



AMWAL | أمـوال

Annual Report 2007  
Amwal International Investment Company







H. H. Sheikh  
**Sabah Al-Ahmad Al-Jaber Al-Sabah**  
Amir of the State of Kuwait



H. H. Sheikh  
**Nawaf Al-Ahmad Al-Jaber Al-Sabah**  
Crown Prince



H. H. Sheikh  
**Nasser Mohammed Al-Ahmad Al-Sabah**  
Prime Minister

## Board Members

<b>Bader Al-Rezaihan</b>	Chairman
<b>Abdulaziz Almeshal</b>	Vice Chairman & CEO
<b>Mansour Al-Nassar</b>	Board Member
<b>Youssef Al-Matrook</b>	Board Member
<b>Bader Abul</b>	Board Member
<b>Khalid Al-Ghanim</b>	Board Member
<b>Ammar Alkhudairy</b>	Board Member

## Executive Management

**Abdulaziz Abdulaziz Almeshal**

Vice Chairman & CEO

**Fahed Sulaiman Al-Habshi**

Senior Vice President - Asset Management

**Muthanna Abdulwahab Al-Saleh**

Senior Vice President - Business Development

**Dalal Marzouk Al-Dousari**

Vice President - Investment

**Ghadeer Ahmad Al-Omran**

Vice President - Asset Management



**Bader Fahed Al-Rezaihan**

Chairman of the Board



### **Our valued shareholders,**

In light of the economic boom in the region, for the fifth consecutive year, driven mainly by the massive potentials of the Arabian Gulf countries and the record surpluses resulting from petroleum returns, that are estimated at three trillion US dollars for the year 2007, we have managed to participate and benefit from this phase through careful geographical and segmental distribution of our investments. We will shed light, later on, on some features of our diversified investments and opportunities in Kuwait and several other countries such as Saudi Arabia, United Arab Emirates and Pakistan in a balanced manner distributed among several investment sectors including real estate, heavy industries, travel and infrastructure. We are also currently engaged in assessing a number of potential investments in other Middle Eastern countries.

In the travel sector, Al Shamel International Holding Company became part of our investments in 2006. It is a travel management joint stock Kuwaiti company operating with five main activities: Travel and tourism, Representation of travel agencies, Shipping & Cargo services, Holidays and Information solutions.

Al Shamel has an umbrella of branches covering Bahrain, Qatar, Abu Dhabi, Dubai, Jordan and Syria.

We worked during 2007 towards increasing the capital and expanding the shareholder base of Al Shamel. The company ended its fiscal year 2007 by registering a record net profit of 2.2 million Kuwaiti Dinar.

Moreover, we have managed to meet during the past period all the requirements necessary to prepare Al Shamel to obtain the approval of the Kuwait Securities Market and listing in the parallel market during the first quarter of 2008. The listing comes pursuant to several consecutive successes within Al Shamel operations by maintaining high profitability rates throughout the past years, and being the first listed company in the travel industry.

In view of the company's intent to enter the growing and secure real estate sector, we opted to invest in the Dubai Golf City Project. It is considered one of the most significant features of Dubai Land area in Dubai city, UAE. Dubai Golf City is an embodiment of a sound philosophy adhered to by Dubailand, one which demonstrates uniqueness, privacy and exclusivity.

The project stretches over an area of 55 million square feet and is being developed by major international engineering firms to be the golf destination for golf players worldwide. Your company's share in this project is 2.94%.

And so was the case in the real estate sector in the Kingdom of Saudi Arabia during 2007. We took fundamental steps towards executing the remarkable Burj Al Oula project in cooperation with our allies in Saudi Arabia. Major international engineering design, architectural and hotel firms have been contracted for this project which is considered as one of the leading projects in the Kingdom of Saudi Arabia. Amwal is leading its development, as a strategic partner, which is a source of pride for us.

Burj Al Oula is situated on the coast of Al Khobar area in Saudi Arabia. It is comprised of a high-end shopping mall, offices, marina and giant multi purpose ballroom annexed to a 5 star hotel.

The estimated cost of the project amounts to approximately 1.145 million Saudi riyals, and your company owns 40.6% of the holding company which was incorporated for the purpose of building and managing the project.

Amwal invested in Emirates Float Glass Factory as part of its strategic activity in the industrial sector field in the Arabian Gulf region.

The Emirates Float Glass Factory was incorporated in Abu Dhabi industrial park, UAE, by the end of 2006 over a 320 thousand square meter area to meet the increasing demand for float glass in the region. The project is currently progressing according to its approved plan. Your company owns 7.5% in the form of direct investment in this remarkable industrial project that is expected to initiate its production in the third quarter of 2008.

Within the context of promoting our vision of the significance of the industrial sector, your company currently owns 45% of the company owning the energy production plant project for "Sundar Industrial" area in Punjab region in Pakistan. This is a direct investment project based on agreements with the Pakistani government, which in turn, granted this project many facilities for its construction. It is considered one of the dynamic infrastructure projects in Pakistan with an aim of producing 225 megawatts of electric power.

During the past year, several consultants were appointed to cover all of the project's financial, technical and legal requirements. Furthermore, a number of international financial institutions expressed their readiness to fund this project.

On the other hand, in 2007, we were able to successfully exit one of our investments, the Pakistan Petroleum & Gas Company IPO, one of the biggest government companies incorporated at the beginning of the 60's of the past century by the Pakistani government to explore oil and gas reserves. Currently, it manages a large number of productive oil and gas fields.

After detailed studies your company contributed in this investment by purchasing a share in the initial foreign issues offered by the company prior to its listing in the London Stock Exchange. As a result, we realized an internal rate of return of 30% in a relatively short period of time.

**Dear shareholders,**

These achievements were translated into satisfactory positive results, as our net profits for this year amounted to 3,743,611 Kuwaiti Dinars, i.e. 25% return on capital. While the profit per share amounted to 25 Kuwaiti fils, the board of directors did not recommend distribution of profits in cash or in kind for the fiscal year 2007.

On the other hand, the total assets increased to 26,783,117 Kuwaiti Dinars, up by 12% from the past year, realizing a return on shareholders' equity of 23.25%, which represents an increase of 16% compared to last year.

Our achievements during the past period are the foundation that supports our progress for the years ahead in order to elevate our performance and fortify our position as a leading company in the business world. However, this would not have been possible to achieve without your support to our sincere efforts which we all value deeply. We look forward to your continuous supportive stance, advice and wisdom. Furthermore, the board of directors extends its sincere appreciation to the company personnel who did not spare any effort, as per the guidance of the board of directors, towards achieving the company objectives.

sincerely,

**Bader Fahed Al-Rezaihan**  
**Chairman of the Board**



Amwal International Investment  
Company K.S.C. (Closed) - Kuwait

Annual Financial Statements and  
Independent Auditor's Report  
31 December 2007



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**Bader & Co. PricewaterhouseCoopers**

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**Amwal International Investment Company K.S.C. (Closed)  
Kuwait**

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS**

**Report on the Financial Statements**

We have audited the accompanying financial statements of Amwal International Investment Company K.S.C. (Closed) ("the Company"), which comprise the balance sheet as at 31 December 2007, and the statement of income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

**Management's responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these 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 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.

**Auditor's responsibility**

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

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

accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

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

### **Report on other Legal and Regulatory Requirements**

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

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



**Bader A. Al-Wazzan**

Licence No. 62A

PricewaterhouseCoopers

Kuwait: 3 May 2008

## Balance Sheet

As at 31 December 2007

(All amounts are in Kuwaiti Dinar)

	Notes	2007	2006
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and bank balances	3	4,127,885	9,813,685
Investments at fair value through profit or loss	4	307,873	3,333,542
Trade and other receivables	5	982,043	365,051
Due from related parties	6	1,266,856	28,910
		<u>6,684,657</u>	<u>13,541,188</u>
<b>Non-current assets</b>			
Investments available for sale	7	7,486,706	3,551,635
Investments in associates	8	12,449,324	6,685,978
Investments in unconsolidated subsidiaries	9	37,500	37,500
Property and equipment		124,930	121,890
		<u>20,098,460</u>	<u>10,397,003</u>
<b>TOTAL ASSETS</b>		<u>26,783,117</u>	<u>23,938,191</u>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Trade and other payables	10	6,330,221	276,524
Term loans	11	375,295	6,416,683
		<u>6,705,516</u>	<u>6,693,207</u>
<b>Non-current liabilities</b>			
Term loans	11	375,000	750,000
Post employment benefits		126,425	29,981
Due to related parties		37,867	364,718
		<u>539,292</u>	<u>1,144,699</u>
<b>Equity</b>			
Share capital	12	15,000,000	15,000,000
Legal reserve		503,205	118,759
Foreign currency translation reserve		(446,560)	(43,445)
Investment fair valuation reserve		57,636	-
Share based compensation reserve		77,586	-
Retained earnings		4,346,442	1,024,971
Equity		<u>19,538,309</u>	<u>16,100,285</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u>26,783,117</u>	<u>23,938,191</u>

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

**BADER F. REZAIHAN**  
Chairman

**ABDULAZIZ ABDULAZIZ AL MESHAL**  
Vice Chairman and CEO

## Statement of Income

For the year ended 31 December 2007

(All amounts are in Kuwaiti Dinar)

	Notes	2007	23 October 2005 to 31 December 2006
<b>Income</b>			
Share of profit from associates	8	4,100,507	933,281
Placement fees	15	756,229	-
Realized gain from investments at fair value through statement of income		501,619	744
Interest income		248,835	797,090
Realized gain from sale of investments		182,243	-
Dividend income		112,943	33,220
Management and other fees		93,359	582,981
Unrealized gain/ (loss) on investments at fair value through statement of income		27,361	(193,054)
		<u>6,023,096</u>	<u>2,154,262</u>
<b>Operating expenses and other charges</b>			
Staff cost		(1,236,668)	(514,292)
General and administrative expenses	14	(325,786)	(334,385)
Bidding expenses		(288,500)	-
Finance cost		(161,975)	(85,158)
Loss on foreign exchange revaluation		(100,610)	(16,817)
Board of Directors remuneration		(75,000)	(42,500)
Depreciation		(65,102)	(16,025)
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(24,161)	(1,355)
Zakat		(1,683)	-
		<u>(2,279,485)</u>	<u>(1,010,532)</u>
<b>Profit for the year/ period</b>		<u>3,743,611</u>	<u>1,143,730</u>

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

## Statement of Changes in Equity

For the year ended 31 December 2007

(All amounts are in Kuwaiti Dinar)

	Share capital	Legal reserve	Share based compensation reserve	Investment fair valuation reserve	Foreign currency translation reserve	Retained earnings	Total
Share capital issued	15,000,000	-	-	-	-	-	15,000,000
Net exchange differences	-	-	-	-	(43,445)	-	(43,445)
Net income/ (expense) recognized directly in equity	-	-	-	-	(43,445)	-	(43,445)
Profit for the period	-	-	-	-	(43,445)	1,143,730	1,143,730
Total recognized income/ (loss) for the year	-	-	-	-	(43,445)	1,143,730	1,100,285
Transfer to reserves	-	118,759	-	-	-	(118,759)	-
<b>Balance as at 31 December 2006</b>	15,000,000	118,759	-	-	(43,445)	1,024,971	16,100,285
Adjustment due to restatement in an associate	-	-	-	-	-	(37,694)	(37,694)
<b>Balance at 1 January 2007 (restated)</b>	15,000,000	118,759	-	-	(43,445)	987,277	16,062,591
Changes in fair value of available-for-sale investment	-	-	-	57,636	-	-	57,636
Net exchange differences	-	-	-	-	(403,115)	-	(403,115)
Net income/ (expense) recognized directly in equity	-	-	-	57,636	(403,115)	-	(345,479)
Profit for the period	-	-	-	-	-	3,743,611	3,743,611
Total recognized income/ (loss) for the year	-	-	-	57,636	(403,115)	3,743,611	3,398,132
Share based compensation (Note 13)	-	-	77,586	-	-	-	77,586
Transfer to legal reserve	-	384,446	-	-	-	(384,446)	-
<b>Balance as at 31 December 2007</b>	15,000,000	503,205	77,586	57,636	(446,560)	4,346,442	19,538,309

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

## Statement of Cash Flows

For the year ended 31 December 2007

(All amounts are in Kuwaiti Dinar)

	2007	23 October 2005 to 31 December 2006
Profit for the year/ period	3,743,611	1,143,730
Adjustments:		
Interest income	(248,835)	(797,090)
Depreciation	65,102	16,025
Share of profit from an associate	(4,100,507)	(933,281)
Unrealized gain from investments available for sale	(27,361)	-
Provision for post employment benefits	96,444	29,981
Finance cost	161,975	85,158
Provision for ESOP Reserve	77,586	-
Loss from sale of assets	786	-
Operating loss before changes in operating assets and liabilities	(231,199)	(455,477)
Changes in operating assets and liabilities		
Decrease/ (increase) in investments at fair value through profit or loss	3,025,669	(3,333,542)
Increase in trade and other receivables	(616,992)	(251,090)
Increase in due from related parties	(1,237,946)	-
Increase in due to related parties	(326,851)	-
Increase in trade and other payables	6,007,629	69,818
Net cash from/ (used in) operating activities	6,620,310	(3,970,291)
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(68,928)	(137,915)
Investments available for sale	(3,945,555)	(3,588,705)
Investments in associates	(1,962,099)	(5,330,520)
Investments in unconsolidated subsidiaries	-	(37,500)
Interest income received	248,835	797,090
Finance cost paid	(161,975)	(85,158)
Net cash used in investing activities	(5,889,722)	(8,382,708)
<b>Cash flows from financing activities</b>		
(Decrease)/ increase in borrowings from banks	(6,416,388)	7,166,684
Issue of share capital	-	15,000,000
Net cash (used in)/ from financing activities	(6,416,388)	22,166,684
Net (decrease)/ increase in cash and cash equivalents	(5,685,799)	9,813,685
Cash and cash equivalents at beginning of year	9,813,685	-
<b>Cash and cash equivalents at end of year/ period</b>	<b>4,127,885</b>	<b>9,813,685</b>

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

# Notes to the Financial Statements

## For the year ended 31 December 2007

(All amounts are in Kuwaiti Dinar unless otherwise mentioned)

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### 1. Incorporation and activities

Amwal International Investment Company KSC Closed is a closed Kuwaiti shareholding company. The Company is registered as an investment company with the Central Bank of Kuwait. The principal activities of the Company are to own and manage investments for its own account and for clients.

On 27 November 2005, the extraordinary general assembly of shareholders approved change of the Company's name to Amwal International Investment Company KSCC. This amendment was registered in the Ministry of Commerce commercial register on 4 December 2005.

The registered office of the Company is at Al-Sahab Tower – Kuwait – P.O. Box 3216, Safat 13032.

These financial statements were approved and authorized for issue by the Board of Directors on 3 May 2008 and are subject to the approval of shareholders at the annual general meeting.

### 2. Basis of preparation and significant accounting policies

#### 2.1 Basis of presentation

These financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), under the historical cost basis of measurement except for the measurement at fair value of "investments at fair value through statement of income" and "available for sale investments". The financial statements are presented in Kuwaiti Dinars (KD) which is the functional currency of the Company.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 21.

The accounting policies are consistent with those used in the previous year. The Company has adopted IFRS 7 Financial Instruments: Disclosures and amendment to International Accounting Standard (IAS) 1 – Capital disclosures. As a result additional disclosures are made that will enable users to evaluate:

# Notes to the Financial Statements

## For the year ended 31 December 2007

(All amounts are in Kuwaiti Dinar unless otherwise mentioned)

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- a) the significance of financial instruments for the Company's financial position and performance; and
- b) the nature and extent of risks arising from financial instruments to which the Company is exposed during the year and at the reporting date, and how the Company manages those risks.

### New accounting standards and interpretations

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

#### *IFRS 8 "Operating Segments"*

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

#### *IAS 1 "Presentation of Financial Statements" (Revised)*

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

## 2.2 Financial instruments

### Recognition and De-Recognition

A financial asset or a financial liability is recognised when the Company becomes a party to the contractual provisions of the instrument. A financial asset (in whole or in part) is derecognised either when: the rights to receive the cash flows from the asset have expired; the Company has transferred its right to receive cash flows from the assets or has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

## Notes to the Financial Statements

### For the year ended 31 December 2007

(All amounts are in Kuwaiti Dinar unless otherwise mentioned)

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Where the Company has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

#### Classification and measurement

The Company classifies its financial assets as "investments at fair value through profit or loss", "loans and receivables", or "available for sale" and its financial liabilities as financial liabilities other than at fair value through profit or loss". Management determines the appropriate classification of each instrument at the time of acquisition.

All financial assets and liabilities are initially measured at fair value of the consideration given plus transaction costs except for financial assets classified as investments at fair value through profit or loss. Transaction costs on financial assets classified as investments at fair value through profit or loss are recognised immediately in the statement of income.

#### Investments at fair value through profit or loss

These are financial assets that are either held for trading or are designated as investments at fair value through profit or loss upon initial recognition. A financial asset is classified in this category only if they are acquired principally for the purpose of generating profit from short-term fluctuations in price or if so designated by the management upon initial recognition if they are managed and their performance is evaluated and reported internally on a fair value basis in accordance with a documented risk management or investment strategy. Financial assets classified as investments at fair value through profit or loss are subsequently measured and carried at fair value. Resultant unrealised gains and losses arising from changes in fair value are included in the statement of income. This includes all derivative financial instruments, other than those designated as effective hedging instruments.

# Notes to the Financial Statements

## For the year ended 31 December 2007

(All amounts are in Kuwaiti Dinar unless otherwise mentioned)

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### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are carried at amortized cost using effective interest method, less any provision for impairment.

### Available for sale

These are non derivative financial assets not included in any of the above classifications and are principally those acquired to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rate or equity prices. These are subsequently measured and carried at fair value and any resultant unrealised gains or losses are recognised as a separate component in equity. When the "available for sale" asset is disposed off or impaired, the related accumulated fair value adjustments in equity are transferred to the statement of income as realised gains or losses.

### Financial liabilities

Financial liabilities are subsequently measured at amortised cost using the effective yield method.

### Trade and settlement date accounting

All regular way purchases and sales of financial assets are recognized using settlement date accounting. Changes in fair value between the trade date and settlement date are recognised in the statement of income or in equity in accordance with the policy applicable to the related instrument. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the market place.

### Fair values

For financial instruments traded in organised financial markets, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities. The fair value of investments in mutual funds, unit trusts or similar investment vehicles are based on the last published bid price.

## Notes to the Financial Statements

### For the year ended 31 December 2007

(All amounts are in Kuwaiti Dinar unless otherwise mentioned)

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The fair value of interest bearing financial instruments that are not quoted in an active market is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics. The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount payable on demand.

The fair value of forward exchange contract is calculated by reference to forward exchange rates with similar maturities.

For unquoted financial instruments fair value is determined by reference to the market value of a similar investment, or the expected discounted cash flows, other appropriate valuation models or brokers' quotes.

For investments in equity instruments, where a reasonable estimate of fair value cannot be determined, the investment is carried at cost less impairment provisions.

#### Impairment of financial assets

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset, or a Company of financial assets, may be impaired. In the case of financial asset classified as available for sale, a significant or prolonged decline in the fair value of assets below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the statement of income, is removed from equity and recognised in the statement of income. Impairment losses on equities available for sale recognised in the statement of income are not reversed through the statement of income.

Loans and receivables are subject to credit risk provision for loan impairment if there is objective evidence that the Company will not be able to collect all amounts due. The amount of the provision is difference between the carrying amount and the recoverable amount, being the present value of expected future cash flows, including amount recoverable from guarantee and collateral, discounted based on the contractual interest rate. The amount of loss arising from impairment is taken to the statement of income.

## Notes to the Financial Statements

### For the year ended 31 December 2007

(All amounts are in Kuwaiti Dinar unless otherwise mentioned)

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#### 2.3 Cash and cash equivalents

Cash and cash equivalents for the purpose of preparing the statement of cash flows comprise cash on hand and at banks and short term bank deposits with a maturity date not exceeding three months from the date of deposit.

#### 2.4 Investments in associates

Associates are those entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are initially recognised at cost and are subsequently accounted for by the equity method of accounting from the date of significant influence to the date it ceases. Under the equity method, the Company recognises in the statement of income, its share of the associate's post acquisition results of operations and in equity, its share of post acquisition movements in reserves that the associate directly recognises in equity. The cumulative post acquisition adjustments, and any impairment, are directly adjusted against the carrying value of the associate. Appropriate adjustments such as depreciation, amortisation and impairment losses are made to the Company's share of profit or loss after acquisition to account for the effect of fair value adjustments made at the time of acquisition.

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

#### 2.5 Equipment

Equipment is stated at cost less accumulated depreciation and accumulated impairment loss. Cost of an item of equipment comprises of its acquisition costs and all directly attributable costs of bringing the asset to working condition for its intended use. Depreciation is provided on a straight line basis over the estimated useful lives of the assets as follows.

	Years
Computers	2 - 5
Furniture & fittings	3
Other equipment	3

# Notes to the Financial Statements

## For the year ended 31 December 2007

(All amounts are in Kuwaiti Dinar unless otherwise mentioned)

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The carrying values of equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets are written down to its recoverable amount and the impairment loss is recognized in the statement of income, being the difference between carrying value and the asset's recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Gain and loss on disposals are determined by comparing the proceeds with carrying amount and taken to the statement of income.

### 2.6 Post employment benefits

The Company is liable to make defined contributions to State Plans and lump sum payments under defined benefit plans, to employees at cessation of employment, in accordance with the laws of the place where they are deemed to be employed. The defined benefit plan is unfunded and is based on the liability that would arise on involuntary termination of all employees on the balance sheet date and approximates the present value of the liability. Payments under state plans and changes in defined benefit plan liabilities are charged to the statement of income.

### 2.7 Accounting for leases

#### Where the Company is the lessee

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of income on a straight-line basis over the period of the lease.

### 2.8 Share-based payment transactions

The company operates an equity share based compensation plan. The cost of these share based transactions is measured at fair value at the date of the grant taking into account the terms and conditions upon which the instruments were granted. The share based payment is measured at intrinsic value if the fair value of the equity instrument granted cannot be reliably estimated. The fair value or intrinsic value of the equity instruments is expensed over the vesting period with recognition of a corresponding adjustment in equity. The fair value or the intrinsic value is initially measured at the date the Company grants the share option under the scheme. The intrinsic value is subsequently measured at each reporting date and at the date of final settlement with any change in intrinsic value recognized in profit or loss. For a grant of share options, the share based payment arrangement is finally settled when the options are exercised, are forfeited or lapse.

# Notes to the Financial Statements

## For the year ended 31 December 2007

(All amounts are in Kuwaiti Dinar unless otherwise mentioned)

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### 2.9 Provisions for liabilities

Provisions for liabilities are recognised, when, as a result of past events it is probable that an outflow of economic resources will be required to settle a present legal or constructive obligation and the amount can be reliably estimated.

### 2.10 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Dividend income is recognized when the right to receive payment is established. Interest income is recognized on a time proportion basis using the effective yield method.

### 2.11 Foreign currency transactions

Foreign currency transactions are recorded at the rates of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Kuwaiti Dinars at the rates of exchange prevailing on that date. Resultant gains and losses are taken to the statement of income.

Translation differences on non-monetary items, such as equities classified as available for sale financial assets are included in the investment fair valuation reserve in equity. The income and cash flow statements of foreign operations are translated into the Company's reporting currency at average exchange rates for the year and their balance sheets are translated at exchange rates ruling at the year-end. Exchange differences arising from the translation of the net investment in foreign operations and of borrowings and other currency instruments designated as hedges of such instruments, are taken to shareholders' equity. When a foreign operation is sold, any resultant exchange differences are recognised in the statement of income as part of the gain or loss on sale.

### 2.12 Contingencies

Contingent assets are not recognised as an asset unless realization becomes virtually certain. Contingent liabilities, other than those arising on acquisition of subsidiaries, are not recognized as a liability unless as a result of past events it is probable that an outflow of economic resources will be required to settle a present, legal or constructive obligation; and the amount can be reliably estimated. Contingent liabilities arising in a business combination is recognized only if its fair value can be measured reliably.

# Notes to the Financial Statements

## For the year ended 31 December 2007

(All amounts are in Kuwaiti Dinar unless otherwise mentioned)

### 3. Cash and bank balances

Cash and bank balances include the following cash and cash equivalents.

	<b>2007</b>	<b>23 October 2005 to 31 December 2006</b>
Cash on hand and at banks	<b>931,889</b>	225,300
Short-term deposits with banks with original maturities of less than three months	<b>3,195,996</b>	9,588,385
	<b>4,127,885</b>	9,813,685

Term deposits of KD 2,400,000 are under lien for a bank guarantee given for facilities provided by a third party (Note 7). The effective interest rate on short-term deposits as of 31 December 2007 was 6.25% per annum.

### 4. Investments at fair value through statement of income

	<b>2007</b>	<b>23 October 2005 to 31 December 2006</b>
Local listed equities	<b>114,795</b>	2,079,000
Foreign listed equity	<b>193,078</b>	1,254,542
	<b>307,873</b>	3,333,542

## Notes to the Financial Statements

### For the year ended 31 December 2007

(All amounts are in Kuwaiti Dinar unless otherwise mentioned)

#### 5. Trade and other receivables

	<b>2007</b>	<b>23 October 2005 to 31 December 2006</b>
Trade receivables	<b>505,417</b>	278,502
Prepayments, advances and deposits	<b>428,777</b>	21,257
Accrued income	<b>45,861</b>	63,420
Other receivables	<b>1,988</b>	1,872
	<b>982,043</b>	365,051

The carrying value of trade and other receivables approximates its fair value.

Trade receivables that are less than three months past due are not considered impaired. As of 31 December 2007, trade receivables of KD 505,417 (2006: KD 278,502) were past due but not impaired. These relate to a number of independent clients for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	<b>2007</b>	<b>23 October 2005 to 31 December 2006</b>
Upto 3 months	<b>468,204</b>	137,526
3 – 6 months	<b>37,213</b>	140,976
	<b>505,417</b>	278,502

The carrying amounts of the Company's trade and other receivables are denominated in the following currencies:

## Notes to the Financial Statements

### For the year ended 31 December 2007

(All amounts are in Kuwaiti Dinar unless otherwise mentioned)

	<b>2007</b>	<b>23 October 2005 to 31 December 2006</b>
Kuwaiti Dinars	<b>37,307</b>	278,502
Saudi Riyals	<b>468,110</b>	-
	<b>505,417</b>	278,502

Trade and other receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Company does not hold any collateral as security.

#### 6. Due from related parties

	<b>2007</b>	<b>23 October 2005 to 31 December 2006</b>
Due from directors	<b>18,923</b>	28,910
Due from other related parties – Note 7	<b>1,247,933</b>	-
Total	<b>1,266,856</b>	28,910

Due from other related parties includes KD 1.067 million settled after the balance sheet date.

#### 7. Investments available for sale

	<b>2007</b>	<b>23 October 2005 to 31 December 2006</b>
Quoted	<b>2,500,000</b>	-
Unquoted	<b>5,076,124</b>	3,551,635
Less: Impairment	<b>(89,418)</b>	-
	<b>7,486,706</b>	3,551,635

## Notes to the Financial Statements

### For the year ended 31 December 2007

(All amounts are in Kuwaiti Dinar unless otherwise mentioned)

Quoted investments represent the company's investment in a fund that it manages which is now under liquidation and is valued based on unaudited financial information.

Investment securities are denominated in the following currencies:

	<b>2007</b>	<b>23 October 2005 to 31 December 2006</b>
Kuwaiti Dinar	<b>3,092,409</b>	681,826
Qatar Riyal	<b>235,854</b>	259,560
US dollar	<b>136,225</b>	144,295
Other currencies – AED	<b>4,022,218</b>	2,465,954
	<b>7,486,706</b>	3,551,635

Unquoted equity investments carried at cost.

Unquoted investments include KD 1,547,687 paid to acquire an equity interest in a legal entity that is currently developing a leisure facility in the UAE (the Investment). In 2007 the Company and other co-investors have incorporated a special purpose UAE legal entity (SPE) to hold this investment whose commercial registration has not been completed. Pending such registration, payment of KD 980,851 for this investment was made through a third party (the Third Party) who is one of the co investors and placement fee of KD 566,836 was paid to a related party. Accordingly the Company's interest in the investment is currently evidenced by a shareholders' agreement in which the Third Party has acknowledged that it holds the investment on behalf of the Company. One of the co-investors secured a bridge loan of AED 181,912,500 [KD 13,502,273] on behalf of all the investors of which the Company's share is KD 809,745.

The fair value of these investments cannot be reliably determined as there is no active market for these investments and there have not been any recent transactions that provide evidence of the current fair value.

## Notes to the Financial Statements

### For the year ended 31 December 2007

(All amounts are in Kuwaiti Dinar unless otherwise mentioned)

#### 8. Investments in associates

This represents the Company's share of investments in the following associates accounted for using the equity method.

	<b>2007</b>	<b>23 October 2005 to 31 December 2006</b>
Al Shamel International Holding Company KSCC (Al Shamel)	<b>46.67%</b>	47.50%
Al Oula Towers Company Limited, Saudi Arabia	<b>36.75%</b>	40.00%

Al Shamel was listed on the Kuwait Stock Exchange parallel market in March 2008.

Movements in investments in associates are as follows:

	<b>2007</b>	<b>23 October 2005 to 31 December 2006</b>
Opening Balance	<b>6,685,978</b>	-
Capital contribution/ acquisition of associates	<b>2,937,874</b>	5,759,072
Sale of shares in associates	<b>(581,830)</b>	-
Share of profit for the year/ period	<b>4,100,507</b>	933,281
Dividend received	<b>(356,250)</b>	-
Net exchange differences	<b>(299,261)</b>	(6,375)
Prior period adjustments	<b>(37,694)</b>	-
Closing balance	<b>12,449,324</b>	6,685,978

## Notes to the Financial Statements

### For the year ended 31 December 2007

(All amounts are in Kuwaiti Dinar unless otherwise mentioned)

The summarized financial information of associates is as follows:

	<b>2007</b>	<b>23 October 2005 to 31 December 2006</b>
Assets	<b>35,122,323</b>	18,342,394
Liabilities	<b>3,639,128</b>	2,953,166
Revenue	<b>15,180,172</b>	5,921,446
Net profit	<b>10,246,829</b>	2,459,989

The Company's share of the equity of the Saudi associate to the extent of Saudi riyals 73.50 million (KD 5.34 million) was acquired by contributing real estate in Saudi Arabia. Profit from associates includes KD 3.10 million attributable to the revaluation of this real estate by the Saudi associate in 2007.

#### 9. Investments in unconsolidated subsidiaries

	<b>Percentage of ownership</b>	<b>2007</b>	<b>23 October 2005 to 31 December 2006</b>
Al Bareeq International W.L.L., Kuwait	100%	<b>7,500</b>	7,500
Al Diwan International W.L.L., Kuwait	100%	<b>7,500</b>	7,500
Al Rawdatain W.L.L., Kuwait	100%	<b>7,500</b>	7,500
Al Danah International W.L.L., Kuwait	100%	<b>7,500</b>	7,500
Al Badiyah International W.L.L., Kuwait	100%	<b>7,500</b>	7,500
		<b>37,500</b>	37,500

These are Kuwaiti limited liability companies incorporated in 2006 and are carried at cost since they are not material to the Company's financial statements.

## Notes to the Financial Statements

### For the year ended 31 December 2007

(All amounts are in Kuwaiti Dinar unless otherwise mentioned)

The aggregated financial information of subsidiaries is as follows:

	<b>2007</b>	<b>23 October 2005 to 31 December 2006</b>
Assets	<b>36,644</b>	37,500
Liabilities	<b>36,644</b>	37,500
Revenue	<b>(857)</b>	-
Net profit/ (loss)	<b>(857)</b>	-

#### 10. Trade and other payables

	<b>2007</b>	<b>23 October 2005 to 31 December 2006</b>
Accounts payable	<b>5,668,875</b>	169,228
Accrued expenses	<b>630,986</b>	104,941
Payable to Kuwait Foundation for Advancement of Sciences	<b>24,161</b>	1,355
Other payables	<b>6,199</b>	1,000
	<b>6,330,221</b>	276,524

#### 11. Term loans

This represents three Kuwaiti Dinar loans availed from a local bank as follows:

	<b>Effective rate of interest per annum</b>	<b>2007</b>	<b>23 October 2005 to 31 December 2006</b>
Loan I	8.75%	-	3,134,784
Loan II	8.75%	-	2,906,900
Loan III	9.25%	<b>750,000</b>	1,125,000

## Notes to the Financial Statements

### For the year ended 31 December 2007

(All amounts are in Kuwaiti Dinar unless otherwise mentioned)

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Loans I and II which were secured by fixed deposits at 110% of the loan amounts were repaid in January 2007.

Loan III was repaid in March 2008 and the collateral of the Company's shares in its associate Al Shamel was released on that date.

#### 12. Share capital and reserves

##### Share capital

The authorized, issued and paid up capital of the Company comprises of 150,000,000 shares of 100 fils each.

##### Legal reserve

In accordance with the Commercial Companies Law and the Company's Articles of Association, 10% of the net profit has been appropriated as legal reserve. The legal reserve can be utilized only for distribution of a maximum dividend of 5% in years when retained earnings are inadequate for this purpose.

##### Voluntary reserve

The Company's Articles of Association stipulates that the Board of Directors may propose appropriations to voluntary reserve for shareholders' approval. The Board of Directors has not proposed any appropriations to voluntary reserve in 2007.

#### 13. Share-based compensation plan

The Company's shareholders approved an Employee Share Option Plan (ESOP) for its senior executive management in the Annual General Assembly meeting of 18 December 2006. The plan however is subject to the approval of the Ministry of Commerce. The plan is equity settled and there are no cash settlement alternatives. The Company has granted 2,586,195 (2006 : 1,575,000) options at an exercise price of 100 fils per share on 1 January 2007.

The ESOP is not material to the Company and therefore full disclosure of the plan has not been made in the financial statements.

# Notes to the Financial Statements

For the year ended 31 December 2007

(All amounts are in Kuwaiti Dinar unless otherwise mentioned)

## 14. General and administrative expenses

	<b>2007</b>	<b>23 October 2005 to 31 December 2006</b>
Legal and other professional fees	19,144	117,097
Office rent	145,962	118,773
Business development and public relations	54,965	21,517
Office expenses	28,021	18,289
Travel expenses	19,422	11,987
Others	58,272	46,722
	<b>325,786</b>	<b>334,385</b>

## 15. Related party transactions

These represent transactions with certain related parties [shareholders, directors, executive officers and key management of the Company and companies of which they are principal owners or over which they are able to exercise significant influence]. Pricing policies and terms of these transactions are approved by management.

	<b>2007</b>	<b>23 October 2005 to 31 December 2006</b>
Placement fee income	717,187	-
Guarantees on behalf of related parties	2,295,351	-
<b>Key management compensation</b>		
Salaries and other short term employee benefits	117,062	195,312
Other long term benefits	91,979	11,507

## 16. Fiduciary assets

The Company manages portfolios on behalf of third parties and maintains securities in fiduciary accounts which are not reflected in the Company's balance sheet. Assets under management at 31 December 2007 amounted to KD 14,161,000 (2006 : KD 4,072,000).

## Notes to the Financial Statements

For the year ended 31 December 2007

(All amounts are in Kuwaiti Dinar unless otherwise mentioned)

### 17. Commitments and contingencies

	2007	23 October 2005 to 31 December 2006
Letters of guarantee	2,975,719	-
Letters of guarantee (of associates)	882,992	-
Capital commitments (covered by letter of guarantee)	2,858,954	-
Capital commitments (of associate)	2,422,154	-

### 18. Financial Instruments, risk management and fair values

#### Financial risk factors

The Company's financial assets have been categorized as follows:

	Loans and receivables	Assets at fair value through profit and loss	Available for sale
<b>31 December 2007</b>			
Cash and bank balances	4,127,885	-	-
Trade and other receivables	2,248,899	-	-
Investment securities	-	307,873	7,486,706
<b>Total</b>	<b>6,376,784</b>	<b>307,873</b>	<b>7,486,706</b>
<b>31 December 2006</b>			
Cash and bank balances	9,813,685	-	-
Trade and other receivables	393,961	-	-
Investment securities	-	3,333,542	3,551,635
<b>Total</b>	<b>10,207,646</b>	<b>3,333,542</b>	<b>3,551,635</b>

All financial liabilities as of 31 December 2007 and 31 December 2006 are categorized as 'other than at fair value through profit or loss'.

Trade and other receivables include due from related parties.

## Notes to the Financial Statements

### For the year ended 31 December 2007

(All amounts are in Kuwaiti Dinar unless otherwise mentioned)

The Company's use of financial instruments exposes it to a variety of financial risks such as credit risk, liquidity risk and market risk. The Company continuously reviews its risk exposures and takes measures to limit it to acceptable levels. Risk management is carried out by the Board of Directors in consultation with the Chief Executive Officer (CEO). The CEO identifies and evaluates financial risks in close co-operation with management. The significant risks that the Company is exposed to are discussed below:

#### a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial assets, which potentially subject the Company to credit risk, consist principally of fixed and short notice bank deposits and trade, joint venture and other receivables. The Company manages credit risk by placing funds with financial institutions of high credit rating and transacting principal business with counter parties of repute.

#### b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by monitoring on a regular basis that sufficient funds are available to meet maturing commitments.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>
<b>At 31 December 2007</b>				
Bank borrowings	410,295	410,000	-	-
Trade and other payables	6,330,221	-	-	-
Due to related parties	-	37,867	-	-
Commitments	2,858,954	-	-	-
<b>At 31 December 2006</b>				
Bank borrowings	6,416,683	819,375	-	-
Trade and other payables	276,524	-	-	-
Due to related parties	364,718	-	-	-
Commitments	-	-	-	-

## Notes to the Financial Statements

### For the year ended 31 December 2007

(All amounts are in Kuwaiti Dinar unless otherwise mentioned)

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#### c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company's primary exposure to market risk is in equity price risk, currency risk and interest rate risk.

##### (i) Equity price risk

Equity price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The Company is exposed to securities and funds price risk because of investments held by the Company and classified on the balance sheet either as available for sale or at fair value through profit and loss.

To manage the market price risk arising from investments in securities and funds, the Company diversifies its portfolio.

The effect of equity (in the fair value of the equity instruments held as investments available for sale) as at 31 December 2007 due to a reasonable possible change in the equity indices by 5% with all other variables held as constant, is KD 120,529 (2006 : Nil).

##### (ii) Currency risk

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

A 10% weakening / strengthening of the functional currency against the major currencies do not have a material impact on the profits of the company.

##### (iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest risk.

Interest rate change of 1% does not have any material impact in cash flows.

## 19. Capital risk management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. All components of equity other than foreign currency translation reserve are managed as capital.

## Notes to the Financial Statements

### For the year ended 31 December 2007

(All amounts are in Kuwaiti Dinar unless otherwise mentioned)

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The Central Bank of Kuwait specified the minimum amount of capital that must be held by the Company to be registered as an investment company with the Central Bank of Kuwait. The required minimum capital is KD 15 million which must be maintained at all times during the year.

#### 20. Fair value of financial instruments

Fair value is the amount at which an asset, liability or financial instrument could be exchanged or settled between knowledgeable parties in an arm's length transaction. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention, or need, to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

The estimated fair values of financial assets and liabilities and off balance sheet financial instruments approximated their respective net book values at the balance sheet date.

Financial assets carried a fair value are based on quoted market price except for certain unquoted instruments classified as investments available for sale. Value of such investments, amount to KD 5,076,124 (2006 : KD 3,551,635).

#### 21. Significant accounting judgments and estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that may affect amounts reported in these financial statements, as actual results could differ from those estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Judgments and estimates that are significant to the financial statements are shown below:

##### Judgment

###### *Classification of financial instruments*

Management has to decide on acquisition of a financial instrument whether it should be classified as carried at fair value through profit or loss, available for sale or as loans and advances. In making the judgement the Company considers the primary purpose for which it is acquired and how it intends to manage and report its performance. Such judgement determines whether it is subsequently measured at cost or at fair value and if changes in fair value of instruments are reported in the statement of income or directly in equity.

## Notes to the Financial Statements

### For the year ended 31 December 2007

(All amounts are in Kuwaiti Dinar unless otherwise mentioned)

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#### *Evidence of impairment in investments*

The Company treats available for sale investment securities as impaired when there has been significant or prolonged decline in the fair value below its cost or whether other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgement.

#### *Impairment*

At each balance sheet date, management assesses, whether there is any indication that property and equipment may be impaired. The determination of impairment requires considerable judgment and involves evaluating factors including, industry and market conditions.

#### *Contingent liabilities*

Contingent liabilities are potential liabilities that arise from past events whose existence will be confirmed. Provisions for liabilities are recorded when a loss is considered probable and can be reasonably estimated. The determination of whether or not a provision should be recorded for any potential liabilities is based on management's judgment.

#### **Sources of estimation uncertainty**

##### *Unquoted investment securities*

The valuation techniques for unquoted investment securities make use of estimates such as future cash flows, discount factors, yield curves, current market prices adjusted for market, credit and model risks and related costs and other valuation techniques commonly used by market participants where appropriate.

Any changes in these estimates and assumptions as well as the use of different but equally reasonable estimates and assumptions may have an impact on the carrying values of the provision for investment securities and fair value of unquoted investment securities.

##### *Trade and other receivables*

The Company estimates an allowance for doubtful receivables based on past collection history and expected cash flows from debts that are overdue.

##### *Tangible and Intangible assets*

The Company estimates useful lives and residual values of tangible assets and intangible assets with definite useful lives.

## Notes to the Financial Statements

### For the year ended 31 December 2007

(All amounts are in Kuwaiti Dinar unless otherwise mentioned)

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#### *Impairment and useful lives of property and equipment*

The Company tests annually whether property and equipment has suffered impairment in accordance with accounting policy stated in Note 2.5. The recoverable amount of an asset is determined based on "value in use method". This method uses estimated cash flow projection over the estimated useful life of the asset discounted using the market rate. The Company's management determines the estimated useful lives and related depreciation charge for its equipment. It could change significantly as a result of change in technology. Management will increase the depreciation charge where useful lives are less than previously estimated lives.

#### **22. Comparatives**

Certain comparative figures of year 2006 have been regrouped to give effect to the restatement of KD 37,694 in the opening balances of an associate.