168,506,094
Total liabilities	(107,320,415)	(1,059,725)	(108,380,140)
Net assets	5,416,537	54,709,417	60,125,954

22. Related party transactions

Related parties represent the ultimate parent company, associates, directors and key management personnel of the group, and other related parties such as subsidiaries of the ultimate parent company (fellow subsidiaries), major shareholders and companies in which directors and key management personnel of the group are principal owners or over which they are able to exercise significant influence or joint control. Pricing policies and terms of these transactions are approved by the group's management.

Details of significant related party transactions and balances are as follows:

	2007 KD	2006 KD
Consolidated balance sheet		
Due from related parties (refer note 12)	3,203,103	148,271
Due to related parties (refer note 15)	4,131,482	18,404,639
Purchase of available for sale investments from other related parties	7,260,449	-
	Year ended 31 Dec. 2007	Year ended 31 Dec. 2006
Consolidated statement of income		
Management and placement fees		
- earned from ultimate parent company	374,867	3,588,073
- earned from other related parties	60,677	-

22. Related party transactions (continued)

	Year ended 31 Dec. 2007 KD	Year ended 31 Dec. 2006 KD
Consolidated statement of income (continued)		
Unrealised fee payable on managed portfolios for clients included in general, administrative and other expenses – earned from other related parties	24,841	749,146
Realised gain on sale of available for sale investments to ultimate parent company	-	15,726,108
Gain on sale of investments at fair value through statement of income to ultimate parent company	2,007,515	-
Interest income		
- earned from ultimate parent company	-	258,904
Finance costs		
- charged by ultimate parent company	716,344	415,623
- charged by other related parties	226,019	241,207
Compensation of key management personnel of the group:		
Short term employee benefits	3,268,855	1,360,254
End of service benefits	21,285	8,500
	<u>3,290,140</u>	<u>1,368,754</u>

23. Risk management objectives and policies

The group's principal financial liabilities comprise due to banks, borrowings and accounts payable. The main purpose of these financial liabilities is to raise finance for group operations. The group has various financial assets such as accounts receivable and other assets, cash and bank balances, short term deposits and investment securities which arise directly from operations.

The group's activities expose it to variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The parent company's board of directors sets out policies for reducing each of the risks discussed below.

The group does not use derivative financial instruments.

The most significant financial risks to which the group is exposed to are described below.

23.1 Market risk

a) Foreign currency risk

Foreign currency risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The group mainly operates in the Middle Eastern countries and USA and is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to US Dollar, Saudi Riyals and UAE Dirhams. The group's balance sheet can be significantly affected by the movement in these currencies. To mitigate the group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored.

Generally, the group's risk management procedures distinguish short-term foreign currency cash flows (due within twelve months) from longer-term cash flows. Foreign currency risk is managed on the basis of limits determined by the parent company's board of directors and a continuous assessment of the groups' open positions.

23. Risk management objectives and policies (continued)

The group's significant net exposure to foreign currency denominated monetary assets less monetary liabilities at the balance sheet date, translated into Kuwaiti Dinars at the closing rates are as follows:

	2007 Equivalent KD	2006 Equivalent KD
US Dollars	(52,796,198)	(30,780,058)
Saudi Riyal	6,517,019	-
UAE Dirhams	1,570,483	-

Based on the average market volatility in exchange rates in the previous twelve months, the parent company's management estimates that a reasonable possible changes in the above exchange rate would be 5%.

If the Kuwaiti Dinar had strengthened against the foreign currencies assuming the above sensitivity (5%), then this would have the following impact on the profit for the year. There is no impact on the group's equity.

	Profit for the year	
	2007 KD	2006 KD
US Dollars	2,639,810	1,539,003
Saudi Riyal	(325,851)	-
UAE Dirhams	(78,524)	-
Total profit/(loss)	2,235,435	1,539,003

If the Kuwaiti Dinar had weakened against the foreign currencies assuming the above sensitivity (5%), then there would be an equal and opposite impact on the profit for the year, and the balances shown above would be negative for US Dollars and positive for other currencies.

Exposures to foreign exchange rates vary during the year depending on the volume and nature of the transactions. Nonetheless, the analysis above is considered to be representative of the group's exposure to the foreign currency risk.

b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The group is exposed to interest rate risk with respect to its short term deposits, due to banks and borrowings which are both at fixed rate and floating interest rates. The risk is managed by the group by maintaining an appropriate mix between fixed and floating rate short term deposits and borrowings.

Positions are monitored regularly to ensure positions are maintained within established limits.

23. Risk management objectives and policies (continued)

23.1 Market risk (continued)

b) Interest rate risk (continued)

The group's interest rate risk sensitivity position, based on the contractual re-pricing or maturity dates of assets and liabilities, whichever dates are earlier, is as follows:

	Up to 1 month KD	1-3 months KD	3-12 months KD	Non interest bearing items KD	Total KD
At 31 December 2007					
ASSETS					
Cash and bank balances	-	-	-	5,083,793	5,083,793
Short term deposits	3,490,607	2,035,863	-	-	5,526,470
Investments at fair value through statement of income	-	-	-	144,469,773	144,469,773
Accounts receivable and other assets	-	-	-	62,841,502	62,841,502
Available for sale investments	-	-	-	94,751,151	94,751,151
Investment in unconsolidated subsidiary	-	-	-	826,845	826,845
Investment in associates	-	-	-	22,256,784	22,256,784
Equipment	-	-	-	373,394	373,394
	3,490,607	2,035,863	-	330,603,242	336,129,712
LIABILITIES					
Due to banks	5,185,571	951,362	2,270,554	-	8,407,487
Accounts payable and other liabilities	-	-	-	11,512,544	11,512,544
Borrowings	58,173,700	42,621,595	29,702,000	-	130,497,295
Provision for end of service indemnity	-	-	-	129,919	129,919
	63,359,271	43,572,957	31,972,554	11,642,463	150,547,245
Total interest rate sensitivity gap	(59,868,664)	(41,537,094)	(31,972,554)		
Cumulative interest rate sensitivity gap	(59,868,664)	(101,405,758)	(133,378,312)		
At 31 December 2006					
ASSETS					
Cash and bank balances	-	-	-	4,553,291	4,553,291
Short term deposits	4,188,211	-	-	-	4,188,211
Investments at fair value through statement of income	-	-	-	110,291,856	110,291,856
Accounts receivable and other assets	-	-	-	10,258,508	10,258,508
Available for sale investments	-	-	-	38,749,089	38,749,089
Investment in unconsolidated subsidiary	-	-	-	306,000	306,000
Equipment	-	-	-	159,139	159,139
	4,188,211	-	-	164,317,883	168,506,094
LIABILITIES					
Due to banks	-	-	8,218,953	-	8,218,953
Accounts payable and other liabilities	16,000,000	-	-	6,606,020	22,606,020
Borrowings	-	77,485,418	-	-	77,485,418
Provision for end of service indemnity	-	-	-	69,749	69,749
	16,000,000	77,485,418	8,218,953	6,675,769	108,380,140
Total interest rate sensitivity gap	(11,811,789)	(77,485,418)	(8,218,953)		
Cumulative interest rate sensitivity gap	(11,811,789)	(89,297,207)	(97,516,160)		

The group does not have any off balance sheet financial instrument which are used to manage the interest rate risk.

The following table illustrates the sensitivity of the profit for the year to a reasonable possible change in interest rates with effect from the beginning of the year. Based on observation of current market conditions it has been assumed that a reasonable possible change in the interest rates would be +25 and -75 basis points for LIBOR and +25 and -50 basis points for Kuwaiti Dinar interest rates for the year 2007 and 2006.

23. Risk management objectives and policies (continued)

23.1 Market risk (continued)

b) Interest rate risk (continued)

The calculation is based on the group's financial instruments held at each balance sheet date. All other variables are held constant. There is no impact on group's equity.

	Increase in interest rates		Decrease in interest rates	
	2007 KD	2006 KD	2007 KD	2006 KD
Profit for the year	(289,696)	(203,790)	707,776	479,971

c) Price risk

This is a risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to individual instrument or its issuer or factors affecting all instruments, traded in the market. The group is exposed to equity price risk with respect to its listed equity investments which are primarily located in Kuwait, Jordan, Bahrain and USA. Equity investments are classified either as investments carried at fair value through statement of income (including trading securities) and available for sale securities.

To manage its price risk arising from investments in equity securities, the group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the group.

The equity price risk sensitivity is determined on the following assumptions for the year 2007 and 2006:

	%
Kuwait market	15%
Jordan market	21%
Bahrain market	17%
USA market	5%

The above percentages have been determined based on basis of the average market movements during the current year. The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. The analysis reflects the impact of positive changes to equity prices in accordance with the above-mentioned equity price risk sensitivity assumptions. All other variables are held constant.

	Profit for the year		Equity	
	2007 KD	2006 KD	2007 KD	2006 KD
Investments at fair value through statement of income	17,917,199	13,583,670	-	-
Available for sale investments	-	-	5,056,230	3,682,302

If there was a negative change in equity prices in accordance with the above mentioned equity price risk sensitivity assumptions, there would be an equal and opposite impact on the profit for the year and equity, and the balances shown above would be negative.

23.2 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 is monitored on an ongoing basis. The group seeks to avoid undue concentrations of risks with individuals or groups of customers in specific locations or business through diversification of its activities.

The group's exposure to credit risk is limited to the carrying amounts of financial assets recognised at the balance sheet date, as summarized below:

23. Risk management objectives and policies (continued)

23.2 Credit risk (continued)

	2007 KD	2006 KD
Cash and bank balances	5,083,793	4,553,291
Short term deposits	5,526,470	4,188,211
Investments carried at fair value through statement of income	144,469,773	110,291,856
Accounts receivable and other assets (refer note 12)	62,841,502	10,258,508
Available for sale investments	94,751,151	38,749,089
	312,672,689	168,040,955

Non of the above financial assets are past due nor impaired. The group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The group's policy is to deal only with creditworthy counterparties. The group's management considers that all the above financial assets that are neither past due nor impaired for each of the reporting dates under review are of good credit quality.

None of the group's financial assets are secured by collateral or other credit enhancements.

In respect of receivables, the group is not exposed to any significant credit risk exposure to any single counterparty. The credit risk for cash and bank balance and short term deposits is considered negligible, since the counterparties are reputable financial institution with high credit quality. Information on other significant concentrations of credit risk is set out in note 23.3

23.3 Concentration of assets

The distribution of financial assets by geographic region for 2007 and 2006 is as follows:

	Kuwait KD	Middle East KD	Asia & Africa KD	Europe KD	USA KD	Total KD
At 31 December 2007						
Cash and bank balances	4,425,952	-	656,532	1,309	-	5,083,793
Short term deposits	5,526,470	-	-	-	-	5,526,470
Investments at fair value through statement of income	106,380,195	16,781,344	10,973,047	4,675,403	5,659,784	144,469,773
Accounts receivable and other assets (refer note 12)	43,810,089	10,808,579	29,563	-	9,105	54,657,336
Available for sale investments	27,725,239	22,472,676	5,141,471	3,540,311	35,871,454	94,751,151
	187,867,945	50,062,599	16,800,613	8,217,023	41,540,343	304,488,523
Due to banks	8,407,487	-	-	-	-	8,407,487
Accounts payable and other liabilities	8,935,409	2,575,455	1,680	-	-	11,512,544
Borrowings	130,497,295	-	-	-	-	130,497,295
Provision for end of service indemnity	129,919	-	-	-	-	129,919
	147,970,110	2,575,455	1,680	-	-	150,547,245
At 31 December 2006						
Cash and bank balances	3,266,496	-	1,286,321	474	-	4,553,291
Short term deposits	4,188,211	-	-	-	-	4,188,211
Investments at fair value through statement of income	84,944,534	13,341,573	5,267,960	1,122,213	5,615,576	110,291,856
Accounts receivable and other assets (refer note 12)	5,676,724	623,514	148,036	6,319	816,790	7,271,383
Available for sale investments	14,789,641	16,964,061	6,040,257	-	955,130	38,749,089
	112,865,606	30,929,148	12,742,574	1,129,006	7,387,496	165,053,830
Due to banks	8,218,953	-	-	-	-	8,218,953
Accounts payable and other liabilities	21,546,373	-	52,570	-	1,007,077	22,606,020
Borrowings	77,485,418	-	-	-	-	77,485,418
Provision for end of service indemnity	69,749	-	-	-	-	69,749
	107,320,493	-	52,570	-	1,007,077	108,380,140

23. Risk management objectives and policies (continued)

23.4 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.

The table below summarises the maturity profile of the group's assets and liabilities. Except for investments carried at fair value through statement of income and available for sale investments, the maturities of assets and liabilities have been determined on the basis of the remaining period from the balance sheet date to the contractual maturity date. The maturity profile for investments carried at fair value through statement of income and available for sale investments is determined based on management's estimate of liquidation of those investments.

Maturity profile of assets and liabilities at 31 December 2007 and 2006:

	1 year KD	1 -5 years KD	Over 5 years KD	Total KD
At 31 December 2007				
ASSETS				
Cash and bank balances	5,083,793	-	-	5,083,793
Short term deposits	5,526,470	-	-	5,526,470
Investment at fair value through statement of income	144,469,773	-	-	144,469,773
Accounts receivable and other assets	62,841,502	-	-	62,841,502
Available for sale investments	12,978,114	81,773,037	-	94,751,151
Investments in unconsolidated subsidiary	-	-	826,845	826,845
Investment in associated companies	-	22,256,784	-	22,256,784
Equipment	-	-	373,394	373,394
	230,899,652	104,029,821	1,200,239	336,129,712
LIABILITIES				
Due to banks	8,407,487	-	-	8,407,487
Accounts payable and other liabilities	11,512,544	-	-	11,512,544
Borrowings	130,497,295	-	-	130,497,295
Provision for end of service indemnity	-	129,919	-	129,919
	150,417,326	129,919	-	150,547,245
At 31 December 2006				
ASSETS				
Cash and bank balances	4,553,291	-	-	4,553,291
Short term deposits	4,188,211	-	-	4,188,211
Investments at fair value through statement of income	110,291,856	-	-	110,291,856
Accounts receivable and other assets	10,258,508	-	-	10,258,508
Available for sale investments	-	38,749,089	-	38,749,089
Investment in unconsolidated subsidiary	-	-	306,000	306,000
Investment in associated companies	-	-	-	-
Equipment	-	159,139	-	159,139
	129,291,866	38,908,228	306,000	168,506,094
LIABILITIES				
Due to banks	8,218,953	-	-	8,218,953
Accounts payable and other liabilities	22,606,020	-	-	22,606,020
Borrowings	77,485,418	-	-	77,485,418
Provision for end of service indemnity	-	69,749	-	69,749
	108,310,391	69,749	-	108,380,140

23. Risk management objectives and policies (continued)

23.4 Liquidity risk

The contractual maturity of financial liabilities based on undiscounted cash flows are as follows:

	Up to 1 month KD	1-3 months KD	3-12 months KD	1-5 years KD	Total KD
31 December 2007					
Financial liabilities					
Due to banks	8,407,487	-	-	-	8,407,487
Accounts payable and other liabilities	-	-	11,512,544	-	11,512,544
Borrowings	58,640,206	43,331,748	31,632,008	-	133,603,962
Provision for end of services indemnity	-	-	-	129,919	129,919
	67,047,693	43,331,748	43,144,552	129,919	153,653,912
31 December 2006					
Financial liabilities					
Due to banks	8,218,953	-	-	-	8,218,953
Accounts payable and other liabilities	-	16,000,000	6,606,020	-	22,606,020
Borrowings	70,560,868	8,154,972	-	-	78,715,840
Provision for end of services indemnity	-	-	-	69,749	69,749
	78,779,821	24,154,972	6,606,020	69,749	109,610,562

24. Summary of financial assets and liabilities by category

The carrying amounts of the group's financial assets and liabilities as stated in the consolidated balance sheet may also be categorized as follows:

	2007 KD	2006 KD
Loans and receivables:		
• Cash and bank balances	5,083,793	4,553,291
• Short term deposits	5,526,470	4,188,211
• Accounts receivable and other assets (refer note 12)	54,657,336	7,271,383
Assets at fair value through statement of income:		
• Trading securities	132,784,562	101,196,820
• Investments designated as carried at fair value through statement of income	11,685,211	9,095,036
Available for sale investments	94,751,151	38,749,089
	304,488,523	165,053,830
Other financial liabilities:		
• Due to banks	8,407,487	8,218,953
• Accounts payable and other liabilities	11,512,544	22,606,020
• Borrowings	130,497,295	77,485,418
	150,417,326	108,310,391

Fair value represents amounts at which an asset could be exchanged or a liability settled on an arm's length basis. In the opinion of the group's management, except for certain available for sale investments which are carried at cost for reasons specified in Note 13 to the financial statements the carrying amounts of financial assets and liabilities as at 31 December 2007 and 2006 approximate their fair values.

25 Capital risk management

The group's capital management objectives are to ensure that the group maintains a strong credit rating and healthy ratios in order to support its business and maximise shareholder value.

The group manages the capital structure and makes adjustments in the light of changes in economic conditions and 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, buy back shares, issue new shares or sell assets to reduce debt.

The capital structure of the group consists of the following:

	2007 KD	2006 KD
Borrowings (refer note 16)	130,497,295	77,485,418
Less: Cash and cash equivalents (refer note 20)	(695,276)	1,642,451
Net debt	129,802,019	79,127,869
Equity attributable to the shareholders of the parent company	172,101,891	60,125,954

Consistent with others in the industry, the group monitors capital on the basis of the gearing ratio. The group's policy is to keep the gearing ratio within 100%.

This ratio is calculated as net debt divided by equity attributable to the shareholders of the parent company as follows:

	2007 KD	2006 KD
Net debt	129,802,019	79,127,869
Equity attributable to the shareholders of the parent company	172,101,891	60,125,954
Net debt to equity ratio	75%	132%

26 Fiduciary assets

The group manages mutual funds, portfolios on behalf of its ultimate parent company, other related parties and outsiders, and maintains securities in fiduciary accounts which are not reflected in the group's balance sheet. Assets under management at 31 December 2007 amounted to KD300,861,639 (31 December 2006: KD72,119,237) of which assets managed on behalf of its ultimate parent company and other related parties amounted to KD226,380,527 (31 December 2006 : KD63,339,094).

27. Capital commitments

At the balance sheet date the group had capital commitments of KD1,685,612 towards available for sale investments (2006: KD1,295,752).

28. Subsequent events

At the extraordinary general assembly held on 2 January 2008, the shareholders of the parent company decided to increase the paid up share capital by 250,000,000 shares (50%) by way of an issue of shares during the year 2008, at par value of 100 Fils per share and premium of 300 Fils per share.