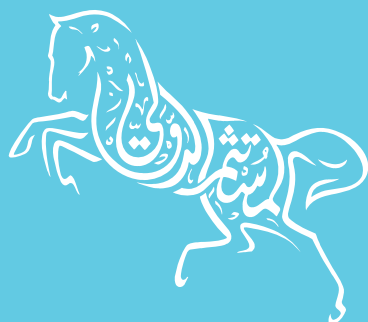


TII is a leading international financial services company, capturing emerging opportunities and focusing on high-growth markets, to deliver superior performance to shareholders.

The
International
Investor





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



**H.H. Sheikh Nawaf
Al-Ahmad Al-Jaber Al-Sabah**
Crown Prince of the State of Kuwait

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expertise
+ innovation
+ quality
+ integrity

= by TII

The hallmark 'by TII' is an assurance of quality that is carried by all The International Investor member companies. While these businesses are diverse in their activities and geographies, 'by TII' signifies that The International Investor stands behind each of them.

As partners we nurture their strategies, providing the resources needed to facilitate growth. Thus all member companies share TII's corporate values that focus on integrity, diversity and execution.

Vision

TII is a leading international financial services company, capturing emerging opportunities and focusing on high-growth markets, to deliver superior performance to shareholders.

Values

TII has a set of shared values that help to define our culture, govern the way we operate, and act as a guide in the way we work with stakeholders.

We call our corporate values the 'Pillars of Trust'.

Pillars of Trust

Integrity We espouse the highest levels of personal and professional behaviour, acting in an honest and ethical manner at all times.

Diversity We constantly seek to expand our activities by identifying new opportunities in the financial services industry.

Execution In everything we do, quality is the objective. We are committed to leadership, excellence, innovation and global best practice.

As well as abiding concern with Shari'a compliance.



Net Income KD million

04	4.55	
05		18.15
06	12.31	
07	12.74	

Total Assets KD million

04	82.40	
05	107.31	
06	158.98	
07	189.15	

Shareholder's Equity KD million

04	73.58	
05	80.10	
06	86.21	
07	86.76	

Earnings Per Share Fils

04	12	
05		42
06	30	
07	29	

On behalf of the Board of Directors of The International Investor (TII), it is my pleasure to report on 2007's performance, with key indicators improving over the previous year.

Chairman's Statement

Net profit grew from KD 12.31 million to KD 12.74 million, an increase of 3.5 percent on the previous year. Total assets rose from KD 158.9 million to KD 189.2 million, up 19 percent, while shareholders' equity reached KD 86.76 million, a 0.64 percent increase on the figure of KD 86.21 million at the 2006 year-end. Earnings per share amounted to 29 fils. Your Board is proposing the payment of a 15 fils per share cash dividend, and 10 percent as bonus shares.

While we continue to expand, diversify, and strengthen our operational base – transforming TII's business from fee-based services business into operating companies – our performance may, therefore, be affected by factors that could arise during such a transitional period. However, we are confident that such possibilities are offset by the positive conditions prevailing in regional markets and the very favorable outlook for sustained growth and stability.

Strategic Developments

We made decisions during 2007 that are designed to create sustained value for shareholders, and to continue the evolution of TII's strategy – focusing on specialized financial services and loyalty solutions, combined with private equity-type investments with a more diversified scope. We have intensified our efforts to capture emerging opportunities that leverage TII's expertise, and which have strong potential to respond to a dynamic and innovative business approach.

During the year we decided to deploy TII's capital in direct investments that complement the longer-term nature of two of our core businesses: retail financial services and loyalty solutions. The first such investment was the acquisition of *Courts Mammoth Berhad* in Malaysia and *Courts Singapore Limited* in Singapore, through a consortium jointly led by TII and Baring Private Equity Asia, in addition to Deutsche Bank. *Courts* is a leading home goods retailer, with 132 stores spread through Malaysia, Indonesia, Singapore, and Thailand. By the end of March 2007, the Group had total revenues of \$365 million and total assets of \$415 million.

In addition to being a direct private equity investment which we plan to exit profitably at the appropriate time, this first venture in South East Asia is also a platform for us to understand better the growing retail lending business in that region and explore the possibilities for innovation. TII intends to focus on *Courts'* credit finance business, while Baring and *Courts* management will concentrate on overall strategy. Our market assessments show significant potential for acquisitions in the retail finance industry in our target sectors. We will continue to move into new areas that satisfy our criteria for prospective growth, in which our expertise can be applied to create synergies, boost revenues, and grow asset value.

We also continue to focus on our other two key business activities in which we have been investing for the last three years: *Selektpoints* and *FLAIR*.

Selektpoints is an innovative regional – and eventually global – coalition loyalty program that assists members in understanding customers' lifestyle and purchasing behavior, in order to gain a competitive edge in customer acquisition and satisfaction. The pilot launch of *Selektpoints* will take place in Jordan and Lebanon during the first half of 2008, with other countries to follow.

Similarly, *FLAIR*, a merchant payment card with pre-approved credit for the merchant's retail customers, was launched in Kuwait during the first half of 2008.

The development of these two offerings is underpinned by the investment made in *Procco*, the operating platform developed by TII to manage its back-office functions at group level. *Procco* offers the infrastructure and capability to run the operating systems for both *Selektpoints* and *FLAIR*.

Loyalty Solutions

Selektpoints is an internationally recognized coalition-based loyalty program which brings partner banks and merchants in order to provide consumers with superior offerings and redemption programs. Banks and merchants benefit from attracting and retaining profitable customers, inducing higher-spend ones, and provide customized one-to-one marketing. Banks can also provide the *Selektpoints* currency across all their financial products as a means of increasing the uptake of products per customer. With a strong focus on data analytics, *Selektpoints* provides valuable insight into consumers' spending behavior, allowing for very specific and customized marketing initiatives. This provides banks and merchants with a higher return on their marketing investment, while consumers benefit from offers and promotions that suit their lifestyles.

Selektpoints' business model is novel in that it focuses on P&L management for merchants and banks and provides all the benefits of a fully outsourced program – from call center management to redemption sourcing to sophisticated data analytics. Core coalition members will be drawn from the banking, telecom, grocery, and retail sectors, among others. *Selektpoints* will be launched in two countries in the Middle East, followed by other country roll-outs later in 2008.

Selektpoints won the Cards International Global Award in 2007 in the category of "Best Innovation in a Loyalty Program" for creating a globally unique coalition program.



Sanjay Sethi
Chief Executive Officer

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"Best innovation in a loyalty program" Global award winner 2007



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Retail Financial Services

The *FLAIR* concept gives customers a Shari'a approved credit product, with virtually on-the-spot approval. Cardholders have ready access to very competitive financing, structured to suit their specific needs, whether purchasing home furnishings, clothing, or even groceries. *FLAIR* provides multiple benefits to merchants by putting money in their customers' wallets more cost-effectively, while sparing merchants the burden of running their own financing operation. *FLAIR* provides validation of applications, customer service, administration, and collection on the merchants' behalf.

A five-year strategic plan is being prepared to guide the development of *FLAIR* from its initial launch in Kuwait to its expansion to neighboring countries and beyond, including potential synergies in markets such as South East Asia. With our acquisition of Courts, *FLAIR* has an ideal new market and could be tested there given the high rate of Courts customers purchasing on credit. *FLAIR*'s simplified credit application processes will improve the customer experience and thus drive increased revenue.

Direct Investments

In the course of 2007, TII has begun to invest in growth businesses linked to its existing areas of expertise, and in opportunities which offer new potential for development. Such proprietary investments make use of our TII balance sheet rather than a fund structure.

By acquiring and subsequently privatizing *Courts* in Malaysia and Singapore, we have secured a foothold in the South East Asia market and an entry point into the retail lending business in that market. This affords a natural fit for Islamic finance with instalment sales – *Courts* being the largest and most experienced sub-prime lender in both Malaysia and Singapore. We will apply TII's expertise in credit finance to manage the company's credit book, capitalizing on the synergy between our financial skills and *Courts*' retail expertise.

We intend to make further such acquisitions that show significant potential, both geographically and by sector.

Fleet Leasing and Management

Fleetcorp, TII's fleet leasing and management unit, has been a key part of TII's activities for the last three years, contributing significantly to revenue growth and profitability. Over this period, TII has substantially boosted its Turkish operation, primarily through organic growth, as well as one acquisition. We have quadrupled the size of the business in a very short period, ranking it the second largest player in the Turkish market. We have also restructured operations, establishing a new management team with considerable domain expertise, and investing heavily in information technology. This has given us a competitive edge for the next phase of growth with a significant upside potential.

Our efforts are yielding very positive results, with major global investors expressing interest in our Turkish operation.

Our Jordan operation, on a smaller scale, is undergoing its own restructuring with promising opportunities for partnership with banks or automotive operators.

Procco

Procco provides the Group's Bahrain-based operating platform and back office infrastructure. *Procco*'s functions range from IT management to operations and systems, as well as procedures for vetting and approving credit applications. Credit administration, collections, and a customer call center are all managed by *Procco*, using advanced systems and shared data.

Procco is ideally positioned to support TII's regional multi-business strategy because of its ability to support various businesses in multiple markets. *Procco* will capably handle the back-office needs stemming from TII's diversification, having already played a crucial role in enabling TII to embark on its ambitious projects.

Acknowledgments

On behalf of the Board, I thank our shareholders, business partners, clients, and suppliers for their ongoing trust and dedication. I also acknowledge the valued contribution of TII's directors, management, and staff. Their hard work and commitment have made our achievements of the past year possible.

We can now look forward with confidence to a new chapter in the growth and progress of TII, as we embrace imaginative and innovative strategies that will transform the nature and status of our company. We have exciting years ahead, full of promise for all our stakeholders.



Adnan Al Bahar
Chairman and Managing Director

**Adnan Abdulaziz Al Bahar
Chairman and Managing
Director**

Before founding TII in 1992, Adnan was Managing Director of Al Rajhi Company for Islamic Investments in London and prior to this, General Manager of Kuwait Finance House, He has served as Advisor to the Finance Committee of the Kuwait Parliament and as Director of Kuwait Investment Authority, Kuwait Stock Exchange and Kuwait Higher Planning Board.

**Sayer Bader Al-Sayer
Deputy Chairman**

Sayer Bader Al-Sayer is the Deputy Vice Chairman in Al-Sayer Group of Companies, CEO of Al-Dhow Enterprise, an Investment Company. He is also Vice Chairman of Al-Farabi Investment Co. (Kuwait), Advisor to the Board Audi Bank (Lebanon) and Chairman for the Union of Automobile Agents in the state of Kuwait.

**Abdallah Mohamed Al-Baeijan
Director**

Abdallah is Chairman & Managing Director of Al-Seedawi Sweet Factory, Chairman of Kuwait Union for Foodstuff Dealers & Manufacturers, Deputy Chairman of the Board of Trustees for the Prophetic Tradition (Hadith) Sunna. He is also a member of the board of directors in Kuwait Chamber of Commerce & Industry, The Public Authority for Industry, Kuwait Public Transportation Co., Abdul Aziz Hamad Al-Saqer Training Center, the Supreme Committee for the Kuwaiti Industrial Improvement Center, He is also a Partner and General Manager of Al-Enma Management Consultancy.

**Abdulaziz Hamad Aljomaih
Director**

Abdulaziz is the Managing Director of the International Investments of Aljomaih Group, Chairman of British Islamic Insurance Holding (UK), Karachi Electric Supply Corp. (Pakistan), and Vice Chairman of Arcapita Bank (Bahrain). His other directorships include Dana Gas (UAE), Ettihad Etisalat (Mobily) and Bank Al-Bilad, both in Saudi Arabia.

**Faisal Abdul Mohsin Al Khatrash
Director**

Faisal was previously Deputy Managing Director of Kuwait Foreign Trading, Contracting & Investment Company and Vice Chairman of Kuwait Finance House, He is currently an Executive Board member of Salhia Real Estate Company.

**Faisal Ebrahim Al-Musallam
Director**

Faisal is currently working as supervisor of private equity funds in the direct investments Department of Public Institution for Social Security Since 1993 to date.

**Khaled Abdul Aziz Almuraikhi
Director**

Deputy Managing Director of Al Mulla Group Holding Company, Khaled is also a Board member of Boubyan Petrochemical Company and Pearl Investment Company (Egypt).

**Massaud M. J. Hayat
Director**

Masaud is Chairman of KIPCO Asset Management Company, Managing Director of United Gulf Bank (Bahrain & Kuwait), Chairman of Tunis International Bank, Syria Gulf Bank, and United Gulf Financial Services Company, Deputy Chairman of Algeria Gulf Bank, He also serves on the Board of Jordan Kuwaiti Bank and Union of Investment Companies.

**Salah Mohammed Al- Wazzan
Director**

Salah is executive director of Al-Wazzan Holding Group, one of Kuwait's largest commercial groups.

Board of Directors

In the name of God, the Merciful, the Compassionate

Praise be to God, the Lord of all creation, and prayer and peace be upon prophet Muhammed, his family, companions and followers.

The Fatwa and Shari'a Supervisory Board of The International Investor held several meetings during 2007, wherein all questions and contracts related to this year's operations, as presented by the Management, were studied.

The Board accordingly made all necessary recommendations, decisions and Fatwas.

Additionally, the Board studied the internal Shari'a audit report of TII operations for 2007.

In light of the above, and what has been presented to it, the Board noted some Shari'a infractions, which were duly brought to the company's attention, to rectify and take measures to avoid their recurrence.

Sheikh Ahmed Bazie' Al-Yaseen
Chairman

Dr. Khled Mathkour Al-Mathkour
Deputy Chairman

Dr. Muhammed Fawzi Faidullah
Member

Dr. Abdul Aziz Khalifa Al-Qassar
Member

Sheikh Abdul-Rahman Ibn Abdullah Ibn Aqeel.
Member

Report of the Shari'a Supervisory Board

Auditors' Report to the Shareholders of The International Investor Company K.S.C. (closed)

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

Directors' Responsibility for the Financial Statements

The directors of the parent company are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted for use by the State of Kuwait. 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 did not audit the financial statements of Asia Retail Group Limited, an associate of the parent company, which accounts for a loss of KD 2,280,635 (31 December 2006: Nil), net of negative goodwill and total assets of KD 22,634,540 (31 December 2006: Nil) of the group's total profit for the year ended 31 December 2007 and total assets at 31 December 2007 respectively. Those financial statements were audited by another auditor whose unqualified audit report has been furnished to us and our report, in so far as it relates to the amounts included for the associate, is based solely on the unqualified audit report of the other auditor. 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' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate for 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 parent company's 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, based on our audit and the unqualified report of another auditor, the consolidated financial statements present fairly, in all material respects, the financial position of the group as of 31 December 2007, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted for use by the State of Kuwait.

Report on other legal and regulatory requirements

Furthermore, 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, as amended, and by the parent 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, nor 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 parent company or on its financial position.

We further report that, during the course of our examination, we have not become aware of any material violations of the provisions of Law No. 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.

Waleed A. Al Osaimi
License no. 68A
of Ernst & Young

Ali A. Hasawi
License no. 30A
BDO Burgen International Accountants

3 April 2008
Kuwait

Auditors' Report to the Shareholders

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Financial Statements

Consolidated Balance Sheet

At 31 December 2007

	Notes	2007 KD	2006 KD
Assets			
Cash and bank balances	3	18,964,894	7,550,343
Mutual fund investments		5,492,092	4,422,314
Murabaha investments	4	3,400,814	352,000
Securities carried at fair value through income statement	5	14,194,737	126,134
Receivables	6	5,833,931	6,172,789
Amount paid to DBHC	7	17,175,661	23,296,180
Assets used in operating leases	8	61,374,051	52,962,111
Other assets	9	14,736,070	34,032,909
Securities available for sale		178,248	178,248
Investment in associated companies	10	32,779,543	7,874,406
Goodwill	11	11,009,124	13,646,786
Furniture and equipment		4,009,876	2,556,651
		189,149,041	153,170,871
Investment in a subsidiary classified as held for sale	12	-	5,816,758
Total Assets		189,149,041	158,987,629
Liabilities and Equity			
Liabilities			
Accounts payable and accruals	13	10,852,182	10,347,900
Due to banks	14	87,643,243	58,023,618
Lease obligations	15	3,889,426	4,405,633
Total Liabilities		102,384,851	72,777,151
Equity			
Share capital	16	44,747,450	44,747,450
Share premium	16	27,721,939	27,721,939
Statutory reserve	17	2,608,327	1,280,372
Retained earnings		11,792,747	11,032,915
Treasury shares	18	(126,508)	-
Foreign currency translation reserve		(2,221,558)	438,639
Equity attributable to equity holders of the parent company		84,522,397	85,221,315
Minority interest		2,241,793	989,163
Total Equity		86,764,190	86,210,478
Total Liabilities and Equity		189,149,041	158,987,629

Adnan A. Aziz Al Bahar
Chairman and Managing Director

Consolidated Income Statement

Year ended 31 December 2007

	Notes	2007 KD	2006 KD
Gain on sale of mutual fund investments		64,201	256,764
Murabaha income		117,092	691,874
Unrealized gain on fair valuation of securities carried at fair value through income statement		1,451,070	-
Realized gain from sale of securities carried at fair value through income statement		-	450
Rental income from operating lease transactions		12,683,060	9,503,275
Settlement compensation – DBHC	7	-	1,752,000
Brokerage fees	7	234,150	1,584,430
Fees from fiduciary activities	7	497,280	5,673,506
Settlement compensation – Turkish bank	9	2,587,749	-
Share of results of associated companies	10	13,429,873	438,018
Gain on sale of investment in associated companies		-	3,445,127
Dividend income		379,971	9,797
Gain on sale of assets used in operating leases		310,305	17,213
Gain on sale of investment in a subsidiary classified as held for sale	12	139,607	-
Finance income	10	705,159	-
Other income		752,920	567,447
Foreign exchange gain/(loss)		4,186,650	(221,148)
Gain on sale of investment in a subsidiary		-	3,892,493
Income		37,539,087	27,611,246
General and administrative expenses	19	14,101,971	9,281,561
Murabaha and finance costs		4,907,641	2,890,198
Depreciation		4,664,552	2,495,247
Provision charge/(release) for credit losses	6	250,581	(82,000)
Expenses		23,924,745	14,585,006
Profit before taxes and directors' fees		13,614,342	13,026,240
Provision for deferred tax liability		316,646	-
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(111,883)	(115,234)
Provision for National Labour Support Tax (NLST)		(331,989)	(285,203)
Zakat		(7,459)	-
Directors' Remuneration		(90,000)	(90,000)
Profit for the Year		13,389,657	12,535,803
Attributable to:			
Equity holders of the parent company		12,738,218	12,313,287
Minority interest		651,439	222,516
		13,389,657	12,535,803
Basic Earnings per Share	20	28.87 fils	30.09 fils
Diluted Earnings per Share	20	28.22 fils	26.69 fils

Consolidated Statement of Cash Flows

Year ended 31 December 2007

	Notes	2007 KD	2006 KD
Operating Activities			
Profit for the year		13,389,657	12,535,803
Adjustments for:			
Depreciation		4,664,552	2,495,247
Provision charge/(release) for credit losses		250,581	(82,000)
Dividend income		(379,971)	(9,797)
Gain on sale of assets used in operating lease		(310,305)	(27,010)
Share of results of associated companies		(13,429,873)	(438,018)
Gain on sales of investment in subsidiary classified as held for sale	12	(139,607)	-
Gain on sale of investment in associated companies		-	(3,445,127)
Gain on sale of investment in a subsidiary		-	(3,892,493)
		4,045,034	7,136,605
Changes in operating assets and liabilities:			
Murabaha investments		(28,102)	(14,102,000)
Receivables		338,858	(4,920,580)
Securities carried at fair value through income statement		(9,174,312)	33,778
Other assets		21,683,920	(27,681,559)
Accounts payable and accruals		879,537	3,091,019
Cash flows from (used in) operations		17,744,935	(36,442,737)
Payment of contribution to KFAS		-	(169,288)
Payment of provision for NLST		(285,255)	(418,837)
Payment of directors' fees		(90,000)	(63,000)
Net cash from (used in) operating activities		17,369,680	(37,093,862)
Investing Activities			
Partial recovery of amount paid to DBHC		6,120,519	4,516,087
Acquisition of subsidiaries, net of cash acquired	21	-	(5,327,007)
Proceeds from disposal of investment in associates		-	9,705,516
Proceeds from disposal of securities available for sale		-	923,436
Proceeds from disposal of assets used in operating lease		6,023,859	1,565,987
Proceeds from disposal of a subsidiary		-	13,251,720
Purchase of assets used in operating leases		(13,767,413)	(20,291,635)
Purchase of investment in associated companies		(16,369,555)	-
Purchase of furniture and equipment		(1,833,235)	(2,191,585)
Dividend received		379,971	9,797
Purchase of investment in a subsidiary classified as held for sale		-	(5,137,301)
Proceeds on disposal of investment in a subsidiary classified as held for sale	12	5,956,365	-
Net cash used in investing activities		(13,489,489)	(2,974,985)
Financing Activities			
Due to banks		29,619,625	22,497,190
Lease obligations		(516,207)	1,444,868
Purchase of treasury shares		(6,442,462)	(1,824,250)
Proceeds from disposal of treasury shares		2,370,518	4,447,850
Net movement in minority interest		601,191	(285,473)
Dividends paid		(6,704,995)	(9,158,999)
Net cash from financing activities		18,927,670	17,121,186
Foreign currency translation reserve		(7,302,820)	399,202
Increase (Decrease) in Cash and Cash Equivalents		15,505,041	(22,548,459)
Cash and cash equivalents at 1 January		11,972,657	34,521,116
Cash and Cash Equivalents at 31 December	22	27,477,698	11,972,657

Consolidated Statement of Changes in Equity

Year ended 31 December 2007

	Attributable to the equity holders of the parent company										Foreign currency		Total equity
	Share capital	Share premium	Statutory reserve	Retained earnings	Treasury shares	Treasury shares reserve	translation reserve	Total	Minority interest	Total equity			
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	
At 31 December 2006	44,747,450	27,721,939	1,280,372	11,032,915	-	-	438,639	85,221,315	989,163	86,210,478	-	(2,660,197)	
Foreign currency translation adjustment	-	-	-	-	-	-	(2,660,197)	(2,660,197)	-	-	-	(2,660,197)	
Loss on sale of treasury shares to employees under the employees' share option scheme (Note 31)	-	-	-	(3,945,436)	-	-	-	(3,945,436)	-	-	-	(3,945,436)	
Net expense recognized directly in equity	-	-	-	(3,945,436)	-	-	(2,660,197)	(6,605,633)	-	-	-	(6,605,633)	
Profit for the year	-	-	-	12,738,218	-	-	-	12,738,218	651,439	13,389,657	-	-	
Total recognized income and (expense) for the year	-	-	-	8,792,782	-	-	(2,660,197)	6,132,585	651,439	6,784,024	-	-	
Transfer to reserve	-	-	-	(1,327,955)	-	-	-	-	-	-	-	-	
Dividends (Note 24)	-	-	-	(6,704,995)	-	-	-	(6,704,995)	-	(6,704,995)	-	-	
Net movement in minority interest	-	-	-	-	-	-	-	-	601,191	601,191	-	-	
Purchase of treasury shares	-	-	-	-	-	-	-	(6,442,462)	-	(6,442,462)	-	-	
Sale of treasury shares to employees under the employees' share option scheme (Note 31)	-	-	-	-	-	-	6,315,954	6,315,954	-	6,315,954	-	-	
At 31 December 2007	44,747,450	27,721,939	2,608,327	11,792,747	(126,508)	-	(2,221,558)	84,522,397	2,241,793	86,764,190	-	6,315,954	
At 31 December 2005	40,679,500	33,912,433	2,355,027	16,389,872	(15,110,498)	778,454	39,437	79,044,225	1,052,120	80,096,345	-	399,202	
Foreign currency translation adjustment	-	-	-	-	-	-	399,202	399,202	-	-	-	399,202	
Loss on sale of treasury shares to employees under the employees' share option scheme (Note 31)	-	-	(6,190,494)	(2,355,027)	(3,162,923)	(778,454)	-	(12,486,898)	-	(12,486,898)	-	(12,486,898)	
Net (expense)/income recognized directly in equity	-	-	(6,190,494)	(2,355,027)	(3,162,923)	(778,454)	399,202	(12,087,696)	-	(12,087,696)	-	(12,087,696)	
Profit for the year	-	-	-	12,313,287	-	-	-	12,313,287	222,516	12,535,803	-	-	
Total recognized expense and income for the year	-	-	(6,190,494)	(2,355,027)	9,150,364	(778,454)	399,202	225,591	222,516	448,107	-	-	
Transfer to reserve	-	-	-	1,280,372	(1,280,372)	-	-	-	-	-	-	-	
Dividends (Note 24)	4,067,950	-	-	(13,226,949)	-	-	-	(9,158,999)	-	(9,158,999)	-	-	
Net movement in minority interest	-	-	-	-	-	-	-	-	(285,473)	(285,473)	-	-	
Purchase of treasury shares	-	-	-	-	-	-	-	(1,824,250)	-	(1,824,250)	-	-	
Sale of treasury shares to employees under the employees' share option scheme (Note 31)	-	-	-	-	-	-	16,934,748	16,934,748	-	16,934,748	-	-	
At 31 December 2006	44,747,450	27,721,939	1,280,372	11,032,915	-	-	438,639	85,221,315	989,163	86,210,478	-	16,934,748	

The attached notes 1 to 34 form part of these consolidated financial statements

Notes to the Consolidated Financial Statements

31 December 2007

1 ACTIVITIES

The consolidated financial statements of The International Investor Company K.S.C. (Closed) (the Parent Company) and its subsidiaries (the Group) were authorized for issue in accordance with a resolution of the Parent Company's directors on 3 April 2008 and were approved by the relevant regulatory authorities before issuance. The shareholders' general assembly has the power to amend these consolidated financial statements after issuance.

The Parent Company, The International Investor Company K.S.C. (Closed), was legally incorporated as a closed shareholding company on 29 November 1992 under the Commercial Companies Law No. 15 of 1960 and amendments thereto. The Parent Company is regulated by the Central Bank of Kuwait as an investment company.

The Parent Company operates under the Islamic Shari'a and is principally engaged in providing banking and investment advisory and financial services permissible under Islamic Shari'a. Its registered office is at Wafra Real Estate Building, Ahmad Al-Jaber Street, Sharq, Kuwait.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with the regulations of the State of Kuwait for financial services institutions regulated by the Central Bank of Kuwait. These regulations require adoption of all International Financial Reporting Standards ("IFRS") except for the IAS 39 requirement for collective impairment provision, which has been replaced by the CBK's requirement for a minimum general provision as described below:

The impairment provision for finance facilities complies in all material respects with the specific provision requirements of the CBK and IFRS. In March 2007, the CBK issued a circular amending the basis of making general provisions on facilities changing the rate from 2% to 1% for cash facilities and 0.5% for non cash facilities. The required rates were to be applied effective from 1 January 2007 on the net increase in facilities, net of certain restricted categories of collateral, during the reporting period. The general provision in excess of the present 1% for cash facilities and 0.5% for non cash facilities would be retained as a general provision until a further directive from the CBK is issued.

Measurement basis

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

The consolidated financial statements are presented in Kuwaiti Dinars (KD) which is the functional currency of the Parent Company.

Changes in accounting policies

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in previous year except that the Group has adopted the following new and amended International Accounting Standards Board (IASB) standards and International Financial Reporting Interpretations Committee (IFRIC) interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the consolidated financial statements; however, they did give rise to additional disclosures.

IASB Standards:

- IFRS 7 Financial Instruments: Disclosures
- Amendment to IAS 1 – Capital disclosures

International Financial Reporting Standard (IFRS) – IFRS 7 Financial Instruments: Disclosures

IFRS 7 Financial Instruments: Disclosures was issued by the IASB in August 2005, becoming effective for annual periods beginning on or after 1 January 2007.

The standard requires additional disclosures that enable users to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the consolidated financial statements.

International Accounting Standard (IAS) - IAS 1 Presentation of Financial Statements (amended)

Amendments to IAS 1 Presentation of Financial Statements were issued by the IASB as Capital Disclosures in August 2005. They are required to be applied for annual periods beginning on or after 1 January 2007. These amendments require the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital.

IFRIC Interpretations

The following IFRIC Interpretations have been issued and adopted by the Group:

- IFRIC Interpretation 8 Scope of IFRS 2
- IFRIC Interpretation 10 Interim Financial Reporting and Impairment
- IFRIC Interpretation 11 IFRS 2 – Group and Treasury Share Transactions

The application of IFRIC 8, 10 and 11 does not have material impact on the consolidated financial statements of the Group.

IASB Standards and IFRIC Interpretations issued, but not yet mandatory and have not been adopted yet

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

- IAS 1: Presentation of Financial Statements (effective 2009)
- IFRS 8: Operating Segments (effective 2009)

The application of IAS 1 will result in amendments to the presentation of the financial statements of the Group. The application of IFRS 8 is not expected to have material impact on the consolidated financial statements of the Group.

Additional disclosures will be made in the consolidated financial statements when these standards and interpretations become effective.

Notes to the Consolidated Financial Statements

31 December 2007

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation

The consolidated financial statements comprise the financial statements of The International Investor Company K.S.C. (Closed) (the Parent Company) and its subsidiaries, which are as detailed below:

Name	Place of incorporation	Ownership %		Principal activities
		2007	2006	
Directly held subsidiaries				
DO-CAR Company	Turkey	75	75	Automotive leasing
Al Watheb Consultancy Co. W.L.L.	Kuwait	100	100	Consultancy and management services
Corinthian Super Market K.S.C.C.	Kuwait	100	100	Retail trade
TII Global USD Lease Fund I Limited	British Virgin Islands	100	100	Leasing activities
International Vehicles and Steel Company K.S.C. (Closed)	Kuwait	100	100	Car leasing and trading of heavy equipment and steel
TII Financial, Economical and Administration Consultancy W.L.L.	Kuwait	100	100	Consultancy and management services
PLS Holding K.S.C. Holding (Formerly "Al Walaa Holding Company K.S.C. (Holding)")	Kuwait	100	100	Holding investments
Fleet Corp Holding K.S.C. (Holding) (Formerly "Al Sahm Holding Company K.S.C. (Holding)")	Kuwait	100	100	Holding investments
Global Loyalty K.S.C. (Holding) (Formerly "Al Massar Holding Company K.S.C. (Holding)")	Kuwait	100	100	Holding investments
RFM Loyalty Private Limited	Pakistan	100	100	Smart card solution provider
Fleet Corp EURL	Algeria	100	100	Automotive leasing
Fleet Corp	Jordan	60	60	Automotive leasing
FleetCorp India Private Limited	India	100	-	Automotive leasing
Topaz Investment Worldwide Inc.	BVI	100	-	Holding investments
Gulf Credit Limited	Pakistan	100	-	Consumer finance
Indirectly held through subsidiaries				
Desas Ticari Araclar Kiralama Servis Ve Ticaret A.S. (Subsidiary of DO-CAR Company)	Turkey	100	100	Automotive leasing
Procco Financial Services W.L.L.	Bahrain	100	100	Financial services
Menalco W.L.L.	Bahrain	100	100	Loyalty services
Selektpoints Marketing Limited	Isle of Man	100	100	Loyalty services
Menalco FZE	Ras Al Khaimah	100	100	Loyalty services
Selektpoints Marketing Lebanon SARL	Lebanon	100	-	Loyalty services
Flair Sales and Trading of Banking Equipments L.L.C.	Dubai	100	-	Consumer finance
Flair Financing Company W.L.L.	Kuwait	100	-	Consumer finance

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company except in the case of DO-CAR Company, Desas Ticari Araclar Kiralama Servis Ve Ticaret A.S., where the Group has considered the results for the year ended 30 September 2007. In the cases where subsidiaries do not prepare financial statements drawn up to the same date as that of the Group, adjustments are made for the effects of any significant events or transactions which have occurred in the months following the quarter end of these subsidiaries.

The consolidated financial statements are prepared using uniform accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is a loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the Group has control.

Minority interests represent the portion of profit and loss and net assets not held by the Group and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet separately from equity attributable to the equity holders of the Parent Company. Acquisitions of minority interests are accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired is recognized as goodwill. Disposals to minority interests result in gains and losses for the Group that are recorded in the consolidated income statement.

The financial statements of the subsidiary companies are consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses.

All inter-company balances and transactions, including unrealized profits arising from intra-Group transactions, have been eliminated in full. Unrealized losses are eliminated unless costs cannot be recovered.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, balances with banks, short term deposits, mutual fund and murabaha investments redeemable within three months of the date of acquisition.

Cash and bank balances are carried at cost. Mutual fund investments are carried at net assets value (which in effect represents principal plus accrued income) and murabaha investments at amortized cost.

Receivables

Receivables comprise murabaha receivables. These receivables are carried at amortized cost using the effective yield method, less any provision for impairment. For receivables where no quoted market prices are available, future cash flows are discounted at current market rates for receivables with similar terms and risk characteristics.

Murabaha is an Islamic transaction involving the Group's purchase and immediate sale of an asset at cost plus an agreed profit. The amount due is settled on a deferred payment basis. Where the credit risk of the transaction is attributable to a financial institution, the amount due is classified as a murabaha investment. Where the credit risk is attributable to a party other than a financial institution, the amount due is classified as a murabaha receivable.

Receivables are written off when there is no realistic prospect of recovery.

Securities carried at fair value through income statement

Securities carried at fair value through income statement are measured initially at fair value (transaction price). Transaction costs on securities at fair value through income statement are expensed immediately.

Securities carried at fair value through income statement includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through income statement. These securities are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on financial assets held for trading are recognized in the consolidated income statement. Financial assets are designated at fair value through income statement if they are managed and their performance is evaluated on reliable fair value basis in accordance with documented investment strategy.

After initial recognition securities carried at fair value through income statement are remeasured at fair value with all changes in fair value recognized in the consolidated income statement.

Notes to the Consolidated Financial Statements

31 December 2007

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

Leases where the Group is lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Operating lease payments are recognized as an expense in the consolidated income statement on a straight-line basis over the lease term. Contingent rents are recognized as an expenditure in the period in which they are incurred.

Leases where the Group is lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Lease payments received under operating leases are recognized as revenue in the consolidated income statement on a straight line basis over the lease term.

Assets used in operating leases are stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on cost less residual value over the estimated useful lives of 3 to 4 years.

The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Intangible Assets

Intangible assets acquired separately are measured on initial acquisition at cost. The cost of an intangible asset acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

Intangible assets with finite lives are amortized over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization expense on intangible assets with finite lives is recognized in the consolidated income statement. Intangible assets with indefinite useful lives are tested for impairment annually. Such intangible assets are not amortized.

Amortization is calculated on a straight-line basis over the estimated useful lives of the intangible assets which are as follows:

Computer software programs	5 years
Customer relationships	5 years
Non-compete agreements	2 years

Securities available for sale

Financial assets available for sale are those non-derivative financial assets that are designated as available for sale which are not classified as financial assets at fair value through income statement, financial assets held to maturity or loans and receivables.

Investments available for sale are measured initially at fair value (transaction price) plus directly attributable transaction costs. After initial recognition, investments available for sale are measured at fair value with gains and losses being recognized as a separate component of equity until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain and loss previously reported in equity is recognized in the consolidated income statement. Investments whose fair value cannot be reliably measured are carried at cost less impairment losses, if any.

Investment in associated companies

An associated company is a company over which the Group exerts significant influence, normally where it holds 20% to 50% of the voting power of the investee company. The consolidated financial statements include the Group's share of the associated companies' results using the equity method of accounting.

Under the equity method, investment in an associate is initially recognized at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the investee. The Group recognizes in the consolidated income statement its share of the total recognized 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 associate's equity that have not been recognized in the associate's consolidated income statement. The Group's share of those changes is recognized directly in the equity.

The Group's investment in associates includes goodwill identified on acquisition, which is treated in accordance with the accounting policy for goodwill.

Whenever impairment requirements of IAS 36 indicate that investment in an associate may be impaired, the entire carrying amount of the investment is tested by comparing its recoverable amount with its carrying value. Goodwill is included in the carrying amount of an investment in associate and, therefore, is not separately tested for impairment.

The financial statements of the associates are prepared for the same reporting year as the Parent Company, using consistent accounting policies. In cases where the year end of an associate is different from that of the Parent Company, adjustments are made for the effect of significant transactions or events that occur between that date and the date of Parent Company's year end. In any case, the difference between the reporting date of the associate and that of Parent Company is not more than three months.

Unrealized gains on transactions with an associate are eliminated to the extent of the Group's share in the associate. Unrealized losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred. An assessment of investment in an associate is performed when there is an indication that the asset has been impaired, or that impairment losses recognized in prior years no longer exist.

Business combinations and goodwill

Business combinations are accounted for using the purchase method. This involves recognizing identifiable assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities) of the acquired business at fair value.

Goodwill is initially measured at cost being the excess of cost of the business combination over the Group's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

After initial recognition, goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date allocated to each Group's cash generated units that are expected to benefit from the synergies of the combinations, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of the cash generating units and part of the operations within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal of the operation. Goodwill disposed of in these circumstances is measured based on the relative values of the operations disposed of and the proportion of the cash generating unit retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation difference and goodwill is recognized in the consolidated income statement.

Negative goodwill

Any excess, at the date of acquisition, of the Group's share in the acquiree's fair value of the net identifiable assets over the cost of the acquisition is recognized as negative goodwill. Negative goodwill arising on an acquisition is recognized directly in the consolidated income statement.

Notes to the Consolidated Financial Statements

31 December 2007

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Furniture and equipment

Furniture and equipment are stated at cost less accumulated depreciation and impairment losses. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is recognized in the consolidated income statement.

Depreciation is computed on a straight-line basis over the estimated useful lives of furniture and equipment and is estimated to be 3 to 5 years.

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

The carrying values of furniture and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Investment in subsidiary classified as held for sale

The Group measures investment in subsidiary classified as held for sale at the lower of its carrying value and fair value less costs to sell. If the carrying value is considered impaired, a loss is recognized based on the amount by which the carrying value exceeds the fair market value.

Fair values

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

For unquoted investments, fair value is determined by reference to the market value of a similar investment or is based on the expected discounted cash flows, recent arm's length market transactions or estimates using applicable price/earning or price/cash flow ratios defined to reflect the specific circumstances of the issuer.

All derivatives are carried at their fair value in assets where the fair value is positive and as liabilities where the fair value is negative. Fair values are generally obtained by reference to quoted market prices, discounted cash flow models and pricing models, as appropriate.

Impairment and uncollectibility of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset or Group of financial assets may be impaired. If such evidence exists, any impairment loss is recognized in the consolidated income statement.

Impairment is determined as follows:

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

For non equity financial assets the carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated income statement. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account.

For securities available for sale, reversal of impairment losses is recorded as increases in cumulative changes in fair values through equity.

In addition, in accordance with Central Bank of Kuwait instructions, a minimum general provision of 1% on all receivables net of certain restricted categories of collateral, to which CBK instructions are applicable and not subject to specific provision, is made.

Murabaha payables and Interest-bearing loans and borrowings

Murabaha payables

Murabaha payable represents amounts payable on a deferred settlement basis for assets purchased under murabaha arrangements. Murabaha payables are stated net of deferred profit payable. Profit payable is expensed on a time apportionment basis taking into account the profit rate attributable and the balance outstanding.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognized at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognized in net profit or loss when the liabilities are derecognized or impaired, as well as through the amortization process.

Derecognition of financial assets and liabilities

A financial asset (in whole or in part) is derecognized either when:

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

Where the Group 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 recognized to the extent of the Group's continuing involvement in the asset.

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

Treasury shares

The Parent Company's own shares are accounted for as treasury shares and are stated at cost. When the treasury shares are sold, gains are credited to a separate account in equity (treasury shares reserve) which is non distributable. Any realized losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then reserves. Gains realized subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the treasury shares reserve account. No cash dividends are distributed on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

Foreign currency translation

The functional currency of the Parent Company and presentation currency for the consolidated financial statements of the Group is the Kuwaiti Dinar. Transactions in foreign currencies are initially recorded in the functional currency rate 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 the consolidated income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of initial transaction. Non-monetary items measured at fair value in foreign currency are translated using the exchange rates at the date when the fair value was determined. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amount of assets and liabilities arising on acquisitions are treated as assets and liabilities of the foreign operation and translated at the closing rate.

The assets and liabilities of foreign operations are translated into Kuwait Dinars at the rate of exchange ruling at the consolidated balance sheet date and their income statements are translated at the average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the consolidated income statement.

Notes to the Consolidated Financial Statements

31 December 2007

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Trade date accounting

All “regular way” purchases and sales of financial assets are recognized 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.

Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to set off the recognized amounts and the Group intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received. The following specific recognition criteria must also be met before revenue is recognized:

Murabaha income

Murabaha income is recognized on a time proportion basis.

Management fees

Management fees relating to portfolio and fund management, custody and on going advisory services are recognized on a time proportion basis. Placement fees are recognized when securities are sold or when deals are concluded or when specific advisory services are rendered.

Dividend income

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

Finance income

Finance income is recognized as it accrues (using the effective interest rate, that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instruments to net carrying amount of the financial asset).

Taxation

The subsidiaries located in Turkey are assessed for taxation in accordance with the Turkish fiscal regulations. In accordance with Turkish Tax Law, agreed taxable losses may be carried forward. This may result in a deferred tax asset; however, because of the uncertainty over the recognition of this deferred tax asset the Group believes it would not be appropriate to recognize it as an asset in the consolidated financial statements.

Fiduciary assets

Assets and related deposits held in trust or in a fiduciary capacity are not treated as assets or liabilities of the Group and accordingly are not included in the consolidated balance sheet.

Profit sharing scheme

IFRS 2 “Share-Based Payment” requires an expense to be recognized where the Group buys goods or services in exchange for shares or rights over shares (“equity-settled transactions”), or in exchange for other assets equivalent in value to a given number of shares or rights over shares (“cash-settled transactions”). The main impact of IFRS 2 on the Group is disclosed in Note 31.

The dilutive effective of the outstanding options is reflected as additional share dilution in the computation of the earnings per share (see note 20).

Hedge Accounting

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of hedged items.

The Group designates its foreign currency borrowings as hedging instruments in fair value hedges of the exposures to changes in foreign exchange rates of their unrecognized firm commitments. The unrecognized firm commitment to lease the fleet in return for a rental is designated as hedge item in this fair value hedge.

The fair value hedge is structured in such a way that the amount of future rental receivables equals that of the borrowings, and all cash flow dates coincide between the borrowing and the future rental receivables, therefore the hedge design is effective.

The Group discontinues fair value hedge accounting prospectively if the hedging instrument expires or is sold, terminated or exercised or if the hedge no longer meets the criteria for hedge accounting or if the entity revokes the designation.

In the fair value hedge, the gain or loss from remeasuring the hedging instrument at fair value for the foreign currency component of its carrying amount measured in accordance with IAS 21 is 'recognized' in the consolidated income statement as net finance expenses, and the change in the fair value of the hedged item is accounted under "fair value of unrecognized firm commitment" in the consolidated balance sheet under other assets if positive, and accounts payable and accrual if negative, and net financial expenses in the consolidated income statement.

Significant accounting judgment and estimates

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The most significant use of judgements and estimates are as follows:

Classification of investments

Judgments are made in the classification of financial instruments based on management's intention at acquisition.

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on one of the following:

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

Impairment provision of receivables

An estimate of the collectible amount of receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied based on historical recovery rates.

Impairment of goodwill

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

Fair values of assets and liabilities acquired

The determination of the fair value of the assets, liabilities and contingent liabilities as a result of business combination requires significant judgement.

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3 CASH AND BANK BALANCES

	2007 KD	2006 KD
Cash and bank balances	5,696,622	7,550,343
Short term deposit (Note 9)	13,268,272	-
	18,964,894	7,550,343

Short term deposits carry a profit rate of 16.55% and are denominated in New Turkish Lira (NTL).

4 MURABAHA INVESTMENTS

The murabaha investments will mature during March to August 2008. The average profit rate on these transactions ranges from 5.9% to 6.75% per annum (2006: 5.9% per annum).

5 SECURITIES CARRIED AT FAIR VALUE THROUGH INCOME STATEMENT

	2007 KD	2006 KD
Designated on initial recognition:		
Quoted securities	128,854	126,134
Unquoted securities	14,065,883	-
	14,194,737	126,134

Quoted equity securities represent investments in local shares quoted on the Kuwait Stock Exchange.

Unquoted equity securities are valued based on the transaction price of recent sale to unrelated parties.

During 2006, the Group sold 30% equity shares amounting to KD 8,100,000 of Bayt Al Mal Holding Company K.S.C. (Holding) (a subsidiary) to an unrelated party resulting in a gain of KD 2,447,569. As per the arrangement, the shares sold were held as collateral and the title to the shares sold were due to be transferred on settlement of the amount due. During the year, as a result of the default by the counter party, the Group has entered into an agreement whereby the Group has agreed with the counter party to take back the shares and related dividends, which were also held as collateral, in full and final settlement of the amount due. The underlying shares are now owned by the Group and are classified as securities carried at fair value through income statement with a gain of KD 1,440,424 booked in the current period using valuation technique.

As a result of the above transaction, the Group's holding in Bayt Al Mal Holding Company K.S.C. (Holding) has increased from 25% to 55% of the voting capital of that company. As the Group does not have any representation on the board of directors of the company and has given up its voting rights to other shareholder, management is of the opinion that it does not exercise control or significant influence on that company; accordingly, the investment continues to be classified under securities carried at fair value through income statement. The group is presently pursuing the sale of a significant portion of these shares to an unrelated party.

6 RECEIVABLES

	2007 KD	2006 KD
Lease receivables	4,946,753	5,939,473
Murabaha	1,611,714	707,271
Less: provision for impairment	(724,536)	(473,955)
	5,833,931	6,172,789

Movement in the provision for credit losses relating to loans and advances is as follows:-

	2007 KD	2006 KD
At 1 January	473,955	555,955
Charge for the year	250,581	-
Unused amounts reversed	-	(82,000)
At 31 December	724,536	473,955

The average profit rate attributable to receivables during the year was 9% per annum (2006: 9% per annum). No income is accrued on balances amounting to approximately KD 703,204 (2006: KD 707,271). The balances not provided are adequately covered by the collateral held.

Whenever necessary, murabaha receivables are secured by acceptable forms of collateral to mitigate the related credit risks.

The provision for impairment set out above is based on the requirements of the Central Bank of Kuwait. According to the Central Bank of Kuwait instructions, a minimum general provision of 1% on all receivables net of certain restricted categories of collateral, to which CBK instructions are applicable and not subject to specific provision, is made.

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7 AMOUNT PAID TO DBHC

During 2001, TII had entered into an agreement for acquisition of controlling or significant holdings of Sheikh Saleh Kamel, Dallah Albaraka Holding Company EC and related entities (collectively "DBHC") in nine financial institutions in the Middle East, Africa and Europe. In December 2002, the transaction failed and the parties entered into various litigation and arbitration proceedings.

On April 2004 a settlement agreement was reached under which some cash was paid and the remaining balance was to be settled by liquidation of shares of TII provided by DBHC as collateral and acquisition of controlling/significant interest in two entities of DBHC.

On 15 March 2006, a new agreement had been reached for full and final settlement of all balances and compensation payable to TII of KD 1,752,000. Under this agreement, the controlling/significant influence over the two entities of DBHC is given back to DBHC and the balance receivable will now be recovered through liquidation of further TII shares offered as collateral by DBHC.

The amount carried on the balance sheet represents the original amount paid by TII to DBHC to acquire the controlling or significant interest in nine financial institutions less amounts repaid by DBHC and the amounts recovered to date through liquidation of collateral, analyzed as follows:

	KD
Amount receivable as of 31 December 2005	27,812,267
Collection during the year	(522,787)
Liquidation of collateral shares	(3,993,300)
Amount receivable as of 31 December 2006	23,296,180
Liquidation of collateral shares	(5,043,900)
Cash dividend received	(1,076,619)
Amount receivable as of 31 December 2007	17,175,661

The above amount is secured through 71.775 million shares of TII, which had a market value at 31 December 2007 of KD 15.79 million. The agreement stipulates that in the event that the sale price of these shares exceeds the book value of the receivables (total receivables divided by the number of shares pledged) DBHC does not have the right to claim the difference, which will be considered as fees to TII. The management is of the opinion that diminution in the value of the collateral is only temporary in nature and, therefore, no provision has been made for the shortfall in the collateral values.

Out of the above, 55 million shares of TII held as collateral are pledged as security for one of the murabaha borrowings (Note 14).

Under the settlement agreements reached between TII and DBHC, TII is entitled to a portfolio management fee for the collateral offered by DBHC, which equals any past and present income/dividend arising from the collateral; such fee amounted to KD 1,076,619 for the year ended 31 December 2007 (2006: KD 4,878,589). As a conservative approach, the current year income is offset against the receivable amount, due to the fall in market value of collaterals below the value of receivables, whereas it was included as part of management fees in 2006. In addition, TII has also recognized income of KD 234,150 (2006: KD 1,584,430) as it is also entitled to a brokerage fee on liquidation of collateral.

8 ASSETS USED IN OPERATING LEASES

	2007 KD	2006 KD
Balance as at 1 January, net of depreciation	52,962,111	24,081,571
Arising on acquisition of subsidiaries	937,170	13,001,615
Additions	12,830,243	20,291,635
Disposals	(5,713,554)	(1,538,977)
Depreciation	(4,284,542)	(2,495,247)
Foreign currency translation differences	4,642,623	(378,486)
Balance as at 31 December, net of depreciation	61,374,051	52,962,111

Assets used in operating leases are pledged as security in connection with bank borrowings (Note 14).

9 OTHER ASSETS

	2007 KD	2006 KD
Due against sale of subsidiary	-	13,450,000
Trade receivables	44,266	704,186
Accrued income	240,270	307,517
Prepaid expenses and other receivables	5,590,365	2,268,529
VAT receivables	5,763,562	6,099,794
Amounts due from related parties (Note 23)	927,960	844,119
Advance for acquisition of a subsidiary	-	8,551,404
Fair value hedges (Note 34)	-	1,807,360
Intangible assets	2,169,647	-
	14,736,070	34,032,909

The due against sale of subsidiary represented the amount due on sale of Bayt Al Mal K.S.C. (Holding). The Parent Company realized KD 4,500,000 during the period, an amount of KD 850,000 is classified under murabaha receivables, and the remaining balance amounting to KD 8,100,000, which was secured over the underlying shares, was settled through an agreement entered into with the counter party as described in note 5.

The advance for acquisition of a subsidiary was towards acquiring a bank in Turkey. The Parent Company's claim was rejected by the Central Bank of the Republic of Turkey during the period and the advance together with the compensation resulted in a net gain of KD 2,587,749 which is deposited with a public bank in Turkey and classified as cash and bank balances.

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10 INVESTMENT IN ASSOCIATED COMPANIES

Movement during the year:

	2007 KD	2006 KD
At 1 January	7,874,406	3,961,200
Addition	17,377,781	-
Share of results	13,429,873	438,018
Foreign exchange loss	(1,008,226)	-
Transfer to securities carried at fair value through income statement	(4,894,291)	-
Transfer from investment in subsidiaries	-	9,297,559
Disposal	-	(5,822,371)
	32,779,543	7,874,406

The details of associated companies are as follows:

Name	Purpose	Country of Incorporation	Voting capital held %		2007 KD	2006 KD
			2007	2006		
Credit One Kuwait for Trading and Programming Company K.S.C. (Closed)	Consultancy, feasibility studies, patents in relation with production of magnetic cards and other investment activities	Kuwait	25	25	6,241,339	2,980,115
Arabian Capital Holding K.S.C (Holding)	Holding investments	Kuwait	27	-	4,502,096	-
Asia Retail Group Limited	Holding investments	Isle of Man	43.75	-	22,036,108	-
Bayt Al Mal K.S.C. (Holding)	Holding investments	Kuwait	-	25	-	4,894,291
					32,779,543	7,874,406

During the year, due to the change in composition of the board of directors of Bayt Al Mal K.S.C. (Holding), the Parent Company no longer exercises significant influence and accordingly this investment has been reclassified as securities carried at fair value through income statement (Note 5).

During the year, the Group along with two other financial institutions established Asia Retail Group Limited (the SPV) to invest in certain entities as subsidiaries in the Far East. The Group's holding in the SPV is 43.75% and it has invested a total of KD 10,377,781 which comprises equity of KD 126 and debt of KD 10,377,655 on which an finance income of KD 705,159 is recognized in the consolidated income statement. As a result of acquisition of two subsidiaries in the Far East, the SPV has recognized a total negative goodwill of KD 34,165,002 based on the audited consolidated financial statement for the period ended 30 September 2007 audited by another audit firm. The Group's share in results of the SPV includes an amount of KD 14,947,188 which is related to the negative goodwill.

The following provides summarized financial information of the Group's investments in its associated companies:

	2007 KD	2006 KD
Share of associates' balance sheet:		
Total assets	83,553,527	15,043,273
Total liabilities	(50,773,984)	(7,168,867)
Net assets	32,779,543	7,874,406
Share of associates' revenue and profit:		
Revenue	18,273,137	2,256,188
Profit for the year	13,429,873	438,018

11 GOODWILL

	2007 KD	2006 KD
At 1 January	13,646,786	6,717,537
Addition on acquisition of subsidiaries	-	6,929,249
Adjustments (Note 21)	(2,925,831)	-
Exchange adjustments	288,169	-
	11,009,124	13,646,786

12 INVESTMENT IN A SUBSIDIARY CLASSIFIED AS HELD FOR SALE

The holding in The Investor's Special Equities Portfolio was fully disposed of during the year at a gain of KD 139,607 to a related party (Note 23).

13 ACCOUNTS PAYABLE AND ACCRUALS

	2007 KD	2006 KD
Trade payable	2,325,259	256,499
Amount due to related parties (Note 23)	40,109	6,703,179
Dividends payable	1,424,033	78,844
Accrued expenses	2,435,385	601,405
End of service benefits	343,324	240,744
Other miscellaneous payables	2,589,817	2,179,985
Zakat	294,803	287,244
Deferred tax liability	402,833	-
Fair value hedges (Note 34)	996,619	-
	10,852,182	10,347,900

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14 DUE TO BANKS

	2007 KD	2006 KD
Murabaha payables	33,325,543	10,000,000
Other bank borrowings	54,317,700	48,023,618
	87,643,243	58,023,618

The murabaha payables carries an effective profit in the range of 8.3% to 9.5% per annum for those denominated in Kuwaiti Dinars and carries 4.4% for those denominated in US Dollars. These are repayable in semi-annual installments over a period of 3 to 4 years. One of these murabaha deals is secured against collaterals held for amount paid to DBHC (Note 7).

The other bank borrowings represent funds borrowed by the subsidiary companies which bear average interest rates of 8.5%, 6.9% and 19% per annum for borrowings in US Dollar, Euro and Turkish Lira respectively (2006: 7.8%, 6.8% and 18.9% respectively). These are maturing over a period of 1 to 4 years (2006: 1 to 4 years) from the balance sheet date. These borrowings are secured by assets used in operating leases (Note 8).

15 LEASE OBLIGATIONS

The total lease payments at the balance sheet date are due as follows:

	2007		2006	
	Minimum payments KD	Present value of payments KD	Minimum payments KD	Present value of payments KD
Not later than one year	2,426,022	2,001,857	562,944	483,070
One to five years	2,162,742	1,887,569	4,571,148	3,922,563
Total minimum lease payments	4,588,764	3,889,426	5,134,092	4,405,633
Less: finance charges	(699,338)	-	(728,459)	-
Present value of minimum lease payments	3,889,426	3,889,426	4,405,633	4,405,633

The contingent rents recognized as an expense in connection with leases during the year amounted to KD 428,889 (2006: Nil).

16 SHARE CAPITAL AND SHARE PREMIUM

	2007 KD	2006 KD
Authorized, issued and fully paid 447,474,500 shares of 100 fils each	44,747,450	44,747,450

The share premium is not available for distribution.

17 STATUTORY RESERVE

In accordance with the Law of Commercial Companies and the Parent Company's Articles of Association, 10% of the profit for the year before KFAS, NLST, Zakat and directors' fees has been transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid up share capital.

Distribution of this reserve is limited to the amount required to enable payment of a dividend of 5% of share capital in years when accumulated profits are not sufficient for the payment of a dividend of that amount.

18 TREASURY SHARES

Treasury shares comprise 474,810 shares (2006: Nil Shares) which represents 0.1% (2006: Nil) of the total issued shares as of 31 December 2007. The cost of acquiring these shares is KD 126,508 (2006: Nil) and these shares are not entitled to receive any cash dividend. The market value of these shares at the balance sheet date was KD 104,458 (2006: Nil).

19 GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses include staff costs of KD 4,434,526 (31 December 2006: KD 4,541,884).

20 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year attributable to equity holders of the parent company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the profit attributable to equity holders of the parent company by the weighted average number of ordinary shares outstanding during the year (adjusted for the effect of dilutive options).

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2007 KD	2006 KD
Profit for the year attributable to the equity holders of the Parent Company (KD)	12,738,218	12,313,287
Weighted average number of ordinary shares outstanding for basic earnings per share	447,474,500	447,474,500
Less: weighted average number of treasury shares	(6,263,914)	(38,311,600)
	441,210,586	409,162,900
Effect of dilution from weighted average number of share options outstanding	10,163,246	52,097,030
Adjusted weighted average number of ordinary shares for diluted earnings per share	451,373,832	461,259,930
Basic earnings per share	28.87 fils	30.09 fils
Diluted earnings per share	28.22 fils	26.69 fils

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21 ACQUISITION OF SUBSIDIARIES

During the previous year, the Parent Company acquired the following subsidiaries: Desas Ticari Araclar Kiralama Servis Ve Ticaret A.S. (Subsidiary of DO-CAR Company), RFM Loyalty Private Limited, Fleet Corp Holding K.S.C. (Holding) (Formerly "Al Sahm Holding Company K.S.C. (Holding)"), Global Loyalty K.S.C. (Holding) (Formerly "Al Massar Holding Company K.S.C. (Holding)") and Fleet Corp – Jordan.

The fair value of identifiable assets and liabilities as at the date of acquisition were as follows:

	2007 Fair Value subsequently recognized on acquisition KD	2006 Book value at the time of acquisition KD
Cash and bank balances	815,651	815,651
Receivables	4,153,876	708,077
Assets used in operating leases	14,271,842	13,001,615
Other assets	2,587,600	4,313,666
Furniture and equipment	177,236	342,966
Accounts payable and accruals	(2,792,662)	(2,264,837)
Due to banks	(17,370,559)	(17,640,054)
Lease obligations	(148,040)	(148,040)
Net fair value of assets and liabilities	1,694,944	(870,956)
Less: share attributable to minority interest	(444,296)	(84,365)
Net fair value of assets and liabilities acquired	2,139,240	(786,591)
Goodwill	4,003,418	6,929,249
Total purchase price	6,142,658	6,142,658
Less: cash in subsidiaries	(815,651)	(815,651)
Cash flow on acquisition net of cash acquired	5,327,007	5,327,007

During the current year, the management completed the purchase price allocation as required by IFRS 3 "Business Combinations" of the identifiable assets and liabilities of those subsidiaries acquired in the previous year and accordingly the goodwill based on the fair value of identifiable assets and liabilities amounted to KD 4,003,418 during the year.

22 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows comprises the following amounts:

	2007 KD	2006 KD
Cash and bank balances (Note 3)	18,964,894	7,550,343
Mutual fund investments	5,492,092	4,422,314
Murabaha investments	3,020,712	-
	27,477,698	11,972,657

23 RELATED PARTY TRANSACTIONS

These represent transactions with related parties, i.e. shareholders, associates, directors and senior management of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management. Related party balances and transactions consist of the following:

	2007			2006		
	Associates KD	Other related parties KD	Total KD	Associates KD	Other related parties KD	Total KD
Consolidated income statement						
Management fees	-	-	-	-	294,641	294,641
Gain on mutual fund investment	-	64,201	64,201	-	256,764	256,764
Finance income	705,159	-	705,159	-	-	-
Consolidated balance sheet						
Mutual fund investment	-	-	-	-	1,420,714	1,420,714
Amounts due from related parties	813,652	114,308	927,960	-	844,119	844,119
Amounts due to related parties	-	-	-	6,703,179	-	6,703,179
					2007 KD	2006 KD
Key management compensation						
Salaries and other short term benefits				854,936		738,000
Employees' end of service benefits				78,569		72,173
				933,505		810,173

Mutual funds investments are currently invested in funds managed by the Parent Company.

Other related party transactions are disclosed in Notes 9 and 13.

24 DIVIDENDS PAID AND PROPOSED

Subsequent to the balance sheet date, the directors have proposed cash dividends of 15 fils per share and bonus shares of 10% of paid up share capital which are subject to the approval of the shareholders at the annual general meeting.

A cash dividend of 15 fils per share (totaling KD 6,704,995), proposed as of 31 December 2006, was approved at the 2006 Annual General Meeting and was paid in 2007 following that approval.

25 FIDUCIARY ASSETS

The Parent Company manages funds and portfolios on behalf of others and maintains cash balances and securities in fiduciary accounts which are not reflected in the Group's consolidated balance sheet. Assets under management at 31 December 2007 amounted to KD 150,774,055 (2006: KD 235,096,717).

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26 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the amount at which an asset, liability or financial instrument could be exchanged or settled between knowledgeable willing parties in an arm's length transaction. Underlying the definition of fair value is the presumption that the Group 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.

In the opinion of management, the estimated fair values of financial assets and liabilities approximate their respective carrying values at the balance sheet date.

27 SEGMENTAL ANALYSIS

Primary segment information

The Group's activities are in three primary business segments:

- 1) Investment management and advisory services: comprising non-discretionary portfolio management, fund management, brokerage and structured finance advisory services, and proprietary investment management including investment in associates;
- 2) Leasing: comprising operational fleet rental business of all types of motor vehicles.

Secondary segment information

The Group operates in the following geographical regions: Kuwait, Turkey, other Middle East countries and rest of Asia.

Revenue and profit

	Kuwait revenue	Other Middle East revenue	Turkey revenue	Rest of Asia revenue	Total revenue	Profit
31 December 2007	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
Investment management and advisory services	8,528	-	2,588	13,430	24,546	10,969
Leasing	-	-	12,993	-	12,993	2,421
Total	8,528	-	15,581	13,430	37,539	13,390

Revenue and profit

	Kuwait revenue	Other Middle East revenue	Turkey revenue	Rest of Asia revenue	Total revenue	Profit
31 December 2006	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
Investment management and advisory services	18,523	-	-	-	18,523	11,999
Leasing	-	-	9,088	-	9,088	537
Total	18,523	-	9,088	-	27,611	12,536

Assets and liabilities

	Kuwait KD'000	Other Middle East KD'000	Turkey KD'000	Rest of Asia KD'000	Total KD'000
31 December 2007					
Assets					
Investment management and advisory services	65,138	4,516	13,268	22,635	105,557
Leasing	2,609	4,199	76,784	-	83,592
Total assets	67,747	8,715	90,052	22,635	189,149
Liabilities					
Investment management and advisory services	38,805	-	-	-	38,805
Leasing	-	-	63,580	-	63,580
Total liabilities	38,805	-	63,580	-	102,385

Other segment information:- Goodwill

Investment management and advisory services	485	-	-	904	1,389
Leasing	155	1,209	8,256	-	9,620

Assets and liabilities

	Kuwait KD'000	Other Middle East KD'000	Turkey KD'000	Rest of Asia KD'000	Total KD'000
31 December 2006					
Assets					
Investment management and advisory services	78,388	-	-	-	78,388
Leasing	200	5,636	74,764	-	80,600
Total assets	78,588	5,636	74,764	-	158,988
Liabilities					
Investment management and advisory services	17,074	-	-	-	17,074
Leasing	-	-	55,703	-	55,703
Total liabilities	17,074	-	55,703	-	72,777

Other segment information:- Goodwill

Investment management and advisory services	485	-	-	904	1,389
Leasing	155	739	11,364	-	12,258

31 December 2006	Within 3 months KD'000	3 to 12 months KD'000	1 to 5 years KD'000	Over five years KD'000	Total KD'000
Assets					
Cash and bank balances	7,550	-	-	-	7,550
Mutual fund investments	4,422	-	-	-	4,422
Murabaha investments	-	-	352	-	352
Securities carried at fair value through income statement	126	-	-	-	126
Receivables	-	6,173	-	-	6,173
Amount paid to DBHC	-	23,296	-	-	23,296
Assets used in operating leases	-	-	52,962	-	52,962
Other assets	8,100	4,500	21,433	-	34,033
Securities available for sale	-	-	178	-	178
Investment in associated companies	-	-	7,875	-	7,875
Goodwill	-	-	-	13,647	13,647
Furniture and equipment	-	-	-	2,557	2,557
Total assets	20,198	33,969	82,800	16,204	153,171
Investment in subsidiary classified as held for sales	5,817	-	-	-	5,817
	26,015	33,969	82,800	16,204	158,988
Liabilities					
Accounts payable and accruals	5,276	4,831	240	-	10,347
Due to banks	12,123	11,782	34,119	-	58,024
Lease obligations	405	1,401	2,600	-	4,406
Total liabilities	17,804	18,014	36,959	-	72,777
Commitments	-	-	7,500	-	7,500

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29 RISK MANAGEMENT

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk. Market risk is subdivided into interest risk, foreign currency risk and equity price risk. It is also subject to operating risks. The independent risk control process does not include business risks such as changes in the environment technology and industry. They are monitored through the Group's strategic planning process.

Risk management structure

The Board of Directors are ultimately responsible for the overall risk management approach and for approving the risk strategies and principles.

Each subsidiary of the Group is responsible for managing its own risks and has its own Board Committees, other risk management committees with responsibilities generally analogous to the Group's committees.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Group's strategic planning process.

A 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 attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. It also obtains security when appropriate.

The Group has policies and procedures in place to limit the amount of credit exposure to any counter party. These procedures include the non-concentration of credit risk.

Maximum exposure to credit risk

The Group's policy is to enter into murabaha investment and leasing transactions only with recognized, creditworthy third parties. The maximum exposure is the carrying amount as disclosed in Notes 3, 4, 6, 7 and 9. In addition, other receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Group, which comprise bank balances and cash (which are placed with related parties), mutual fund investment, murabaha investment, receivables, amount paid to DBHC and other assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Where financial instruments are recorded at fair value, it represents the current maximum risk credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

The table below shows the maximum exposure to credit risk for the components of the balance sheet, without taking account of any collateral and other credit enhancements. The maximum exposure is shown gross, before the effect of mitigation through the use of collateral agreements.

	Gross maximum exposure 2007 KD'000	Gross maximum exposure 2006 KD'000
Cash and bank balances (excluding cash in hand)	18,960	7,545
Mutual fund investments	5,492	4,422
Murabaha investments	3,401	352
Receivables	5,834	6,173
Amount paid to DBHC	17,176	23,296
Other assets	14,736	34,033
Total credit risk exposure	65,599	75,821

Collateral and other credit enhancements

The DBHC receivables are secured against the quoted securities. Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for credit losses.

The Group can sell the collateral in case of default by the borrower in accordance with the agreements entered with the borrowers. The Group has taken control of the collateral on default of DBHC and has initiated to liquidate as described in note 7.

The fair value of collateral that the Group holds relating to DBHC receivable is disclosed in note 7.

Risk concentration of the maximum exposure to credit risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location.

The Group's geographical and industry sector concentrations of assets, without taking into account any collateral held or credit enhancements, can be analyzed as follows:

	2007 Assets KD'000	2006 Assets KD'000
<i>Geographic Region</i>		
Kuwait	32,161	57,300
Other Middle East	5,332	5,493
Turkey	27,907	12,847
Rest of Asia	199	181
	65,599	75,821
<i>Industry Sector</i>		
Investment management and advisory services	45,430	57,300
Leasing	19,997	18,521
Retail	172	-
	65,599	75,821

Credit quality of financial assets that are neither past due nor impaired

For assets subject to credit risk, neither internal credit grading systems nor external credit grades are used by the Group as these are one off transactions and are granted only to creditworthy customers.

The Group seeks to avoid undue concentrations of risks with individuals or groups of customers in specific locations or business through diversification of financing and investing activities.

Analysis of past due but not impaired

The Group does not have any past due but not impaired financial assets at 31 December 2007 and 31 December 2006.

B Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. To guard against this risk, management have diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash, cash equivalents, and readily marketable securities.

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

The maturity profile based on the expected maturities of assets and liabilities at 31 December 2007 and 31 December 2006 is reflected in note 28.

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29 RISK MANAGEMENT (CONTINUED)

B Liquidity risk (continued)

The table below summarizes the maturity profile of the Group's liabilities based on contractual undiscounted repayment obligations:

31 December 2007	Within 3 months KD'000	3 to 12 months KD'000	1 to 5 years KD'000	Total KD'000
Accounts payable and accruals	6,005	3,104	1,743	10,852
Due to banks	9,593	26,277	66,901	102,771
Lease obligations	606	1,820	2,163	4,589
Total liabilities	16,204	31,201	70,807	118,212
Commitments	-	-	5,000	5,000

31 December 2006	Within 3 months KD'000	3 to 12 months KD'000	1 to 5 years KD'000	Total KD'000
Accounts payable and accruals	5,276	4,831	240	10,347
Due to banks	5,810	21,095	40,433	67,338
Lease obligations	141	422	4,571	5,134
Total liabilities	11,227	26,348	45,244	82,819
Commitments	-	-	7,500	7,500

C Market Risk

Market risk is the risk that the value of an asset will fluctuate as a result of changes in market variables such as interest rates, foreign exchange rates, and equity prices, whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all investments traded in the market.

Market risk is managed on the basis of pre-determined asset allocations across various asset categories, diversification of assets in terms of geographical distribution and industry concentration, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value.

C.1 Foreign exchange risk

Foreign exchange risk is managed on the basis of limits determined by the Board of Directors and a continuous assessment of the Group's open positions and current and expected exchange rate movements and natural hedges that arise from offsetting foreign currency denominated assets and liabilities.

The management closely monitors the foreign exchange exposure of the Group. The Group mitigates the risk of currency exposure by mostly hedging its borrowings against future lease receivable.

The effect on profit before KFAS, Zakat, NLST and directors' remuneration (due to change in the fair value of monetary assets and liabilities) and on equity, as a result of the 5% change in currency rate, with all other variables held constant is shown below:

Currency	2007		2006	
	Effect on profit before KFAS, Zakat, NLST and directors' remuneration KD '000	Effect on equity KD '000	Effect on profit before KFAS, Zakat, NLST and directors' remuneration KD '000	Effect on equity KD '000'
US Dollar (USD)	(752)	309	(1,148)	-
New Turkish Lira (NTL)	152	-	83	-
Euro	(1,030)	-	(295)	-

C.2 Equity price risks

Equity price risk arises from changes in the fair values of equity investments. Equity price risk is managed by the direct investment department of the Parent Company. The unquoted equity price risk exposure arises from the Group's investment portfolio. The Group manages this through diversification of investments in terms of geographical distribution and industry concentration. The Group's exposure to equity price risk is minimal as the Group does not have significant quoted investments.

C.3 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 only on its due to banks as interest bearing assets are at fixed rate and not market driven.

The following table demonstrates the sensitivity of the consolidated income statement to reasonably possible changes in interest rates, with all other variables held constant.

The sensitivity of the consolidated income statement is the effect of the assumed changes in interest rates on the Group's profit before KFAS, Zakat, NLST and directors' remuneration for one year, based on the floating rate financial assets and financial liabilities held at 31 December 2007. There is no impact on equity.

	Increase/decrease in basis points	Effect on profit before KFAS, Zakat, NLST and directors' remuneration for the year KD '000'
2007		
KD	+25	(31)
KD	-25	31
2006		
KD	+25	(1)
KD	-25	1

D Prepayment risk

Prepayment risk is the risk that the Group will incur a financial loss because its customers and counterparties repay or request repayment earlier or later than expected. The Group is not significantly exposed to prepayment risk.

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30 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes during the years ending 31 December 2007 and 31 December 2006.

Leverage is defined as total debt at the Group level divided by the equity attributable to the equity holders of the Parent Company. The ability to take on leverage provides the Group with the financial flexibility to effect investment decisions in a timely manner. The Group expects that the leverage does not exceed the target of 2 times over the medium term. The Group includes within total debts murabaha payables, bank borrowings and accrued interest thereon.

	2007 KD'000	2006 KD'000
Due to banks	87,643	58,024
Accrued interest thereon	983	465
Total debt	88,626	58,489
Equity attributable to the equity holders of the parent	84,522	85,221
Leverage	1.05	0.69

31 PROFIT-SHARING SCHEME

The Company operates an employee share option scheme (as explained in its Articles of Association). Under this scheme the Parent Company can increase its share capital up to 12% of the total shares outstanding within a period of 10 years from the date of incorporation.

In 2002, this period expired and the Parent Company did not issue share options up to the 12% limit. Accordingly, under the terms of this scheme and as provided by the Articles of Association, this period was renewed for a further 10 years, as approved by the Board of Directors and will now expire in 2012.

	2007		2006	
	Number of options	Weighted average exercise price in KD	Number of options	Weighted average exercise price in KD
Outstanding at the beginning of the year	33,466,401	0.100	77,944,901	0.100
Exercised during the year	(23,705,190)	0.100	(44,478,500)	0.100
Outstanding at the end of the year	9,761,211	0.100	33,466,401	0.100
Exercisable at the end of the year	9,761,211	0.100	33,466,401	0.100

The options outstanding at 31 December 2007 had a weighted average exercise price of KD 0.100 and a remaining contractual life of options of 3 years after the date of termination of employees.

During the year, the employees of the Parent Company have exercised 23,705,190 (31 December 2006: 44,478,500) shares at an agreed price of KD 0.100. The Parent Company has met this commitment through its own treasury shares. The loss on these shares, being the carrying value of shares sold over the exercise price amounting to KD 3,945,436 (31 December 2006: KD 12,486,898) was wholly met through the balance available in retained earnings. This loss includes KD 3,899,698 (31 December 2006: KD 10,398,814) relating to options exercised by the key management personnel.

All outstanding options were either granted on or before 7 November 2002 or have vested before 31 December 2004 and, accordingly, have not been expensed in accordance with IFRS 2. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with IFRS 2.

32 RENTAL INCOME FROM OPERATING LEASE

The future minimum lease rent receivable on the operating lease is KD 33,781,671 (2006: KD 43,569,895) and is receivable as follows:

	2007 KD	2006 KD
Income receivable within one year	15,084,784	14,266,663
Income receivable within one year to five years	18,696,887	29,303,232
	33,781,671	43,569,895

33 CONTINGENCIES AND COMMITMENTS

Menalco, FZE, a wholly-owned subsidiary which specializes in loyalty solutions, has filed a legal case in the US District Court for the District of Nevada against several parties including a vendor, SCTN and Phoenix Technology Holdings Inc. for attempting to illegally conspire to infringe its proprietary rights. Damages of US\$ 100 million are being sought in this matter. The company is represented by counsel in the United States and expects to vigorously litigate this claim.

SCTN and Phoenix Technology Holdings Inc. have predictably filed a counter claim which is without merit in the same jurisdiction for US\$ 21.5 million alleging loss of future revenue (US\$ 20 million) and disputed liabilities (US\$ 1.5 million) and has not been provided for in the books. Management is of the opinion that the likelihood of any loss being incurred as a result of this lawsuit is remote.

The Parent Company has commitments in respect of uncalled capital contributions in respect of investments and contingencies amounting to KD 5,000,000 (31 December 2006: KD 7,500,000).

34 FAIR VALUE HEDGE

Fair value hedges are used by the Group to protect it against changes in the fair value of unrecognized firm commitments due to movements in exchange rates. The unrecognized firm commitments are future lease rental receivables. The financial instruments used to hedge the exchange risk are bank borrowings. For the year ended 31 December 2007, the Group recognized a gain of KD 996,619 (2006: Loss KD 1,807,360) representing the gain on the hedging instruments. The total loss on hedged items attributable to the hedged risk amounted to KD 996,619 (2006: Gain KD 1,807,360).