

Annual Report 2007

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Injazzat Real Estate Development Co.



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



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



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



BOARD OF DIRECTORS



Hamad Abdal Aziz Al-Shaya
Chairman



Mohammad Ibrahim Al-Farhan
Managing Director



Faisal Fahad Al-Shaya
Vice Chairman



Mohamed Abdul Hameed Al-Marzouk
Board Member



Khaled Abdul Mohsen Al-Saqer
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CHAIRMAN'S MESSAGE

Dear Shareholders,

It gives me great pleasure to welcome you, on behalf of my fellow members of the board, and present to you Injazzat Real Estate Development Company's annual report for the fiscal year ended on 31st December 2007, including an account of our activities during the period in question. The Company continued to implement its strategy and enhance its presence at all levels through purchases, sales and developments. The year 2007 witnessed many outstanding achievements, most notable of which, was the official opening of the Dhow Tower which came to reality after the Company's management moved into its permanent headquarters in the Tower and the tenants and owners occupied their respective office spaces.

The Company, during this year, has purchased a number of lands and projects in many countries at the regional and international levels. This year marked Injazzat's entry into the Saudi market through the acquisition of land in Dammam. The Company also acquired a plot of land at Al Muhaisna in UAE in addition to leasing two plots of land from Bahrain Investment Wharf in the Kingdom of Bahrain. At the international level, the company participated in a program for the purchase and development of lands in Bulgaria's capital city Sofia and invested in a plot of land at Santa Ynez - California, USA.

On the other hand, the company has sold a number of projects, including Al Janabeah land in the Kingdom of Bahrain as well as 50% of Al Qouz project and Al Barsha Al Oula lands in UAE. The development projects at the local level include the development of a commercial complex at Shuwaikh Industrial area in addition to an office tower at Sharq area. An investment project and a residential project are also under development in the United Arab Emirates besides two commercial towers in Qatar.

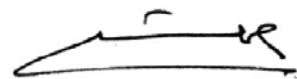
Such a remarkable activity in every aspect of the business at international, regional and local levels, inherently reflected on the company's balance sheet, with the assets level rising from KD 98 million in 2006 to KD 167 million in 2007, an increase of 70%. Shareholders equity grew from KD 53.6 million in 2006 to KD 63.9 million in 2007, up by 19%.

Furthermore, revenues went up to KD 23.7 million at the end of 2007 from KD 14.1 million in 2006, marking an increase of 68%. Meantime, total expenses rose to KD 6.7 million at the end of 2007 against KD 3 million in 2006, up by 122%. This increase occurred basically because the company increased the financing to take advantage of the low interest rates and the decline of the US dollar against the Kuwaiti Dinar. Accordingly, the net profit rose up to KD 16.4 million at the end of 2007 against KD 10.7 million in 2006 with a total increase of 54%. This represents an EPS of 58 fils per share, up by 71% over 2006.

The company still has many plans and projects for the forthcoming year. It will be focused on developing its property investments located in Kuwait, Europe and United States of America. In the meantime, it will continue investigating new attractive investment opportunities in new markets driven by strategic alliances that assist in achieving the company's objectives and sustaining its prestigious and leading stature in the real estate market.

To conclude, I would like to extend, in my own name, and on behalf of my fellow members of the board and staff, our sincere gratitude and appreciation to the company's shareholders for their continued support and trust. I also express our real appreciation to the management and staff for the effort exerted by each and every one of them towards the company's achievements.

Sincerely,



Hamad Abdul-Aziz Alshaya
Chairman of the Borad



THE COMPANY'S PROJECTS

INTRODUCTION

Injazzat Real Estate Development Company (Injazzat) continues to enhance its distinguished image and build its remarkable presence in the real estate development and investment market, establishing (Injazzat) as a name for excellence and supremacy in real estate investments. It has been natural for Injazzat to achieve its present esteemed status, having employed the highest professional and quality standards, in addition to working diligently to effectively employ its assets as well as client and shareholder resources, by offering diversified real estate services that lead to promising asset investments, to capitalize equity and achieve added value to the investment assets at all local, regional and international levels.

Since its inception, Injazzat's strategy has aimed and still aims to achieve geographical and qualitative diversification, thereby creating a balance between income-generating assets and other development investments, which include trading in land and the development of commercial office towers and residential projects. A comprehensive glance at the company's development and investment projects locally, regionally and globally, provides a clear picture of the company's strategy and how it is executed to achieve the company's goals.

Local Level

Locally, Injazzat adopted a multi-faceted strategy to ensure the desired diversification of assets covering ownership of land, income-producing properties and carrying out profitable real estate projects.

Dhow Tower

The Dhow Tower was completed, adding to the splendor of the Kuwait landscape. Landlords and tenants moved in this year. The building was officially inaugurated at a large ceremony held on 27/11/2007 and attended by many prominent businessmen, bankers and major companies. Dhow Tower rises as a remarkable achievement and innovation of Injazzat, as it is the first of its kind in the Kuwait Real Estate market, providing a unique and new investment vehicle through which commercial office space can be owned. It successfully satisfies the needs of the local market and additionally satisfies Injazzat's need for prestigious headquarters that suit its stature and allows for future expansion.

Strategically situated in Sharq area, the 33-floor Tower occupies a total building area of approximately 24,129 sqm.



Injazzat Tower



Kuwait city witnesses an unprecedented urban boom, featuring high buildings, malls and towers that rise up all over the city. These new, lofty buildings will change the traditional appearance of the city into more sophisticated scenery distinguished by huge hotels and complexes that employ state-of-the-art technologies and smart building concepts. The Capital is a major commercial and financial center of the country. Against this setting, Injazzat Tower, which rises 28 floors with a built-up area of approximately 15,000 sqm, will embody the company's keen interest in ensuring further development and enhancement of the area around the Dhow Tower, thus attracting more companies and banks, in addition to investment and financial companies. The office building is located behind Al Dhow Tower and is due for completion by the end of 2009.

THE COMPANY'S PROJECTS

Al Mal & Aqar Joint Projects

"Al Mal & Aqar Joint Projects Company" was established in the 3rd quarter of 2005, in cooperation with Aqar Real Estate Investment Company (Aqar). The intention is to develop a plot of 3,000 sqm into an office tower with a total built-up area of nearly 35,000 sqm. Injazat holds 66.6% of equity in the new company, while Aqar holds 33.3%. It is hoped this new project will make a significant addition to the area, which witnesses continued development, enhancing its stature as an area of commercial focus. The tower design, prepared by the international designers W.S. Atkins, won the 2007 MIPIM future projects award for offices, which is a prestigious real estate prize granted at the MIPIM annual conference held in Cannes - France.



Al Dajeej Building



In 2003, the Company purchased the Al-Dajeej Building in the Al Farwaniya area. With approximately 10,634 sqm of rentable area, the building is leased to government entities on long-term contracts and is another source of income for the Company. The building reinforces Injazat's strategy aimed at local expansion, specifically in rental properties owned and operated by the Company. The building has recently undergone comprehensive maintenance covering all works.

Shuwaikh Project



In 2007, the company purchased 25,300 sqm of land in Shuwaikh Industrial Area, for development as a multi-use complex of commercial shops and offices with a built-up area of 63,000 sqm. The initial designs have been completed. Construction work is expected to start in the second quarter of 2008, and finish in early 2010.

Lands for trading and development

The Company's agenda is full of innovative ideas and future projects. At present, the Company is looking into the best ways to capitalize on the strategic locations of several distinctive plots of land it holds in Sharq, Shuwaikh and Maidan Hawalli. The Company is currently focused on preparing the drawings and obtaining the required licenses to develop some of these lands and realize the targeted returns.



THE COMPANY'S PROJECTS

GCC COUNTRIES

As a continuation of its strategy that aims to achieve geographical diversification and to maximize appreciation of all investment opportunities outside the local market, the Company extended its activities to several Gulf countries, which so far include the Kingdom of Bahrain, Qatar, United Arab Emirates and recently the Kingdom of Saudi Arabia. The Company is continuously seeking to acquire promising real estate opportunities with underlying value for appreciation.

Kingdom of Bahrain

Bahrain is one of the major promising markets in the Arabian Gulf. The Bahrain market is experiencing a boom in activity and prosperity due to the government's efforts to improve and develop the infrastructure and the transport network, as well as relaxing some of its laws in order to encourage transformation of this strategically situated country into an economic and financial center and to attract foreign investment.

In the light of these developments, Injazzat has been actively contributing to Bahrain's promising economy through many real estate development projects as well as in the construction sector.

Dhow Real Estate Company

Established in 1999 and wholly owned by Injazzat, Dhow Real Estate Company invests, develops and trades in Bahrain's real estate sector. Over this period, the Company managed to realize good results through a number of deals. Towards the end of 2007, the Company sold a plot of land in Janabeah area. It recently acquired a plot of land at Bahrain Investment Wharf, situated at Al Hidd area and intends to develop this plot into warehouses and stores. It still owns many distinctive land plots in the areas of Al Seef, Sar and Ras Zuwaid. The Company plans to develop or trade these blocks to generate rewarding profits.



First Real Estate Company



Established by Injazzat in 2002, and shared equally with a qualified and expert Bahraini investor, First Real Estate Company focuses on the construction and development of residential complexes. Since its inception, First Real Estate Company has completed the development of Al Juffair Complex I & Al Juffair Complex II Projects, in addition to trading and purchasing land plots.

In the 3rd quarter of 2005, the Company underwent restructuring. The Company increased its capital to BD 30 million through additional assets and by allowing for the entry of new investors. In 2007, Injazzat's ownership was increased from 12.5% to 18.75% through purchasing 50% of one of the existing shareholder's interest. The Company is expanding its activities through maintaining the quality and performance of its current income-generating assets, which achieve high occupancy rates, in addition to continuously investing in new promising projects, availing itself of the development lands and assets it holds in strategic locations. During this year, the company sold a plot of land and a residential building in Al Juffair area in addition to a residential building at Al Hora area. It has also acquired two residential buildings in Al Juffair and two plots of land at Bahrain Investment Wharf, in addition to a 50% interest in a labor accommodation complex in Muhaisna area in Dubai.

THE COMPANY'S PROJECTS

United Arab Emirates

Injazat continued to enhance its presence in the UAE based on its well-planned strategy to focus on diversity of income resources and spread of risks, and has made an advantageous entry into the region's major markets. The Company acquired several lands in the United Arab Emirates, namely in the Al Qouz and Al Barsha Al Oula areas of Dubai, in addition to lands in Um Al Quwain and Abu Dhabi, taking advantage of the growth seen in the country and the facilities granted to Arab and foreign investors.

Al Qouz Residential Project (1)

Al Qouz Residential Project is situated in Dubai, covering an area of 100,000 sqf. The estimated total built-up area of the project is approximately 224,180 sqf. After completion of the project in June 2007, the Company sold 50% of its interest to a Kuwaiti company and leased the entire project, which consists of two labor accommodations consists of 620 rooms plus offices and commercial shops.



Al Qouz Residential Project (2)

This project covers an area of 50,000 sqf with a total built-up area of 113,741 sqf. It provides 310 rooms plus offices and commercial shops. It is the Company's second project in Al Qouz Industrial Area, Dubai, signifying the importance of the area given the increasing demand for this type of project. It was completed and fully leased in December 2007.



Al Muhaisna Project (Labor Accommodation)

This project is situated at Al Muhaisna area in Dubai and covers an area of about 56,914 sqf. It consists of two floors and comprises 401 rooms. It is fully leased for 5 years. The Company acquired this project in 2007, equally with First Real Estate Company, Bahrain, as part of the Company's strategy of holding income-producing properties.



Al Barsha Real Estate Co.

The Company sought alliance with Akar Real Estate Co. and Project Analysis Systems Co. - Projacs, which resulted in the establishment of Al Barsha Real Estate Co. in December 2006. The company acquired a land of 34,675 sqf at Al Barsha area for development as an office building that consists of 6 floors plus a commercial ground floor, with a total built-up area of 305,000 sqf. Excavation works, water suction and site preparation have been completed. Completion of the project is due late 2008.



THE COMPANY'S PROJECTS

Abu Dhabi Land



In 2007, the Company acquired a plot of land in Abu Dhabi along new Airport Road, covering an area of about 48,881 sqf. The land is intended for development as a residential tower consisting of 17 floors in addition to commercial spaces on the ground and mezzanine floors, with a total built-up area of 251,382 sqf. The Company intends to commence execution in the second quarter of 2008 for completion in mid 2010.



Um Al Quwain Lands

In 2006 and 2007, the Company acquired a group of lands in Um Al Quwain in United Arab Emirates. One group of lands, covering an area of about 56,700 sqm is situated at Um Al Sho'oub and the second one, covering an area of about 6,277 sqm is situated in Al Maidan area. The aim is to hold these lands and offer them for sale over the next two years to take advantage of the expected increase in prices.



Qatar

Over the few past years, the Qatar economy has been experiencing considerable growth, as a result of developing economic opportunities. During this same period, the economy has managed to make a significant impression on the global economy, by fully engaging in international and free trade opportunities. With the world's third largest reserve of natural gas, Qatar enjoys a wealth of oil and gas reserves that makes it one of the world's largest exporters of liquefied gas. All this contributed to the development of the Qatari economy, making it one of the most attractive countries for foreign investments. It continues to witness considerable development in its economic performance, thanks to the economic reforms that encouraged various investors to invest in the private sector, especially in real estate. This activity generated remarkable investment opportunities in this arena and made the country an attractive destination for investments in the region. Keen to take part and contribute to this activity, the Company acquired, in December 2005, 100% of a plot of land covering an area of 5,846 sqm in Lusail area and shared 50/50 with Al Shall Economic Consultants Co. another plot of 14,230 sqm. Both plots are intended for development as office towers and commercial complexes. The Company has already worked out the designs for the two projects, with execution expected to start in the second quarter of 2008. It also intends to participate in establishing a Qatari company to hold and develop Lusail lands with a number of strategic partners. The Company has also participated in a Qatari company that holds a plot of land in a strategic promising area.



THE COMPANY'S PROJECTS

Kingdom of Saudi Arabia

Dammam Land

The Company recognized that its expansion in the region would be complete and accomplished only with penetration into the Saudi market, which is characterized by an increasing diversity and growth, given the accelerating real estate movement seen in the Kingdom, particularly in the Eastern province of Dammam. There are a large number of real estate projects coming up in this area, which makes it a great attraction for major developers to take a lead in building housing projects. The Eastern Province has become the hub of real estate development activities with annual demand for residential buildings rising significantly. Last year, the demand for residences in this region is estimated to have increased by around 20%, as compared to the previous years. At present, people are looking for accommodation to purchase, but almost all houses and apartments constructed so far by the builders have already been sold. This strong demand for residential buildings in this region is attributed to the ongoing massive project developments. On the other hand, the real estate market in KSA is now more organized, following the announcement of the new regulations in the real estate market. Under these circumstances, the Company acquired, in December 2007, in association with other parties, a multi-use plot of land in the Eastern area of Dammam, covering an area of 223,372 sqm. The Company aims to divide this plot, develop some of the parts and sell the largest part within two years time. The main developer has already started the infrastructure works, expected to finish in mid 2008.



THE COMPANY'S PROJECTS

INTERNATIONAL LEVEL

At the international level, Injazzat targeted some significant real estate opportunities in certain countries in Europe and North America. These include both direct investments in land and projects under development, as well as indirect investments through real estate funds that provide investors with fixed income and capital growth. These investments are put in the hands of experienced partners who are well positioned to manage property assets to ensure proper management and achievement of the targeted revenues.

France

Injazzat Real Estate S.A.S - France

Incorporated in 2000, Injazzat Real Estate France (formerly Al Mal Real Estate France) began operations by trading in residential and commercial opportunities on a short-and medium-term basis in cooperation with French partners. Since then, the Company has successfully acquired many residential and commercial properties, held them for varied periods and sold most of them, thus realizing rewarding returns.

Alpha Investments Fund

Launched in the 4th quarter of 2003, this fund (formerly Alpha Leasing Fund) was set up according to Islamic Shari'ah principles. Its investment strategy targets office buildings and warehouses located in various major French cities between Paris and Marseilles. It is expected to hold this fund till the end of 2009.



Bulgaria

Bulgaria is witnessing an increasing economic growth and rising income as well as growth in FDI (Foreign Direct Investment). Real Estate Sector accounts for 27.5% of all FDI. On the other hand, Bulgaria is set to receive € 4.6 billion from the EU. Also modernization of the country's transport infrastructure is expected to accelerate. Five of the ten EU designated Pan-Euro Corridors cross the country enable Bulgaria to compete for cross-border logistics business in South Eastern Europe. Sofia, the capital of Bulgaria, has particularly witnessed a significant increase in population over the past decade, in view of the many inhabitants of other areas moving to the capital seeking better living and working conditions. The city currently has a population of 1.8 million, with an unemployment rate of less than 3%. This population influx to the capital pushed up demand for residential areas. These positive factors made Bulgaria a promising market and encouraged Injazzat to invest, through ARC Global Partners and Euro Capital, in a land acquisition program in Luilin, on the northeastern side of Sofia city, and also in Bistritsa, on the southwestern side of the city. The aim of the company's investment in Luilin is to merge the purchased lands, which are owned by people who had their lands returned after 50 years of communism, for trading or development as residential units or multi-purpose projects. In Bistritsa, the company aims to develop the whole site in two phases under one integrated design. Phase I & II will be integrated into a revised Master Plan. This area has the best views in the region of Sofia. It is at a distance of 6 km from the city center. The beautiful Pancherevo Lake is located in this area. It is located in the foothills of Vitosha Mountain, and offers a panoramic view of snow-covered land.



THE COMPANY'S PROJECTS

USA

Eldorado

In January 2004, the Company acquired a major share of a land plot in Texas (McKinney City) that was intended to be divided and sold. The land is strategically located in a newly developing area near main roads. It is expected to yield rewarding profits for the Company. The sale of some plots has started in compliance with the investment strategy.



Shmael U.S. Real Estate Fund

In the second half of 2004, in partnership with Al-Shall Investment (Fund Managers) and Grosvenor Investment Management US Inc. (Fund Asset Manager), Injazzat incorporated Shmael U.S. Real Estate Fund in compliance with Islamic Shari'ah guidelines. The fund invests in the USA major metro area office building sector to achieve a stable operational income, in addition to a future benefit of increased value.

Preston Creek

In January 2005, Injazzat acquired a major share of a strategic land plot in Plano, Texas, planning to develop it as a commercial complex for future sale or lease. The plot is strategically located between the cities of Plano and Frisco, both of which are in the midst of an economic boom. The project will be developed in two stages. The first stage was completed in June 2007. The second stage is expected to be completed by February 2008.



ROCA Real Estate Securities Fund, L.P. («ROCA»)

Through ARC Global and ROCA Advisors LP, and under the management of ROCA Management LLC, the ROCA fund began in July 2006 as an investment vehicle formed to pursue investment opportunities in Real Estate Investment Trusts (REITs) and Real Estate Operating Companies in the USA, with equity market capitalization under \$1 billion and with a special emphasis on REITs with capitalization under \$500M. The Fund's strategy will be focused on purchasing positions in companies trading at below their Net Asset Value (NAV), or potential targets for ROCA's consolidation strategy (ROCA II). This investment has a three-year anticipated holding period.

Monterrey Village - San Antonio - Texas - USA

In October 2006, Injazzat invested in a 232-acre mixed-use development project («Monterrey Village») located in a growing area of San Antonio, Texas USA. The project includes a blend of multi-family residential units, retail and pad sites, offices, and a hospitality component. Initial investment in this project is via a mezzanine loan structure. ARC Communities will be developing the property along with Trammel Crow Company (NYSE:TCC), a well-known national real estate development and services group.

Santa Ynez Ranch- California, USA

In 2007, in partnership with ARC Global Partners LLC («ARC») and Fonterra Partners LLC («Fonterra»), Injazzat acquired a plot of land known as Bar Go Ranch in the Santa Ynez Valley of California. The property, situated 25 miles North of Santa Barbara County, is subdivided into 18 individual parcels, covering a total area of 3,286 acres. It will be pre-developed and offered for sale after merging them into 6 parcels.





PERFORMANCE OF THE DOMESTIC ECONOMY

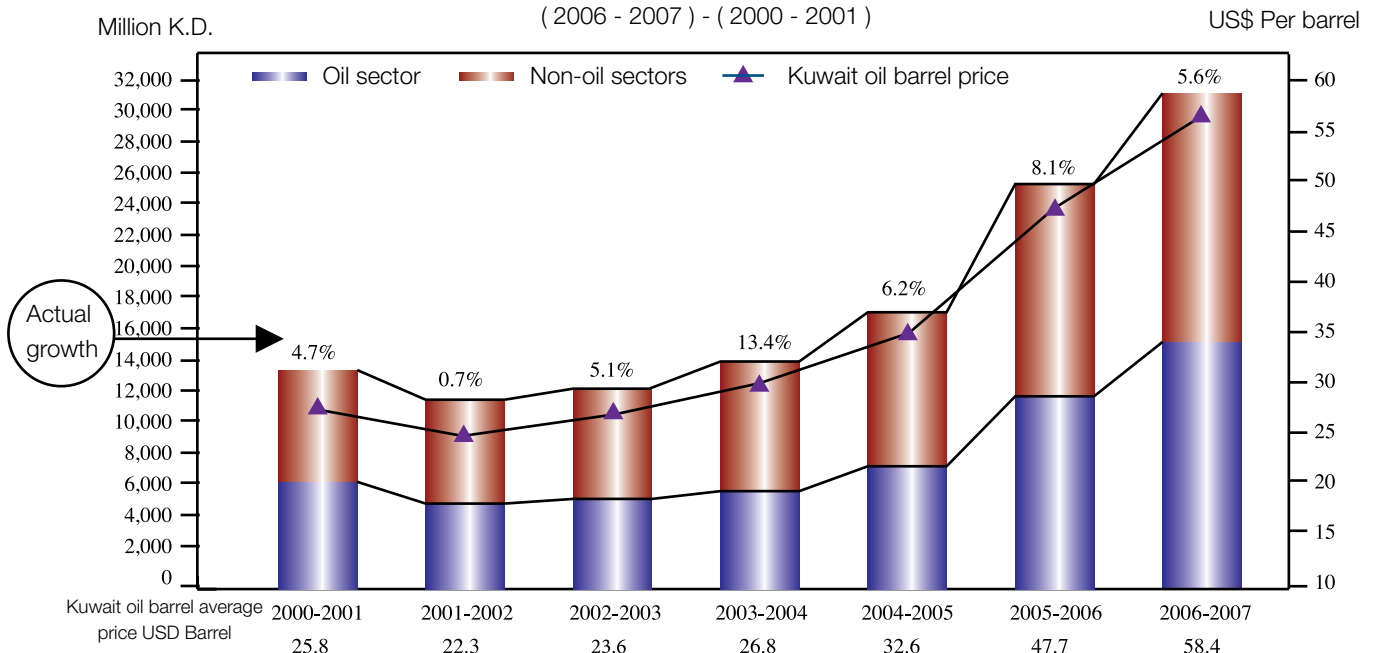
Performance of the Local Real Estate Sector

The positive and strong nominal growth of the gross domestic product continued in 2007, expected by the International Monetary Fund (IMF) to reach 7.8%. However we still expect it to grow to two digits, as the IMF expectations, in October, have been based on a lower level of oil prices. Most importantly, the expected actual growth amounts to about 3.8% according to the Economist Intelligence Unit (EIU) publication and will rise to 5.7% in 2008; well above the expected growth of the global economy which is estimated at 4.8% for the same year.

By the end of 2007, the oil prices hit the critical and emotional barrier of US\$ 100, which is further evidence of the structural change in the oil market, taking place since 2003. This means that demand has become the decisive element in determining the oil price levels. For Kuwait, it means continuing production at full capacity, or about 2.5 million bpd, while continuing to sell at high prices. Following the rise of the Kuwaiti oil barrel price by about 60.3% between the December 2004 level and December 2005, it also added about 9.4%, in December 2006, compared to December 2005, then a further 11.8% in December 2007. Unless the American economy enters into an era of recession – negative growth – due to the American mortgage crisis, which is unlikely to happen, oil prices are expected to remain high, with OPEC maintaining maximum production. This makes the oil countries, including Kuwait, prospective recipients of liquid wealth, a situation that is similar to that which happened in the second half of the 1970s, not for political or security reasons, but for the economic considerations of supply and demand. This means the present situation will continue for a longer time.

GDP in current prices and kuwaiti oil barrel average price

(2006 - 2007) - (2000 - 2001)



The strong oil market, and its continued boom, reflects on the public budget surplus, which will extend for 9 years, with surplus for the current fiscal year 2007/2008 expected to reach KD 6-7 billion. If oil prices remain around the one hundred United States Dollars mark, they would take the level of the surplus beyond that of the fiscal year 2005/2006 when it amounted to KD 6.866 billion. The budget final account of 2006/2007 realized a surplus of about KD 5.203 billion. With the realization of these surpluses, sharp rises continued on the expenses side, under the expansionist monetary policy, which is an imprudent choice. While the expenditure allocations for the fiscal year 2006/2007 were exceptional and amounted to KD 11.123 billion, as they included dues of KD 2.682 billion for the Public Institution for Social Security, the expenditure allocations for the fiscal year 2007/2008 achieved a record figure amounting to KD 11.3 billion. This expansionist monetary policy, dominated on the expenditure side by a consumption tendency, leads to dangerous inflation pressures, particularly in local assets prices.

PERFORMANCE OF THE DOMESTIC ECONOMY

Although the Kuwaiti Dinar was 'un-pegged' from the United States Dollar in May 2007, and the Kuwaiti Dinar thus rose against the US\$ towards the end of 2007 by about 5.7%, the monetary political tools seem weak in the face of inflation pressures. While the increase of the KD exchange rate against the US\$ has slightly restricted the level of imported inflation, the Central Bank of Kuwait remains unable to raise the interest rates so as to limit the level of inflation originating locally. In fact, the increasing level of concern over recession in the world's major economies pushes some to reduce the interest rate which happened twice with the US\$ in the fourth quarter of 2007. Meanwhile, the local monetary authority situation has become critical, because its concern is inflation and it needs to raise interest rates to reduce the pressures. However, it is unable to do it for political considerations, and hence inflation is likely to continue during 2008.

The continuous strength in the oil market is likely to produce surpluses close to record levels in foreign sales when full figures become available. The data for the first three quarters of 2007 indicate that Kuwait would realize a trade surplus of about KD 11.287 billion on an annualized basis. In reality, it would be slightly higher, due to the increase in oil prices in the fourth quarter over the level of the first three quarters. Surplus in the trade balance for 2006 amounted to KD 11.538 billion. Estimates of the EIU indicate that Kuwait could realize a surplus in its current account of about KD 11.5 billion, after it has realized some KD 14.840 billion as surplus in its current account for the year 2006.

The first three quarters of the year were a period of dominance for the financial assets prices, following an era of correction that continued for the full year of 2006. Some weightage indicators realized an increase of about 50%. But the last quarter of the year was a period of minimal correction during which the prices of these assets lost about 20% of their gains. It was a timely and healthy correction, setting the grounds for a lower-risk performance in 2008.

In conclusion, the local economy continued to expand at high rates. The strength of the oil market was reflected in the public budget surpluses and foreign balances, which will likely realize record levels. Apparently, the same scenario will repeat itself in 2008. But with a comfortable financial status, the possible adoption of corrective financial and economic policies decreased and inflation pressures continued to undermine the competitiveness of the Kuwaiti economy in the medium to long-term.

PERFORMANCE OF THE DOMESTIC REAL ESTATE MARKET

Despite the corrective period which governed the financial assets prices during 2006 and the last quarter of 2007, the prices of real estate assets continued their ascending curve. Following the decline in the real estate market liquidity in 2004 and 2005, in the wake of record liquidity of KD 2,828 billion for contract sales and agencies in 2003, it restored its upward curve in 2006 to reach about KD 2,729 billion; down by about KD 100 billion compared to the record level of 2003, but breaking the record level of 2003 by a wide margin in 2007. Liquidity in the past year amounted to about KD 4.447 billion; up by 57.2% over the record level of 2003 and up by 62.9% over the level of 2006. The first half of 2007 share was about KD 2.011 billion; the second half share was about KD 2.435 billion. This means that the dealings were regular, with a tendency to rise in the second half of the year, indicating a likelihood of continued activity in 2008.

With the considerable surplus in liquidity, and a significantly expansionist financial policy and a neutral monetary policy, inflation pressures may continue on the real estate assets prices in 2008, with continued high liquidity in the real estate market.

Private Housing

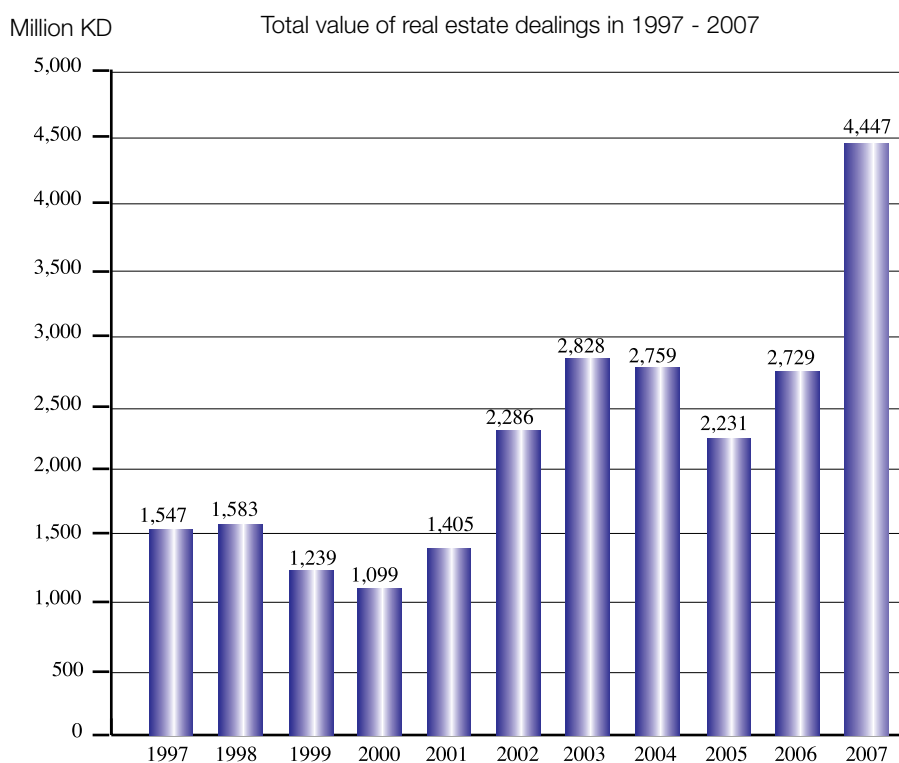
The private housing share continued to decline, despite the increase in the value of absolute dealings compared to 2006. The private housing market contributed with about 52.8% of the sector's dealings value, or liquidity down from 54.1% in 2006. The value of dealings amounted to about KD 2346.8 million, which is a record level, set against KD 1477.4 million in 2006. The amount covered 11496 deals compared with 8595 deals in 2006. This indicates a significant increase in the average deal, reflecting the phenomenon of prices inflation. The increase in the private housing is an unhealthy phenomenon, because it refers to a decrease in the purchasing power for fixed incomes and young people for whom housing is a basic need. The continuing increase in private housing prices is due to scarcity of supply, as the government monopolizes about 90% of Kuwait's lands, and the spread of the demand side is high as a result of the broad hierarchy of population since the majority of the Kuwaitis are below 21 years of age. Unless some action is taken by the government to treat the imbalance between scarce supply and abundant demand, the expansionist financial policy and the neutrality of the monetary policy, as well as the high price of the financial assets, would lead to an increase in private housing lands.

Investment housing

The liquidity of investment housing continued to increase as it represents the investment choice for a liquidity surplus. Dealings in 2007 amounted to about KD 1728.6 million in value, which is a record level, up by about 85.8% over 2006. With this significant increase in liquidity, the sector's contribution to the real estate market liquidity increased from 34.1% in 2006 to about 38.9% in 2007, indicating an inclination in the real estate market to investment, at the expense of private housing. Private housing and investment housing possess most of the liquidity in the real estate sector, jointly sharing about 91.7%. The investment housing sector continued to recover, after the pricing correction and poor contribution to the sector's liquidity, standing at 28.7% in 2005.

Commercial real estate

This activity covers all the other uses of real estate such as offices, commercial complexes and warehouses. Its share of the real estate liquidity amounted to about 8.3%; down by 11.6% in 2006. This relative drop went to the investment housing sector. Despite this decline in the relative contribution to real estate liquidity, its absolute sales increased to about KD 367.0 million compared to about KD 316.6 million in 2006. The year 2006 was a record year for liquidity in this activity, where liquidity rose by about 66.1% over 2005, indicating the continued attractiveness of this activity. The average deal value rose from about KD 2.15 million in 2006 to about KD 2.25 million in 2007. Although it involves this increase in liquidity, it still did not mature to a balance between supply and demand, particularly in the office side. However, the gap between supply and demand has been smaller in the past years.



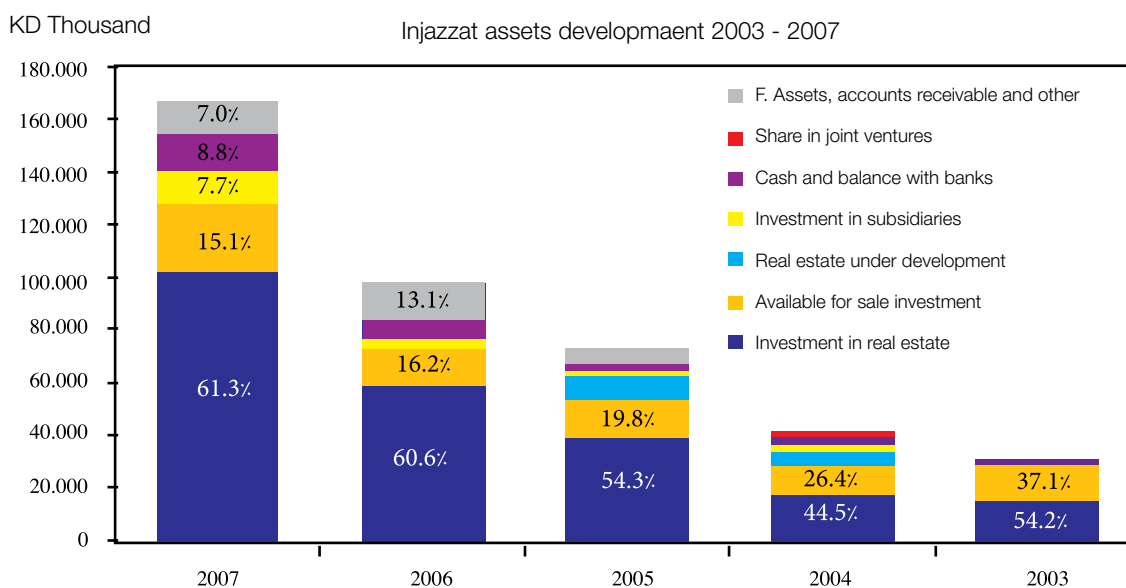
COMPANY'S FINANCIAL ANALYSIS

The Financial Position

The Company continued to grow its assets in 2007, as per its Board-approved long term strategic plan focusing on the main objectives of the company, namely real estate investment and development through expansion of the already existing market in addition to penetrating new markets in both the GCC region and globally as well as through development of its properties.

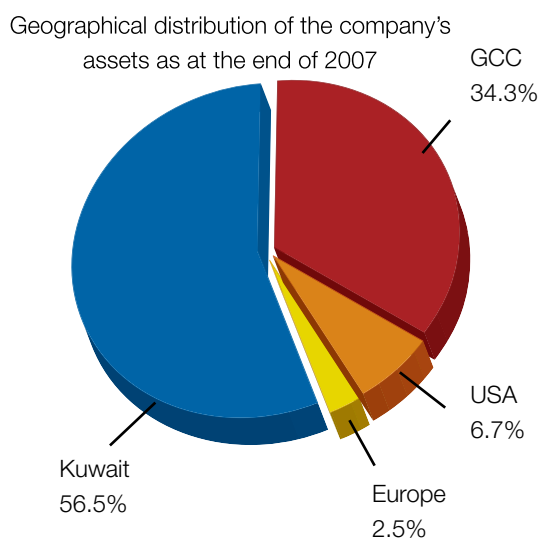
The company's assets grew by the end of the year by about KD 68.9 million representing an annual growth rate of 70.3% up by KD 98.1% over the previous year marking KD 167 million in 2007. This increase in the company's assets was due to the increase in the value of most of the investment and real estate assets by 78.7% to about KD 140.6 million from KD 78.6 million in 2006. These assets accounted for about 84.2% of the company's total assets in 2007 against 80.2% in 2006.

The real estate investments counted for the highest share in the company's assets, amounting to 61.3% in 2007 against 60.6% in 2006 soaring from KD 59.4 million to about KD 102.4 million. In contrast, the investments available for sale increased to 58.3% reaching about KD 22.8 million in 2007 against KD 14.4 million as at the end of the previous year. Meanwhile its contribution to the company's assets fell down to about 13.7% in 2007 from 14.7% in 2006. Thus all the real estate assets combined (including real estate land investments, trading real estates, investments for sale, investments in subsidiaries and investments in joint ventures) realized as at the end of 2007 a considerable growth of 78.7% compared to 2006 when it amounted to 19.7% compared to 2005.



The company continued to finance its investment assets through lending from local banks. Loans as at the end of 2007 amounted to about KD 76.9 million against KD 28 million in 2006. Liabilities as at the end of 2007 amounted to about KD 98.2 million rising by KD 58.7 million or 148.8% over total liabilities of 2006 which amounted to about KD 39.5 million.

Geographically, the company's assets are distributed locally by about 56.5% compared to about 55.5% in 2006 while the total assets distribution at the regional and international levels are about 43.5% compared to about 44.5% in the previous year.



COMPANY'S FINANCIAL ANALYSIS

The total liabilities to total assets ratio for 2007 amounted to about 58.8% which is higher than the ratio recorded in 2006 which amounted to 40.2%. Liabilities to shareholders equity also rose to about 153.6% against 73.6% in 2006. These indicators show the strong financial position the company enjoys and proves that it can continue to grow its assets through financing from external resources, through the management's firm relationships with a number of local and regional financial institutions that support the Company's expanding approach in financing the company's growth in the forthcoming period.

Financial Performance

GCC markets, including the local one, witnessed in 2007 an improved performance which was positively reflected on the real estate investment. The company could realize net profits of about KD 16.5 million, marking the highest figure recorded by the company since inception. The company had realized record net profits in 2005, part of which were exceptional. The net profits for 2007, however, rose by about KD 6.3 million or 61.4% due to the increase in the operating profits by about 68.2% coupled with an increase in expenses by about 121.7% despite the decrease in the average total profit to about 72.0% from 78.8% as at the end of 2006. But it is still a good level, marking the third highest profit margin realized throughout the years of operation.

Total revenues rose to about KD 23.8 million compared to about KD 14.1 million in 2006. Profits resulting from sale of investments accounted for about 31.9% of the total revenues, amounting to about KD 7.6 million compared to about KD 814,900/- in 2006. Profits from lease increased to reach KD 1.1 million compared to about KD 385,000/- in the previous year. The profits resulting from the change in the fair value of real estate investments amounted to about 10.1 million compared to about KD 7.4 million in 2006. These figures reflect the company's attention given to the operating assets with low risk profile.

Expenses rose substantially by about 121.7% or from KD 3 million in 2006 to about KD 6.7 million in 2007. This rise is basically attributed to the rise in funding costs by KD 2.8 million or about 232.7% compared to 2006 due to the rise of foreign funding by 175.2% in 2007.

The company realized net profits of about KD 16.5 million, with the EPS standing at 57.5 fils after it reached 34.2 fils in 2006. Return on assets (ROA) was about 9.9% in 2007 compared to about 10.4% in 2006. Return on Equity (ROE) was about 25.8% compared to 19.0% in 2006. The share book value showed rise of 8.3% to 212.7 fils as at the end of 2007 from 196.3 fils in 2006, which is due to the increase in the shareholders equity by about 19.1% and by a higher rate than the number of shares after the distribution of bonus shares at 10% during 2007.

In the light of the improvement shown in the Company's revenues compared to 2007, most of its indicators showed better curves than other real estate companies enlisted on the Kuwait Stock Exchange. It has occupied a good position on the list of 34 enlisted real estate companies as at the end of 2007. It took the fifth position in terms of P/E and the return on equity.

Financial indicators	Injazzat	Average Real estate companies enlisted on KSE*
P/E	6.2	89.5
P/B	1.5	1.3
ROE %	23.9%	15.6%
ROA %	9.9%	9.7%
Turnover %	119.3%	122.4%

*Average of 34 companies enlisted on KSE, which had financials available as on 30/9/2007 on an annualized basis.

* P/E per share is calculated on the basis of the total shares issued and fully paid.

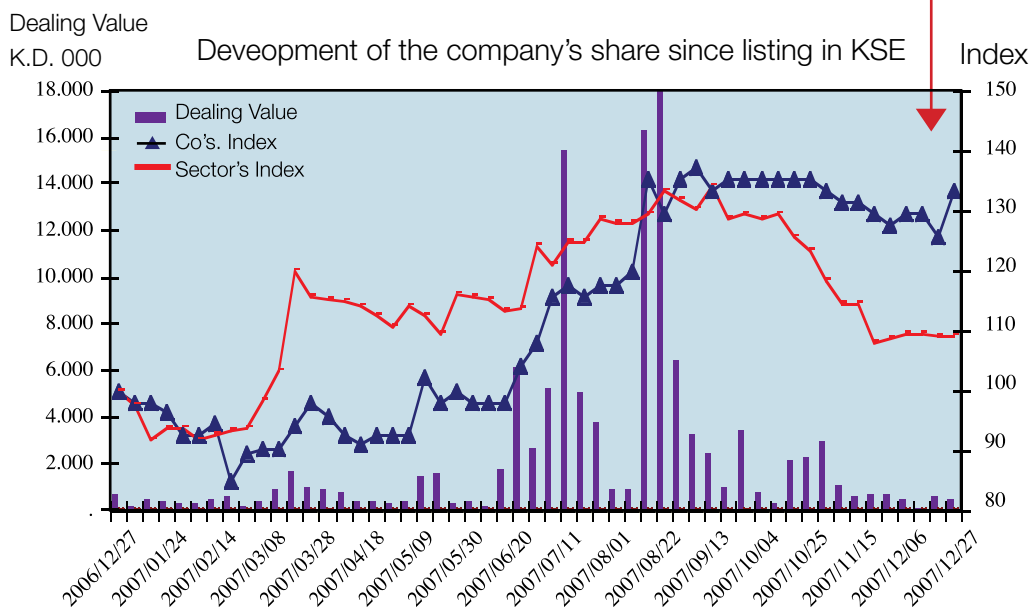
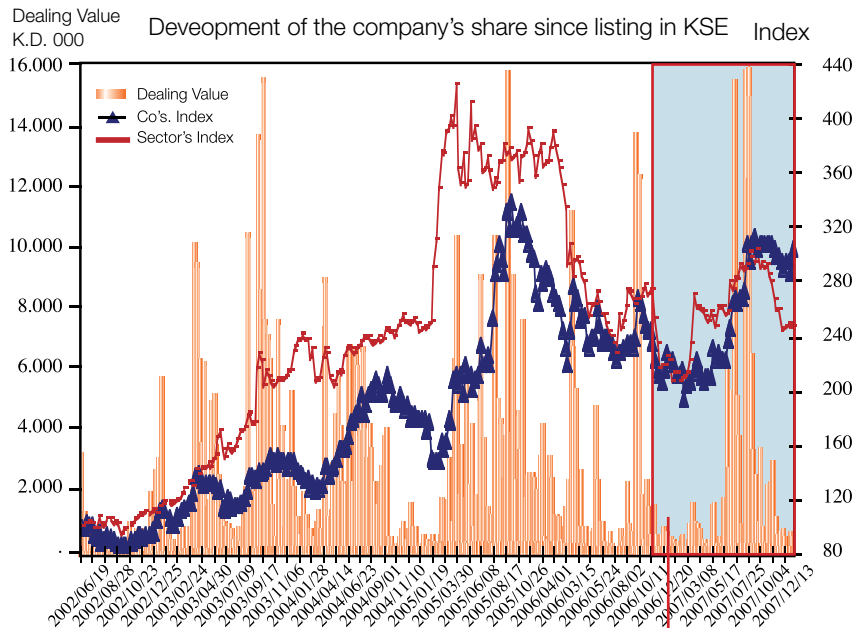
COMPANY'S SHARE PERFORMANCE ANALYSIS

In order to enhance the shareholders' trust in the company's continuing distinguished performance, the Board of Directors recommended distributing cash dividends of about 15% and bonus shares of about 15% for 2007. Accordingly, the cash yield will be about 4.4%, which is lower than the company cash yield for 2006, when it recorded about 5.4% but higher than the average real estate sector cash yield as at the end of 2005, which amounted to about 3.5%.

Analysis of Share Performance 2007

The performance of the local stock exchange in general has improved but the real estate sector grew at a lower rate than the stock exchange in 2007. As a result of the Company's strong performance, its share price rose by 21.4% in 2007 while the sector rise was about 9.1% for the same year.

This chart shows the development of the company's share price since enlisting in 2002, indicating an upward swinging of the share due to the corrective movement in KSE. But the Company's share showed higher percentage of increase in price than the real estate sector index. It is worth noting that the company distributed 15% in dividends and 10% in bonus shares (for 2006 profits) and the new shares have been put into dealing on 20/02/2007.



SHARE PERFORMANCE

The company's share closed by year-end at 340 fils, marking an increase of 21.4% compared to the closing of 280 fils in 2006. Taking into consideration the impact of the bonus shares distributed in 2007, the capital profits realized over 12 months period rose to 33.6%. The highest market price in 2007 was attained on 24/10/2007 marking 355 fils, while the lowest price attained on 21/12/2007 was 216 fils.

The P/E improved by the end of 2007 making 6.1 times against about 8.2 times in 2006, because the rise in the earning per share was higher than the rise in its price. But this index remains at a good level compared to the average index of the market and the real estate sector. Meanwhile, the P/B rose to about 1.5 times against about 1.6 times at the end of 2006 due to the rise in the share price coupled with the a higher rise in the shareholder equity.

The total value of traded shares during 2007 amounted to about KD 121.9 million, with an average daily trading of KD 0.498 million, marking a growth rate of 20.8% compared to 2006. The traded shares value accounted for about 2.5% of the total dealings in real estate sector in 2007. The quantity of traded shares amounted to about 395 million shares with an average daily trading of 1.6 million shares marking a growth of about 24.9% compared to 2006. Accordingly, the share turnover was about 119.3% compared to the previous year where it amounted to about 223.7%. The total market value rose to about KD 102.2 million, counting for about 3.3% of the real estate sector market value. This was higher by about KD 25.7 million than the market value realized at the end of 2006.

2007	Value of traded shares	Quantity of traded shares	No. of deals	Capital market value
	KD million	Million shares	Thousand deals	KD million
No. of trading days	245	-	-	-
Injazzat Co.	121.9	395.0	11	102.2
Total real estate sector	4,946,0	18,649	440.0	3,063
Total market	36,962,9	70,259	2,098	53,334
Ratio of total real estate sector	2.5%	2.1%	2.4%	3.3%
Ratio of total market	0.3%	0.6%	0.5%	0.2%
Share turnover rate (on an annualized basis)	119.3%	-	-	-

AUDITOR'S REPORT
AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2007



AUDITORS' REPORT

To the shareholders of
Injazzat Real Estate Development Company – KSC (Closed)
Kuwait

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Injazzat Real Estate Development Company (A Kuwaiti Closed Shareholding Company) ("the parent company") and Subsidiaries (collectively "the group") which comprise the consolidated balance sheet as at 31st 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.

Directors' Responsibility for the Consolidated Financial Statements

The parent company's directors are 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 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.

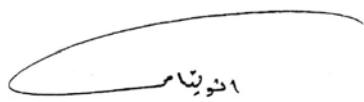
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

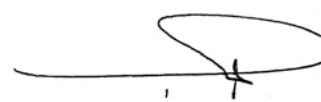
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the group as at 31 December 2007, and the results of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 Commercial Companies Law or of the parent company's articles of association, as amended, have occurred during the year ended 31st December 2007 that might have had a material effect on the business of the group or on its financial position.



Anwar Y. Al-Qatami, F.C.C.A.
(Licence No. 50-A)
of Grant Thornton – Anwar Al-Qatami & Co.
Kuwait
20 January 2008



Waleed A. Al Osaimi
(Licence No. 68-A)
of Ernst & Young

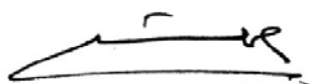
CONSOLIDATED STATEMENT OF INCOME

	Note	Year ended 31 Dec. 2007 KD	Year ended 31 Dec. 2006 KD
Income			
Rental income		1,112,419	385,020
Profit on sale of developed properties	6	-	2,504,247
Unrealised (loss)/gain from investments at fair value through statement of income		(329,125)	47,787
Profit from sale of available for sale investments		163,831	977,759
Distribution income from available for sale investments		1,158,901	976,277
Profit from sale of investment properties		7,575,839	814,903
Change in fair value of investment properties	16	10,131,650	7,407,138
Management and placement fees		450,454	537,039
Share of profit of associates		54,710	64,160
Other income	7	1,395,335	298,767
Foreign exchange gain / (Loss)		2,058,371	122,213
		23,772,385	14,135,310
Expenses & other charges			
Real estate operating costs		266,866	88,353
Staff costs		1,381,784	775,890
Depreciation		133,247	10,251
General and administrative expenses		331,980	246,455
Consultancy and professional fees		131,571	175,883
Finance costs	9	4,008,497	1,204,826
Provision for impairment of investment in associate		400,000	500,000
		6,653,945	3,001,658
Profit before contribution to KFAS, Zakat contribution, NLST and directors remuneration		17,118,440	11,133,652
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(154,563)	(95,843)
Contribution to Zakat	10	(10,758)	-
National Labour Support Tax (NLST)		(429,342)	(266,230)
Directors remuneration		(100,000)	(75,000)
Profit for the year		16,423,777	10,696,579
Attributable to:			
Shareholders of the parent company		16,479,014	10,212,136
Minority interest		(55,237)	484,443
		16,423,777	10,696,579
BASIC & DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY	11	58 Fils	34 Fils

The notes set out on pages 29 to 52 form an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

	Note	Year ended 31 Dec. 2007 KD	Year ended 31 Dec. 2006 KD
Assets			
Cash and cash equivalents	12	14,704,585	6,581,386
Accounts receivable and other assets	13	9,720,618	10,878,323
Investment at fair value through statement of income	14	2,452,255	1,493,252
Available for sale investments	15	22,841,856	14,426,331
Investment properties	16	102,411,392	59,422,105
Investment in associates	17	12,854,284	3,304,676
Property and equipment	18	2,035,750	1,969,047
Total assets		167,020,740	98,075,120
Liabilities and equity			
Liabilities			
Due to banks	12	463,483	547,591
Accounts payable and other liabilities	19	20,768,421	10,957,650
Ijara sukuk payable	20	16,404,000	-
Bank loans	21	60,535,165	27,953,564
Total liabilities		98,171,069	39,458,805
Equity			
Equity attributable to shareholders of the parent company			
Share capital	22	30,056,400	27,324,000
Treasury shares	23	(4,734,000)	(943,605)
Share premium	22	2,869,130	2,869,130
Statutory reserve	24	5,591,024	3,873,656
Voluntary reserve	24	2,795,512	1,936,828
Gain on sale of treasury shares reserve		875,250	261,468
Foreign currency translation reserve		(642,594)	(2,023)
Cumulative changes in fair value		2,341,878	672,875
Retained earnings		24,767,865	17,639,543
		63,920,465	53,631,872
Minority interest		4,929,206	4,984,443
Total equity		68,849,671	58,616,315
Total liabilities and equity		167,020,740	98,075,120



Hamad Abdulaziz Al-Shaya
Chairman



Mohammad Ibrahim Al-Farhan
Managing Director

The notes set out on pages 29 to 52 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

	Equity attributable to shareholders of the parent company											w/Minority interest	Total
	Share capital KD	Treasury shares KD	Share premium KD	Statutory reserve KD	Voluntary reserve KD	Gain on sale of treasury shares KD	Foreign currency translation reserve KD	Cumulative changes in fair value KD	Retained earnings KD	Sub-total KD	KD		
Balance at 1 January 2007	27,324,000	(943,605)	2,869,130	3,873,656	1,936,828	261,468	(2,023)	672,875	17,639,543	53,631,872	4,984,443	58,616,315	
Change in fair value of available for sale investments	-	-	-	-	-	-	-	1,669,003	-	1,669,003	-	1,669,003	
Foreign currency translation adjustments	-	-	-	-	-	-	(640,571)	-	-	(640,571)	-	(640,571)	
Net (expense)/income recognised directly in equity	-	-	-	-	-	-	(640,571)	1,669,003	-	1,028,432	-	1,028,432	
Profit/(loss) for the year	-	-	-	-	-	-	-	16,479,014	16,479,014	16,479,014	(55,237)	16,423,777	
Total recognised (expense)/income for the year	-	-	-	-	-	-	(640,571)	1,669,003	16,479,014	17,507,446	(55,237)	17,452,209	
Issue of bonus shares (Note 25)	2,732,400	-	-	-	-	-	-	(2,732,400)	-	-	-	-	
Cash dividend (Note 25)	-	-	-	-	-	-	-	(4,042,240)	(4,042,240)	(4,042,240)	-	(4,042,240)	
Purchase of treasury shares	-	(6,708,991)	-	-	-	-	-	-	(6,708,991)	(6,708,991)	-	(6,708,991)	
Sale of treasury shares	-	2,918,596	-	-	-	613,782	-	-	3,532,378	3,532,378	-	3,532,378	
Transfer to reserves	-	-	-	1,717,368	858,684	-	-	(2,576,052)	-	-	-	-	
	2,732,400	(3,790,395)	-	1,717,368	858,684	613,782	-	(9,350,692)	(7,218,853)	-	-	(7,218,853)	
Balance at 31 December 2007	30,056,400	(4,734,000)	2,869,130	5,591,024	2,795,512	875,250	(642,594)	2,341,878	24,767,865	63,920,465	4,929,206	68,849,671	

The notes set out on pages 29 to 52 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY (CONTINUED)

	Equity attributable to shareholders of the parent company										Minority interest	Total
	Share capital KD	Treasury shares KD	Share premium KD	Statutory reserve KD	Voluntary reserve KD	Gain on sale of treasury shares KD	Foreign currency translation reserve KD	Cumulative changes in fair value KD	Retained earnings KD	Sub-total KD		
Balance at 1 January 2006	23,760,000	(249,860)	2,869,130	2,808,735	1,404,368	172,526	236,316	739,564	14,953,419	46,694,198	4,500,000	51,194,198
Change in fair value of available for sale investments	-	-	-	-	-	-	-	710,926	-	710,926	-	710,926
Realised on sale of available for sale investment	-	-	-	-	-	-	-	(777,615)	-	(777,615)	-	(777,615)
Foreign currency translation adjustments	-	-	-	-	-	-	(238,339)	-	-	(238,339)	-	(238,339)
Net expense recognised directly in equity	-	-	-	-	-	-	-	(238,339)	-	(305,028)	-	(305,028)
Profit for the year	-	-	-	-	-	-	-	-	10,212,136	10,212,136	484,443	10,696,579
Total recognised (expense)/income for the year	-	-	-	-	-	-	(238,339)	(66,689)	10,212,136	9,907,108	484,443	10,391,551
Issue of bonus shares (Note 25)	3,564,000	-	-	-	-	-	-	(3,564,000)	-	-	-	-
Cash dividend (Note 25)	-	-	-	-	-	-	-	(2,364,631)	(2,364,631)	-	-	(2,364,631)
Purchase of treasury shares	-	(981,816)	-	-	-	-	-	-	(981,816)	-	-	(981,816)
Sale of treasury shares	-	288,071	-	-	-	88,942	-	-	377,013	-	-	377,013
Transfer to reserves	-	-	-	1,064,921	532,460	-	-	(1,597,381)	-	-	-	-
	3,564,000	(693,745)	-	1,064,921	532,460	88,942	-	(7,526,012)	(2,969,434)	-	-	(2,969,434)
Balance at 31 December 2006	27,324,000	(943,605)	2,869,130	3,873,656	1,936,828	261,468	(2,023)	672,875	17,639,543	53,631,872	4,984,443	58,616,315

The notes set out on pages 29 to 52 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 KFAS, Zakat contribution, NLST and Directors' remuneration		17,118,440	11,133,652
Adjustments for:			
Depreciation		133,247	10,251
Profit on sale of developed properties		-	(2,504,247)
Unrealised (loss)/gain from investments at fair value through statement of income		329,125	(47,787)
Profit from sale of available for sale investments		(163,831)	(977,759)
Distribution income from available for sale investments		(1,158,901)	(976,277)
Profit from sale of investment properties		(7,575,839)	(814,903)
Change in fair value of investment properties		(10,131,650)	(7,407,138)
Foreign exchange gain on non operating assets and liabilities		(2,042,947)	(58,430)
Share of profit of associates		(54,710)	(64,160)
Provisions for impairment of investment in associate		400,000	500,000
Interest income		(474,890)	(242,005)
Finance costs		4,008,497	1,204,826
		386,541	(243,977)
Changes in operating assets and liabilities:			
Accounts receivable and other assets		5,614,067	2,396,554
Accounts payable and other liabilities		8,859,371	(9,898)
Cash from operations		14,859,979	2,142,679
KFAS paid		(95,843)	(142,252)
NLST paid		(266,230)	(350,199)
Directors' remuneration paid		(75,000)	(75,000)
Net cash from operating activities		14,422,906	1,575,228
INVESTING ACTIVITIES			
Net additions to property and equipment		(199,950)	(107,151)
Additions to investment at fair value through statement of income		(1,288,128)	(1,445,465)
Additions to available for sale investments		(7,407,684)	(5,805,660)
Proceeds from redemption/sale of available for sale investments		824,995	6,940,377
Additions to investment properties		(42,041,846)	(7,615,206)
Proceeds from sale of investment properties		12,430,990	3,269,430
Addition to property under development		-	(4,245,160)
Proceeds from sale of developed properties		-	4,598,599
Distribution income received from available for sale investments		518,901	976,277
Investment in associates		(9,894,898)	(457,427)
Interest income received		474,890	242,005
Net cash used in investing activities		(46,582,730)	(3,649,381)
FINANCING ACTIVITIES			
Dividend paid		(3,998,227)	(2,364,631)
Purchase of treasury shares		(6,708,991)	(981,816)
Sale of treasury shares		3,532,378	377,013
Issue of Ijara Sukuk		17,289,000	-
Bank loans obtained		40,693,113	21,000,000
Bank loans repaid		(6,953,564)	(11,469,690)
Finance costs paid		(3,486,578)	(849,228)
Net cash from financing activities		40,367,131	5,711,648
Net increase in cash and cash equivalents		8,207,307	3,637,495
Cash and cash equivalents at beginning of the year		6,033,795	2,396,300
Cash and cash equivalents at end of the year	12	14,241,102	6,033,795

The notes set out on pages 29 to 52 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31ST DECEMBER 2007

1- Incorporation and Activities

Injazzat Real Estate Development Company – KSC (Closed) (the parent company) was established in August 1998 and listed on the Kuwait Stock Exchange on 17 June 2002. The parent company and subsidiaries (the group) are primarily engaged in real estate development and investment activities. Details of subsidiaries are set out in note 5.

The address of the parent company's registered office is PO Box 970, Safat 13010, State of Kuwait.

The board of directors of the parent company approved these consolidated financial statements for issuance on 20 January 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 revised 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.

The adoption of IFRS 7, however, has not resulted in any prior-year 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 and 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 or 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.

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- 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.

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. 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, available for sale investments and investment properties.

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, or to a date not earlier than three months of the parent company's year end 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. Adjustments are made for non-uniform accounting policies where practicable.

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.

Recognition of revenue

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:

Revenue recognition on pre-completion real estate sale

Revenue is recognised on the basis of percentage completion, based on an independent survey of work performed or cost incurred to date as a proportion of total estimated cost, as and when all of the following conditions are met:

- A sale has been consummated and the contract signed;
- The buyer's investment, to the date of the financial statements, is adequate to demonstrate a commitment to pay for the property;
- Construction is beyond a preliminary stage;
- The buyer is irrevocably committed;
- The aggregate sales proceeds and costs can be reliably estimated; and
- The seller has no continuing involvement after construction is complete.

Profit from sale of properties

Profit from the sale of properties is recognised when significant risks and rewards of ownership have passed to the buyer and the amount of revenue can be measured reliably.

Interest income

Interest income is recognised using the effective interest method.

Rental income

Rental income is recognised on an accrual basis.

Fee income

Placement and advisory fees are recognised when related services are rendered. Management fees relating to portfolios, fund management and custody services are recognised when earned. Other fees receivable are recognised when earned.

Dividend income

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

Finance costs

Finance costs are recognised on a time proportion basis taking into account the outstanding balance payable and applicable interest rate.

Finance costs that are directly attributable to the acquisition and construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete. Other finance costs are recognised as an expense in the period in which they are incurred.

Investment properties

Investment properties are initially recorded at cost, being the purchase price and any directly attributable expenditure for a purchased investment property and cost at the date when construction or development is complete for a self-constructed investment property. Subsequent to initial recognition, investment properties are re-measured at fair value on an individual basis based on a valuation by an independent, registered real estate valuer. Changes in fair value are taken to the consolidated statement of income.

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

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

Property under development

Property under development is stated at cost.

Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and impairment losses. The carrying amounts are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed recoverable amounts assets are written down to their recoverable amount.

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Depreciation

Depreciation is provided on all property and equipment at rates calculated to write off the cost of each asset on a straight line basis over its estimated useful life as follows:

- Buildings 20 years
- Furniture, fixtures and other equipment 3-5 years

The useful economic lives of property and equipment are reviewed at each year and revised where necessary.

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”, “Ijara sukuk payable” and “bank loans”.

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 “receivables and other assets” and “cash and cash equivalents” in the balance sheet.

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.

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.

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.

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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.

The determination of fair value is done for each investment individually.

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 regulation or convention in the market place concerned.

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 derecognised either when the group has transferred substantially all the risk and rewards of ownership or when it has neither transferred nor retained substantially all the risks and rewards, but no longer has control over the asset or a proportion of the asset. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

Investment in jointly controlled assets

Investment in jointly controlled assets are accounted for under the method of proportionate consolidation whereby the group recognises its interest in assets, liabilities, income and expenses relating to the assets on a line-by-line basis.

Interest in joint venture

A joint venture is an undertaking in which the group has a long-term interest and over which it exercises joint control. Interest in joint venture is accounted for under the equity method of accounting. Under the equity method of accounting, the initial investment is recorded at cost and the carrying amount is increased or decreased to recognise the group's share of profits or losses and other changes in equity of the joint venture. Distributions received from the joint venture reduce the carrying amount of the investment.

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 consolidated statement of income. Impairment is determined as follows:

- (a) For assets carried at fair value, impairment is the difference between cost and fair value;
- (b) For 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; and

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(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 reserve.

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 statement of income. 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.

Treasury shares

The parent company's holding in its own shares is accounted for as treasury shares. Such shares are stated at cost as a deduction within shareholders' equity and no cash dividends are distributed on these shares.

Gains resulting from the sale of treasury shares are taken directly to equity under "gain on sale of treasury shares reserve". Should the reserve fall short of any losses from the sale of treasury shares, the difference is charged to retained earnings then reserves. Subsequent to this, should profits arise from sale of treasury shares an amount is transferred to reserves then retained earnings equal to the loss previously charged to these accounts.

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.

Provision for end of service indemnity

Provision for end of service indemnity is calculated on the employees' accumulated periods of service at the balance sheet date in accordance with the Kuwait labour law for the private sector.

Ijara sukuk payable

The trust certificates (Ijara Sukuk) are carried on the balance sheet at their principal amount, net of directly related costs of issuing the certificates to the extent that such costs have not been amortised. These costs are amortised through the consolidated statement of income over the life of the certificates using the effective cost rate method.

The profit payable to the certificate holders are charged as an expense as it accrues, with unpaid amounts included in other liabilities.

Cash and cash equivalents

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

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Foreign currencies

Functional and presentation currency

The consolidated financial statements are presented in Kuwaiti Dinar, 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. Translation difference on non-monetary asset classified as "fair value through statement of income" and "investment properties" are reported as part of the fair value gain or loss in the consolidated statement of income and "available for sale" are reported as part of the cumulative change in fair value reserve, within 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.

Fiduciary assets

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

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 in the amounts recognised in the consolidated financial statements:

Classification of real estate property

Management decides on acquisition of a real estate property whether it should be classified as trading, property held for development or investment property.

The group classifies property as trading property if it is acquired principally for sale in the ordinary course of business.

The group classifies property as property under development if it is acquired with the intention of development.

The group classifies property as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use.

Classification of investments

Management decides on acquisition of an investment whether it should be classified as 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

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report its performance. Such judgement determines whether it is subsequently measured at cost, amortised cost or at fair value and if the changes in fair value of instruments are reported in the consolidated statement of income or directly in equity.

Impairment of investments

The group treats available for sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires considerable judgement. In addition, the group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

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 ;
- an earnings multiple ;
- 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.

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5- Subsidiary companies

The group's consolidated subsidiaries are as follows:

	Country of incorporation	Percentage ownership 2007	Percentage ownership 2006
Al-Mal Entertainment Enterprises – KSC (Closed)	Kuwait	100%	100%
Al-Mal Real Estate – France	France	100%	100%
Al-Mal Real Estate – Belgium	Belgium	100%	100%
Dhow Real Estate Company - BSC (Closed)	Bahrain	100%	100%
Al-Dhow International Real Estate Company – KSC (Closed)	Kuwait	100%	100%
Al Mal and Aqar Joint Project Company – WLL	Kuwait	67%	67%
Al Mal Real Estate Company – KSC (Closed)	Kuwait	100%	100%
Al Quoz International General Trading and Contracting Company – WLL	Kuwait	67%	-

During the year the parent company participated in the establishment of Al Quoz International General Trading and Contracting Company – WLL which will engage primarily in real estate development activities in the GCC countries. The subsidiary has not commenced operations as at the balance sheet date.

6- Profit on sale of developed properties

	2007 KD	2006 KD
Revenue from sale of property	-	14,249,176
Cost of sales	-	(11,744,929)
	-	2,504,247

7- Other income

Other income includes reversal of contingent costs/accruals during the year on settlement of the final amounts with the contractors, amounting to KD736,457 carried by the parent company in relation to a property which was developed and sold during the year ended 31 December 2006.

Other income also includes interest income earned from cash equivalents which amounted to KD 474,890 (2006: KD242,005)

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8- Net gain or loss on financial assets

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

	2007 KD	2006 KD
Loans and receivables		
- Cash and cash equivalents and accounts receivable	600,703	242,005
Investments designated as investments at fair value through statement of income	(329,125)	47,787
Available for sale investments		
- Recognised directly in consolidated equity	1,669,003	(66,689)
- Recycled from equity to consolidated statement of income	-	777,615
- Recognised directly in consolidated statement of income	1,322,732	1,176,421
	3,263,313	2,177,139
Financial liabilities at amortised cost (refer note 8a)		
- Due to banks, Ijara sukuk payable and bank loans	(1,965,550)	(1,146,396)
	1,297,763	1,030,743
Net (loss)/gain recognised in the consolidated statement of income	(371,240)	1,097,432
Net gain/(loss) recognised directly in the consolidated statement of changes in equity	1,669,003	(66,689)
	1,297,763	1,030,743

8 -Net loss on financial liabilities at amortised cost is arrived at after deducting exchange gains of KD2,042,947 (2006: KD58,430).

9- Finance costs

Finance costs relate to due to banks, bank loans and Ijara Sukuk payable which are financial liabilities stated at amortised cost.

10- Contribution to Zakat

In accordance with the requirements if the Zakat Law No: 46 of 2006, the group has provided for zakat effective from 10 December 2007.

11- 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 KD	2006 KD
Profit for the year attributable to the shareholders of the parent company (KD)	16,479,014	10,212,136
Weighted average number of shares outstanding during the year (excluding treasury shares)	286,403,608	298,636,954
Basic and diluted earnings per share	58 Fils	34 Fils

The weighted average number of shares outstanding during the year ended 31 December 2006 has been restated due to the issue of bonus shares during the year ended 31 December 2007.

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12- Cash and cash equivalents

	Effective yield rate (per annum)	2007 KD	2006 KD
Cash and bank balances	1-2%	869,163	3,055,229
Short term deposits	6%	9,176,147	3,526,157
Investment in money market fund managed by a local financial institution	8%	4,659,275	-
Cash and cash equivalents		14,704,585	6,581,386
Less: due to banks	7.75%	(463,483)	(547,591)
Cash and cash equivalents for the purpose of cash flow statement		14,241,102	6,033,795

Cash and bank balances include call accounts which yield interest.

13- Accounts receivable and other assets

	2007 KD	2006 KD
Financial assets		
Payments towards share subscription	-	610,000
Due from related parties	129,500	1,292,137
Due on sale of investment property	3,816,362	-
Due on sale of developed properties	-	7,789,620
Other financial assets	1,530,724	301,502
	5,476,586	9,993,259
Non-financial assets		
Payments towards property purchases	3,403,928	220,000
Advances to contractors	562,798	264,100
Prepayment and other assets	277,306	400,964
	4,244,032	885,064
	9,720,618	10,878,323

14- Investment at fair value through statement of income

	2007 KD	2006 KD
Designated on initial recognition:		
Investment in mutual fund (investing in foreign quoted "Real Estate Investment Trusts")	2,452,255	1,493,252

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15- Available for sale investments

Available for sale investments primarily represent investments in real estate development projects and portfolios through specialised real estate investment managers. Due to the nature of these investments, the unpredictability of their cash flows and the absence of an active market for these investments, fair value is not reliably measurable. As a result, such investments are carried at cost less impairment, if any.

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 amount of KD10,266,143 (2006: KD8,935,863) are carried at cost.

Investments with a carrying value of KD2,983, 855 are deemed to be carried at their fair value as they were acquired during the year ended 31 December 2007.

Available for sale investments include, investments with a carrying value of KD2,391,009 (2006: KD2,413,056) which represent investments in real estate entities in which the group has an equity interest exceeding 20% and 50%. These entities represent temporary special purpose entities established to facilitate the group's investments in certain foreign real estate projects. The group does not exercise control or significant influence over these entities as they are managed by independent specialist property development managers. As a result investments in these entities have been classified as available for sale investments.

During the year the group realised a gain of KD163,831 on disposal of a foreign available for sale investment which was carried at a cost of KD661,164 at 31 December 2006.

16- Investment properties

	2007 KD	2006 KD
Carrying value at 1 January	59,422,105	40,077,573
Additions during the year	42,041,846	12,332,674
Disposals during the year	(8,671,513)	(3,410,086)
Transfer on completion of development	-	3,144,853
Change in fair value	10,131,650	7,407,138
Foreign currency translation adjustment	(512,696)	(130,047)
Carrying value at 31 December	102,411,392	59,422,105

Investment properties with a carrying value of KD4,128,294 (2006: KD Nil) are held in the name of nominees.

Investment properties with a carrying value of KD17,700,000 (2006: KD15,000,000) are secured against bank guarantees.

Investment properties include jointly controlled investment properties with a carrying value of KD7,948,363 (2006: KD16,482,820).

Investment properties also include properties with a carrying value of KD12,035,921 (2006: KD2,125,550) representing properties under development for future use as investment property.

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17- Investment in associates

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

	Country of incorporation	Percentage ownership 2007 KD	Percentage ownership 2006 KD
Ikaros Real Estate Company – KSC (Closed)	Kuwait	45%	45%
Al Bersha Real Estate Company – KSC (Closed)	Kuwait	35%	35%
Al Bersha Real Estate Company – WLL	Bahrain	35%	35%
Injaz Mabanee Real Estate Company – WLL	Kuwait	40%	-

The principal activity of the associates is real estate development.

During the year the group invested an amount of KD 10,000,000 to participate in the establishment of Injaz Mabanee Real Estate Company – WLL which will primarily engage in real estate investment activities in the GCC countries.

Aggregate share of associates' assets and liabilities:

	2007 KD	2006 KD
Assets	13,796,533	3,323,574
Liabilities	942,249	18,898

Aggregate share of associates' revenue and profit:

	Year ended 31 Dec. 2007 KD	Year ended 31 Dec. 2006 KD
Revenue	111,690	99,919
Profit	54,710	64,160

The fair value of the associates cannot be reliably measured since they are unquoted.

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18- Property and equipment

	Buildings	Furniture and fixtures	Office equipment and computers	Total
	KD	KD	KD	KD
Year ended 31 December 2007				
Balance at 1 January, net of accumulated depreciation	1,853,834	88,978	26,235	1,969,047
Additions during the year	113,485	163,628	66,034	343,147
Disposal during the year	-	(10,531)	(7,790)	(18,321)
Transfers during the year	(233,961)	109,085	-	(124,876)
Depreciation charge for the year	(57,186)	(48,945)	(27,116)	(133,247)
Balance at 31 December, net of accumulated depreciation	1,676,172	302,215	57,363	2,035,750

At 31 December 2007

At cost	1,733,358	351,160	84,479	2,168,997
Accumulated depreciation	(57,186)	(48,945)	(27,116)	(133,247)
Net carrying amount at 31 December	1,676,172	302,215	57,363	2,035,750

	Buildings	Furniture and fixtures	Office equipment and computers	Total
	KD	KD	KD	KD
At 1 January 2006				
Cost	-	74,008	35,654	109,662
Accumulated depreciation	-	(62,913)	(28,436)	(91,349)
Net carrying amount at 1 January	-	11,095	7,218	18,313

Year ended 31 December 2006

Balance at 1 January, net of accumulated depreciation	-	11,095	7,218	18,313
Transfer from property under development	1,853,834	-	-	1,853,834
Additions	-	81,488	25,663	107,151
Depreciation charge for the year	-	(3,605)	(6,646)	(10,251)
Balance at 31 December, net of accumulated depreciation	1,853,834	88,978	26,235	1,969,047

At 31 December 2006

At cost	1,853,834	155,496	61,317	2,070,647
Accumulated depreciation	-	(66,518)	(35,082)	(101,600)
Net carrying amount at 31 December	1,853,834	88,978	26,235	1,969,047

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19- Accounts payable and other liabilities

	2007 KD	2006 KD
Financial liabilities		
Accounts payable	2,605,350	3,837,384
Due on purchase of investment properties (refer note 19 a)	3,088,451	4,717,468
Accrued expenses	2,262,508	987,080
Due to associate company	9,165,503	-
Other liabilities	3,646,609	1,415,718
	20,768,421	10,957,650

19 A) Included within "due on purchase of investment properties" is an amount of KD1,715,806 (2006: KD3,265,939) which is due after more than one year.

20- Ijara Sukuk payable

On 25 July 2007 the parent company issued 5-year trust certificates (Ijara Sukuk) amounting to US Dollars 60,000,000 (equivalent to KD 17,289,000) at par through a special purpose vehicle. The certificate holders are entitled to a quarterly profit distribution at 3 months LIBOR plus 1.25% per annum. The carrying value of these certificates as at the balance sheet date was equivalent to KD16,404,000 (2006: Nil).

21- Bank loans

	Effective interest rate	Security	2007 KD	2006 KD
Local banks – Kuwaiti Dinar	CBK discount rate + 1.25%	Unsecured	12,000,000	12,000,000
Local banks – Kuwaiti Dinar	CBK discount rate + 1.5% - 1.75%	Unsecured	27,000,000	11,000,000
Local banks – U.S. Dollars	LIBOR + 1.75%	Secured	-	4,953,564
Local banks – U.S. Dollars	LIBOR + 1.4% - 1.5%	Unsecured	21,535,165	-
			60,535,165	27,953,564

The loans are due for repayment as follows:

	2007 KD	2006 KD
Within one year	11,000,000	15,953,564
One to five years	49,535,165	12,000,000
	60,535,165	27,953,564

22- Share capital and share premium

The general assembly meeting of the shareholders of the parent company held on 19 February 2007 approved an increase in the share capital from KD27,324,000 to KD30,056,400 by way of issuance of 10% (2006: 15%) bonus shares amounting to KD2,732,400 (2006: KD 3,564,000).

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At 31 December 2007 the authorised issue and paid-up capital of the parent company comprised 300,564,000 (2006: 237,240,000 shares) shares of 100 fils each.

Share premium is not available for distribution.

23- Treasury shares

At 31 December 2007 the parent company held 18,173,052 (2006: 3,697,320) of its own shares, equivalent to 6% (2006: 1.56%) of the total issued share capital at that date. The market value of these shares at the balance sheet date was KD5,906,242 (2006: KD1,035,250). Reserves of the parent company equivalent to the cost of the treasury shares have been earmarked as non-distributable.

24- Statutory and voluntary reserves

As required by the Commercial Companies Law and the parent company's articles of association, 10% of the profit for the year attributable to the shareholders of the parent company before KFAS, Zakat, NLST and Directors' remuneration is transferred to the statutory reserve until the balance reaches 50% of the company's issued and paid-up capital. Any transfer to the statutory reserve thereafter is subject to approval of the general assembly. No transfer is required in a year when losses are made.

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 distribution of a dividend of that amount.

Subject to the approval of the general assembly, the parent company's board of directors propose to transfer 5% of the profit for the year attributable to the shareholders of the parent company before KFAS, Zakat, NLST and Directors' remuneration to the voluntary reserve. There are not restrictions on distribution of voluntary reserve.

25- 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 15 Fils (2006: 15Fils) per share and the issue of 15% (2006: 10%) of the paid-up share capital as at 31 December 2007 as bonus shares.

Following approval by the annual general assembly on 19 February 2007 the parent company made a cash distribution of 15 Fils (2006: 10 Fils) per share amounting to KD4,042,240 (2006: KD2,364,631) and issued 10% (2006: 15%) bonus shares amounting to KD2,732,400 for the year ended 31 December 2006 (3,564,000 for the year ended 31 December 2005).

26- Employees share purchase scheme

At the annual general assembly held on 23 February 2004, the shareholders approved an employees' share purchase scheme. Under this scheme, which has a duration of 9 years, the company may issue shares for cash to eligible employees by increasing its share capital. The total capital increase during the 9 year period to meet the requirements of the scheme may not exceed 9% of the share capital as at 31 December 2006.

During the year, no shares were granted or issued.

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27- Segmental analysis

The group primarily operates in one business segment: real estate investments.

Although management of the group is based primarily on one business segment, the group operates in two geographical segments: Domestic and International (Kingdom of Bahrain, United Arab Emirates, Qatar, France and U.S.A.). The geographical analysis of segment information is as follows:

	Domestic KD	International KD	Total KD
2007			
Income	9,155,098	14,617,287	23,772,385
Profit before contribution to KFAS, Zakat, NLST and Directors' remuneration	2,549,806	14,568,634	17,118,440
Total assets	94,434,506	72,586,234	167,020,740
Total liabilities	(92,919,797)	(5,251,272)	(98,171,069)
Net assets	1,514,709	67,334,962	68,849,671
Capital expenditure	27,077,999	15,306,994	42,384,993
2006			
Income	10,190,166	3,945,144	14,135,310
Profit before contribution to KFAS, Zakat, NLST and Directors' remuneration	7,241,338	3,892,314	11,133,652
Total assets	54,351,477	43,723,643	98,075,120
Total liabilities	(34,534,240)	(4,924,565)	(39,458,805)
Net assets	19,817,237	38,799,078	58,616,315
Capital expenditure	8,649,138	11,873,231	20,522,369

28- Capital commitments and contingent liabilities

At the balance sheet date the group had capital commitments of KD15,035,480 in respect of available for sale investments, investments in associates and investment properties (2006: KD15,213,678).

At the balance sheet date, the group had contingent liabilities in respect of outstanding bank guarantees amounting to KD600,000 (2006: KD3,600,000).

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29- Related party transactions

Related parties represent associates, directors and key management personnel of the group, and other related parties such as 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 other related parties (refer Note 13)	129,500	1,292,137
Due to associate company (refer Note 19)	9,165,503	-
Compensation of key management personnel of the group:		
Short-term benefits	1,042,445	453,314
Employees' end of service benefits	15,862	12,400
	1,058,307	465,714

30- Fiduciary assets

Fiduciary assets comprise investments managed on behalf of clients amounting to KD172,235 (2006: KD163,090).

31- Risk management objectives and policies

The group's principal financial liabilities comprise bank loans, ijarah sukuk payable, over drafts 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 cash equivalents, 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, concentration 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.

31.1 Market risks

a) Foreign currency risk

The group mainly operates in the Gulf Cooperation Council (GCC) and the United States of America (USA) and as a result is exposed to changes in exchange rates of the US Dollar, UAE Dirhams and Qatari Riyals. 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.

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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. The group, where possible, matches currency exposures inherent in certain assets with liabilities in the same currency or correlated currency.

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 follow:

	2007 KD	2006 KD
US Dollar	(37,824,632)	(4,883,514)
UAE Dirham	3,442,851	1,435,759
Qatari Riyal	(3,075,530)	(4,717,367)

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 5.43%.

If the Kuwaiti Dinar had strengthened against the foreign currencies assuming the above sensitivity (5.43%), 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 Dollar	(2,053,878)	(264,175)
UAE Dirham	186,947	77,962
Qatari Riyal	(167,001)	(256,153)
	(2,033,932)	(442,366)

If the Kuwaiti Dinar had weakened against the foreign currencies assuming the above sensitivity (5.43%), then there would be an equal and opposite impact on the profit for the year, and the balances shown above would be negative for UAE Dirhmas and positive for the 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 on its cash & cash equivalents (refer note 12), due to banks (refer note 12), Ijara Sukuk payable (refer note 20) and bank loans (refer note 21), which are primarily at floating interest rates.

Positions are monitored on a regular basis to ensure positions are maintained within established limits.

The following table illustrates the sensitivity of the profit for the year to a reasonably possible change in interest rates with effect from the beginning of the year. Based on observation of current market conditions the parent company's management estimates 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. 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.

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	Increase in interest rates		Decrease in interest rates	
	2007 KD	2006 KD	2007 KD	2006 KD
Profit for the year	(158,918)	(71,252)	412,684	154,890

c) Equity price risk

The group is not significantly exposed to equity price risk as its equity investments are unquoted.

31.2 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:

	2007 KD	2006 KD
Cash and bank balances	14,704,585	6,581,386
Accounts receivable and other assets (refer note 13)	5,476,586	9,993,259
Investments at fair value through statement of income	2,452,255	1,493,252
Available for sale investments	22,841,856	14,426,331
	45,475,282	32,494,228

None 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 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 cash equivalent is considered negligible, since the counterparties are reputable banks and financial institution with high credit quality.

Information on other significant concentrations of credit risk is set out in note 31.3

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31.3 Concentration of assets

The distribution of financial assets by geographic region was as follows:

	GCC KD	Europe KD	USA KD	Total KD
At 31 December 2007				
Cash and cash equivalents	14,611,056	93,529	-	14,704,585
Accounts receivable and other assets (refer note 13)	5,382,895	93,691	-	5,476,586
Investments at fair value through statement of income	-	-	2,452,255	2,452,255
Available for sale investments	10,177,002	3,985,480	8,679,374	22,841,856
	30,170,953	4,172,700	11,131,629	45,475,282

	GCC KD	Europe KD	USA KD	Total KD
At 31 December 2006				
Cash and cash equivalents	6,484,223	97,163	-	6,581,386
Accounts receivable and other assets (refer note 13)	9,905,574	87,685	-	9,993,259
Investments at fair value through statement of income	-	-	1,493,252	1,493,252
Available for sale investments	6,702,797	2,487,671	5,235,863	14,426,331
	23,092,594	2,672,519	6,729,115	32,494,228

31.4 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, the parent company's management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a regular basis.

The table below summarises the maturity profile of the group's financial 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 planned exit dates.

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The maturity profile of financial assets and financial liabilities at 31 December 2007:

	Up to 1 month KD	1-3 months KD	3-12 months KD	1-5 years KD	Total KD
Assets					
Cash & cash equivalents	14,704,585	-	-	-	14,704,585
Accounts receivable and other assets (refer note 13)	-	-	5,476,586	-	5,476,586
Investments at fair value through statement of income	-	-	2,452,255	-	2,452,255
Available for sale investments	-	-	4,559,806	18,282,050	22,841,856
	14,704,585	-	12,488,647	18,282,050	45,475,282
Liabilities					
Due to banks	463,483	-	-	-	463,483
Accounts payable and other liabilities	-	-	19,052,615	1,715,806	20,768,421
Ijara Sukuk payable	-	-	-	16,404,000	16,404,000
Bank loans	-	2,000,000	9,000,000	49,535,165	60,535,165
	463,483	2,000,000	28,052,615	67,654,971	98,171,069

32.4 Liquidity risk

The maturity profile of financial assets and financial liabilities at 31 December 2006:

	Up to 1 month KD	1-3 months KD	3-12 months KD	1-5 years KD	Total KD
Assets					
Cash & cash equivalents	6,581,386	-	-	-	6,581,386
Accounts receivable and other assets (refer note 13)	-	-	9,874,790	118,469	9,993,259
Investments at fair value through statement of income	-	-	-	1,493,252	1,493,252
Available for sale investments	-	-	661,164	13,765,167	14,426,331
	6,581,386	-	10,535,954	15,376,888	32,494,228
Liabilities					
Due to banks	547,591	-	-	-	547,591
Accounts payable and other liabilities	-	-	6,824,356	4,133,294	10,957,650
Bank loans	-	-	15,953,564	12,000,000	27,953,564
	547,591	-	22,777,920	16,133,294	39,458,805

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32- Fair value 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 cash equivalents	14,704,585	6,581,386
• Accounts receivable and other assets (refer note 13)	5,476,586	9,993,259
Investments at fair value through statement of income:		
• Designated on initial recognition	2,452,255	1,493,252
Available for sale investments	22,841,856	14,426,331
	45,475,282	32,494,228
Other financial liabilities:		
• Due to banks	463,483	547,591
• Accounts payable and other liabilities	20,768,421	10,957,650
• Ijara Sukuk payable	16,404,000	-
• Bank loans	60,535,165	27,953,564
	98,171,069	39,458,805

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 parent company's management, except for certain available for sale investments which are carried at cost less impairment for reasons specified in Note 15, the carrying amounts of financial assets and liabilities as at 31ST December 2007 and 2006 approximate their fair values.

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33- Capital management objectives

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 treasury shares, issue new shares or sell assets to reduce debt.

The capital structure of the group consists of the following:

	2007 KD	2006 KD
Ijara Sukuk (refer note 20)	16,404,000	-
Bank loans (refer note 21)	60,535,165	27,953,564
Due to banks (refer note 12)	463,483	547,591
Less: Cash and cash equivalents (refer note 12)	(14,704,585)	(6,581,386)
Net debt	62,698,063	21,919,769
Equity attributable to the shareholders of the parent company	63,920,465	53,631,872
Total capital	126,618,528	75,551,641

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 total capital as follows:

	2007 KD	2006 KD
Net debt	62,698,063	21,919,769
Capital	126,618,528	75,551,641
Net debt to total capital ratio	50%	29%