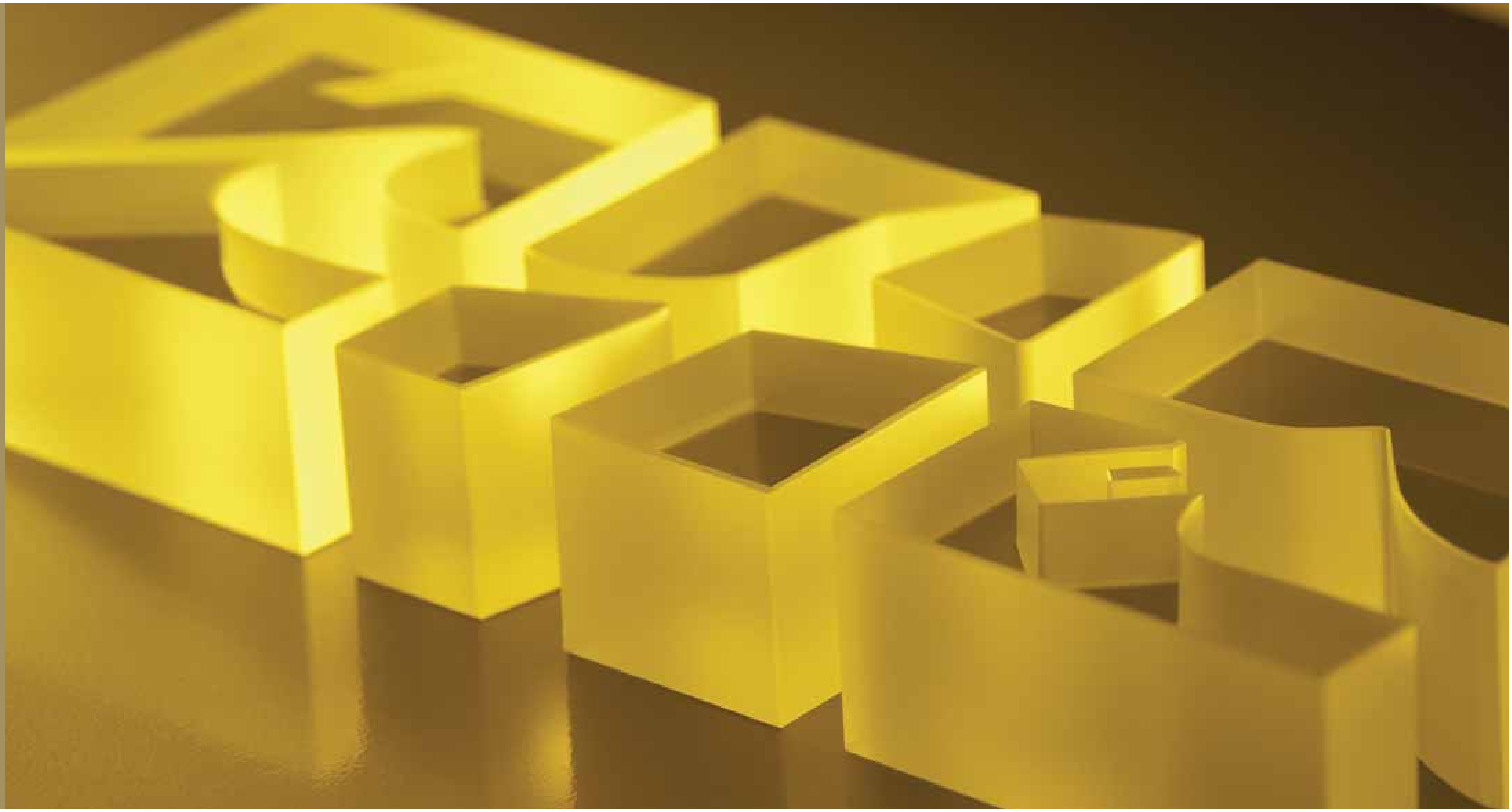


Annual Report 2008

Kuwait
United Arab Emirates
Lebanon
United Kingdom
Portugal
France
Netherlands
South Africa
Kenya
Namibia
Tanzania
Seychelles
Thailand
Caribbean
United States of America

للفنادق والمنتجعات
HOTELS & RESORTS
www.ifahotelsresorts.com

Contents

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

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

IFA Hotels & Resorts is currently present in more than 15 markets

Projects:

Middle East
Kingdom of Sheba, Dubai
Fairmont Palm Residence, Dubai
Fairmont Palm Hotel & Resort, Dubai
The Palm Golden Mile, Dubai
The Palm Residence, Dubai
Laguna Tower, Dubai
Mövenpick Hotel & Residence Laguna Tower Dubai
Kempinski Residences Alabadiyah Hills, Lebanon
Four Seasons, Beirut

Africa & Indian Ocean
Zimbali Coastal Resort, South Africa
Fairmont Zimbali Lodge, South Africa
Fairmont Zimbali, South Africa
Boschendal Estate, South Africa
Legend Golf & Safari Resort, South Africa
Fairmont Zanzibar
Fairmont Kenya
Kempinski Namibia
Zilwa, Private Island Estate, Seychelles

Europe
YOTEL, United Kingdom & The Netherlands
Pine Cliffs Resort, Portugal

Asia (Thailand)
The River, Bangkok
The Lofts Yennakart, Bangkok
The Lakes, Bangkok
The Lofts Sathorn, Bangkok
The Legend Saladaeng, Bangkok
185 Rajadamri, Bangkok
Northpoint, Pattaya
Northshore, Pattaya
The Lofts Southshore, Pattaya
The Edge, Pattaya
The Heights, Phuket
Kata Gardens, Phuket
Amalfi, Phuket

North America
Hotel in New York city

IFA Yacht Ownership Club
IFA Dubai
IFA Beirut
IFA Cannes

Talal Jassim Al-Bahar
Chairman and Managing Director

Abdulwahab Ahmad Al Nakib
Vice Chairman

Abeyya Ahmed Al-Qatami
Member of the Board

James A. M. Wilson
Member of the Board

Talal Bader Al-Bahar
Member of the Board

للفنادق والمنتجعات
HOTELS & RESORTS

Message from the Chairman

Dear Shareholders, 2008 was a prosperous year for IFA Hotels & Resorts. We made substantial gains towards achieving the global expansion promised to you last year. In addition to entering new markets and launching new projects, it has been a record breaking year end with profits of KD 37.46 million (US$ 143 million) or 111 fils per share (42 cents per share), a 64% increase compared to the same period last year.

Total revenues increased 86% to US$ 211.47 million during 2008 compared to US$ 113.88 million in 2007, while shareholders' equity rose to US$ 256.63 million compared to US$ 183.05 for 2007; return on equity grew by 24%, reaching 64.8% in 2008. The company's total assets have increased by 35%, totalling US$ 1.057 billion for the current year.

In line with the company's strategy, these record results where achieved through expanding in several key markets in the Middle East and South Africa, in addition to investments made in the Indian Ocean region, Europe and the United States; a trend we will follow in the future.

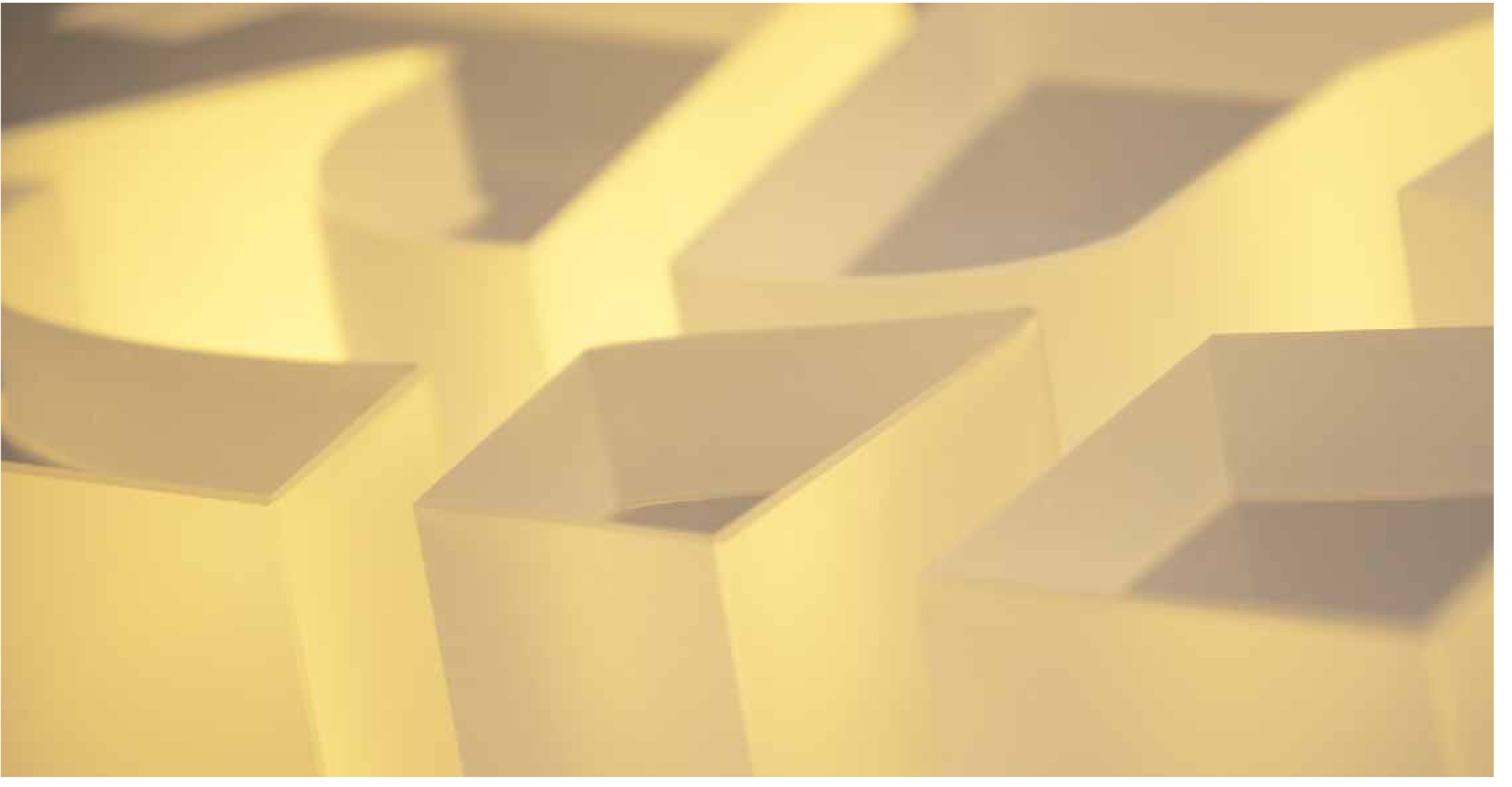
We launched a number of projects around the globe during the past year, of which several where in new markets and others in existing markets. We aim to strengthen our presence in those regions and emphasise our place as true market leaders.

The Middle East - The Middle East region has continued to flourish, capitalising on a buoyant economy still thriving from strong oil prices, with Dubai continuing to remain at the forefront of this growth. The Dubai real estate market continues to further develop, as does the property sector in Lebanon, despite the unrest the country recently experienced.

In Dubai, we formed our second joint venture with Nakheel, where we acquired two additional plots of land adjacent to our Kingdom of Sheba resort on the Crescent of the Palm Jumeirah, valued at approximately US$ 1 billion. Forming an extension of the Kingdom of Sheba resort, the new plots of land, covering 1.012 million square feet, will include a boutique hotel and residences to be managed by a leading international hotel operator. This brings the total number of keys we are developing on the island to more than 3,500.

It was also in conjunction with Nakheel that we developed and sold, via private auction, The Palm Golden Mile's office space – the first freehold offices available on the Palm Jumeirah. With a limited number of lots, the selling price per square foot peaked at AED 7,250 per square foot (US$ 1,970) - a great success for The Palm Golden Mile.

We also had the pleasure of handing over the keys to our first Dubai based freehold residential buildings on the Palm Jumeirah, The Palm Residence (Al Nabat and Al Haseer). Over the course of the next year, we will deliver



more than 1,700 residential units from our Dubai portfolio, which includes the Fairmont Palm Residence, The Palm Golden Mile and Laguna Tower.

In Lebanon, we successfully launched our Kempinski Residences Alabadiyah Hills Lebanon, branded serviced apartments that form the second phase of our Alabadiyah Hills project. The first phase of Alabadiyah Hills will be handed over to customers during this coming year.

Africa & the Indian Ocean - Similar to the Middle East, the African and Indian Ocean region has continued to grow, mainly because of the continuous focus on emerging markets. While the market is still growing, IFA Hotels & Resorts further expanded its investments in the region.

In the Indian Ocean region, we expanded by forming a joint venture partnership with Indian Ocean Resorts to develop a US$ 450 million Private Island Estate on the 1,943 million square metre island of Ste Anne in the

Financial year results ending June 30, 2008

Total Profits (US$) 143 million

Earning per share (Fils) 111

	2007	2007	2008	2008	Growth
Currency	KD	US$	KD	US$	US$
Total revenue (million)	32.64	113.88	55.59	211.47	86%
Shareholders' equity (million)	52.46	183.05	67.47	256.63	40%
Net profit (million)	22.82	79.63	37.46	142.51	79%
Earning per share (fils/cents)	66.74	23	110.98	42	80%
Return on shareholders' equity	52.1%	52.3%	62.5%	64.8%	24%

Message from the Chairman (continued)

Seychelles. 'Zilwa', meaning 'islander' in the local Creole language, will host a luxurious hotel, residences and village marina. The residential mix will include premium beachfront ocean villas, secluded hillside villas, luxury marina apartments and exquisite penthouses, all overlooking the Indian Ocean.

In South Africa, we diversified our portfolio by entering the wildlife hospitality market with the Legend Golf & Safari Resort development, located in the Limpopo Province. The total development cost is expected to exceed US$ 411 million.

The Legend Golf & Safari Resort occupies 220 million square meters of the Entabeni Safari Conservancy, where the Big Five roam freely (lions, elephants, buffalos, leopards and black rhinoceros). The resort includes privately owned homes, an 18 hole championship golf course, a golf academy, a driving range, a hotel, recreational facilities, a wellness centre, a sports complex as well as a multi-functional conference centre.

In Africa, we opened our Fairmont Zanzibar hotel during November last year, with 109 newly renovated rooms and suites. The resort's main attractions are its water sports facilities, swimming pools, spa, restaurants and cafes overlooking the Indian Ocean, as well as banqueting and business facilities.

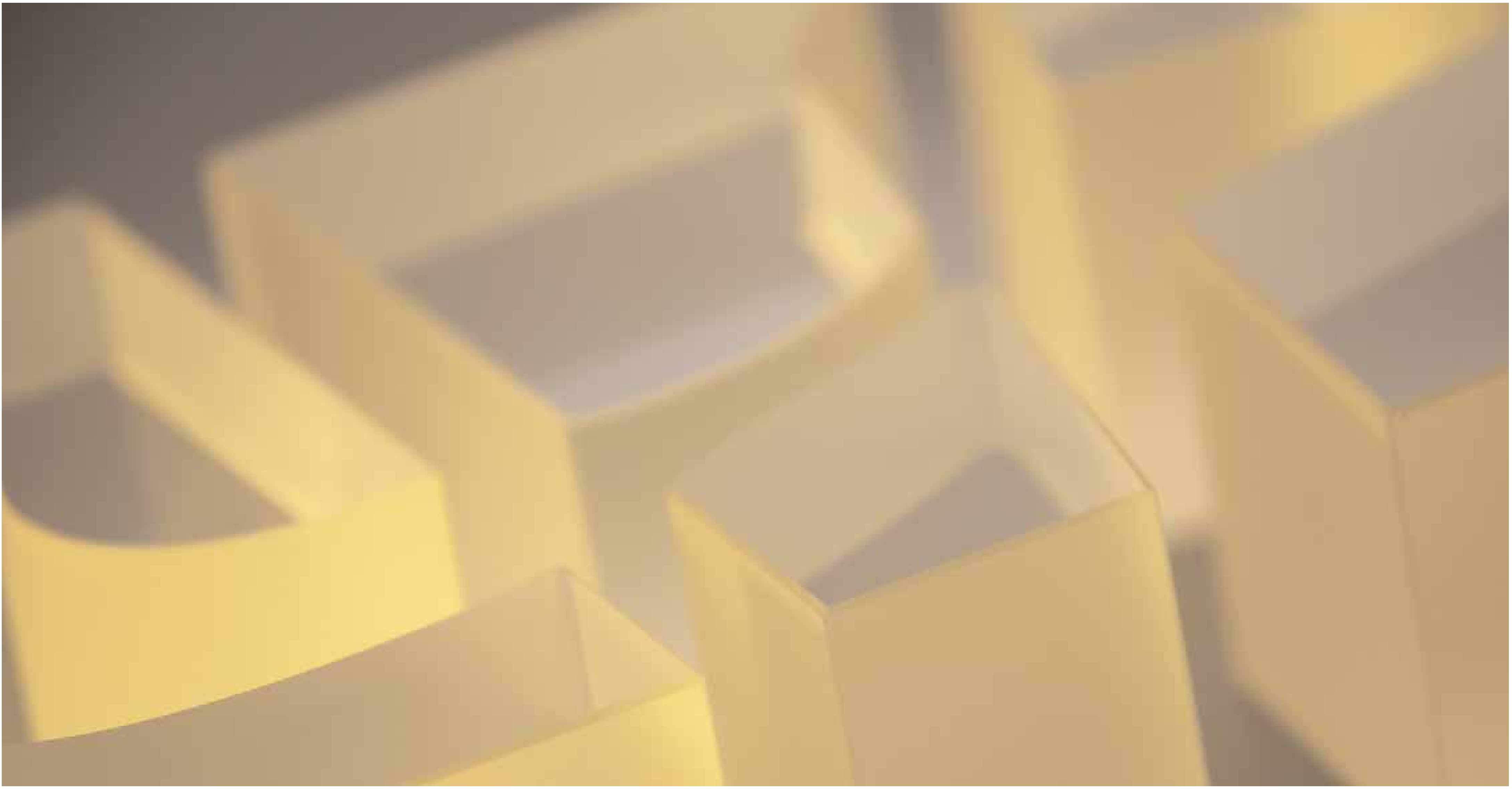
Set to be one of the most exceptional emerging market destinations in the world, Zanzibar is an increasingly popular tourist destination with the rate of visitors increasing by more than 25% a year since 2003. We will continue expanding the resort in order to offer a selection of different asset classes including residences and a vacation club for tourists and potential investors alike.

Europe - The tightening of the European economy has resulted in diversification within the hotel industry with 'affordable luxury' fast becoming a new segment within the hospitality sector. IFA Hotels & Resorts is capitalising on this trend through it's investment in YOTEL.

We opened our second YOTEL hotel in the United Kingdom last year in Heathrow Airport. Today, both Gatwick and Heathrow YOTELs are doing very well as we've seen high occupancy levels in both properties. During September 2008, a third YOTEL will be opened in Amsterdam Airport Schiphol - our first project in The Netherlands.

North America - Our global expansion continued in late 2007 with the completion of a US$ 300 million dollar hotel deal to be built in Central Manhattan with leading US real estate developer, Related.

Occupancy levels for Manhattan hotels in general achieve approximately 85%, with average rates for the city continuing to record double-digit monthly increases. These impressive rate gains have continued to soar, specifically in selected segments and locations, including hotels in the Times Square area and luxury properties in Midtown.



A Global Pathway - As of today, IFA Hotels & Resorts is present in 15 markets, three of which were entered this year and each of which offers an array of diversified products, experiences and investment opportunities.

We will continue investing in Thailand through Bangkok based real estate developer Raimon Land, and grow the company further in order to expand it into more of a South-East Asian real estate developer. In the first quarter, we launched a new project in Thailand, The Lofts Southshore in Pattaya, which saw a great amount of interest from our existing client base.

Next year we will continue growing our resort business in emerging markets, in addition to expanding our YOTEL brand into several international locations such as Dubai, Singapore, Thailand, Germany, the US, Russia, India and China.

Our progress would not have been possible without our partners, customers, the team at IFA Hotels & Resorts who are always willing to go the extra mile and our investors and shareholders who are always there to lend confidence.

The last couple of months have been difficult for us with the loss of the founder of the company, my father, Jassim Al-Bahar, may Allah rest his soul in peace. We will continue on the path set forward by the late Jassim Al-Bahar, and the results will be our measure.

Talal Jassim Al-Bahar
Chairman & Managing Director,
IFA Hotels & Resorts

IFA Hotels & Resorts Middle East

Fairmont Palm Residence, Dubai

The Palm Residence, Dubai

Kuwait
United Arab Emirates
Lebanon

Mövenpick Hotel & Residence Laguna Tower Dubai

Fairmont Kingdom of Sheba, Dubai

IFA Hotels & Resorts Middle East (continued)

Fairmont Heritage Place, Kingdom of Sheba, Dubai

Kuwait

United Arab Emirates

Lebanon

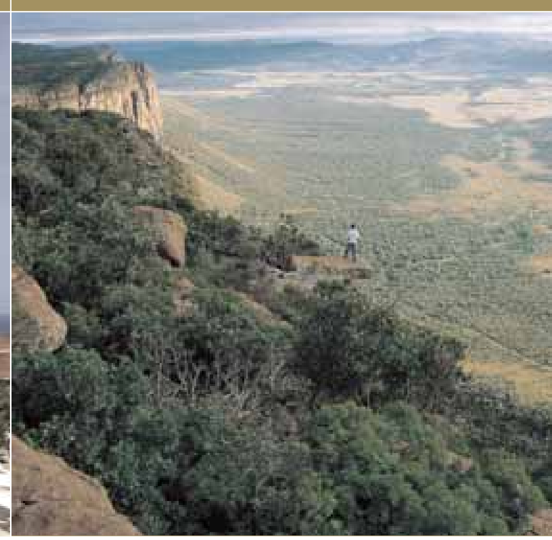
Four Seasons, Beirut

Kempinski Residences Alabadiyah Hills Lebanon

The Palm Golden Mile, Dubai

IFA Hotels & Resorts Africa & Indian Ocean

Fairmont Zimbali, South Africa



South Africa

Tanzania

Kenya

Namibia

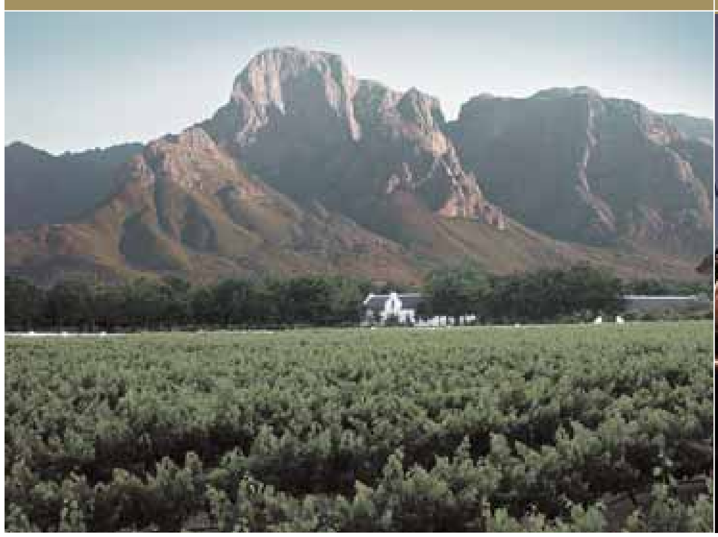
Seychelles

Legend Golf & Safari Resort, South Africa

Fairmont Zimbali Lodge, South Africa

IFA Hotels & Resorts Africa & Indian Ocean (continued)

Boschendal Estate, South Africa



Fairmont Kenya

South Africa

Tanzania

Kenya

Namibia

Seychelles

Zilwa, Private Island Estate, Seychelles

Fairmont Zanzibar, Tanzania

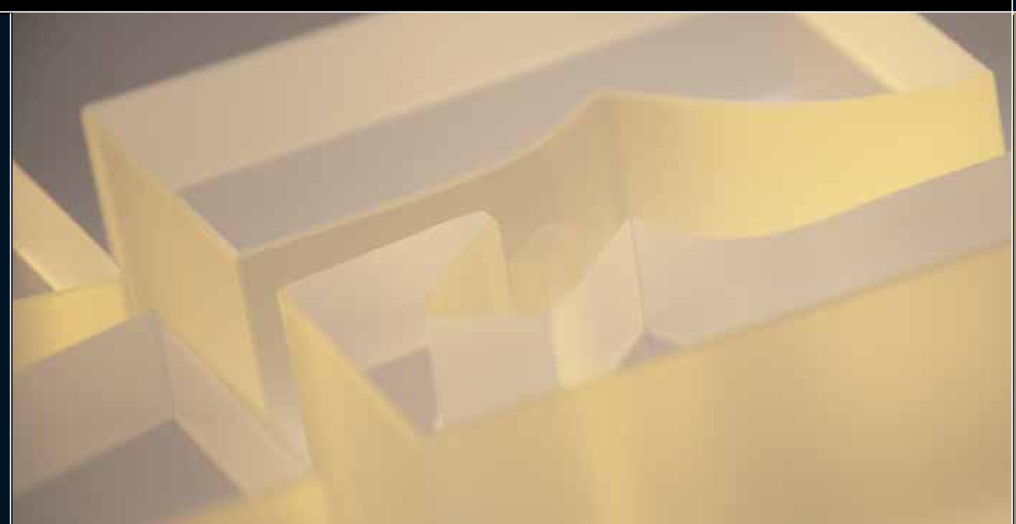
IFA Hotels & Resorts Asia

The Lofts Yennekart, Bangkok, Thailand

The Heights, Phuket, Thailand

The Lofts Southshore, Pattaya, Thailand

Thailand



The River, Bangkok, Thailand

IFA Hotels & Resorts Europe

YOTEL, UK and The Netherlands

Pine Cliffs Resort, Portugal

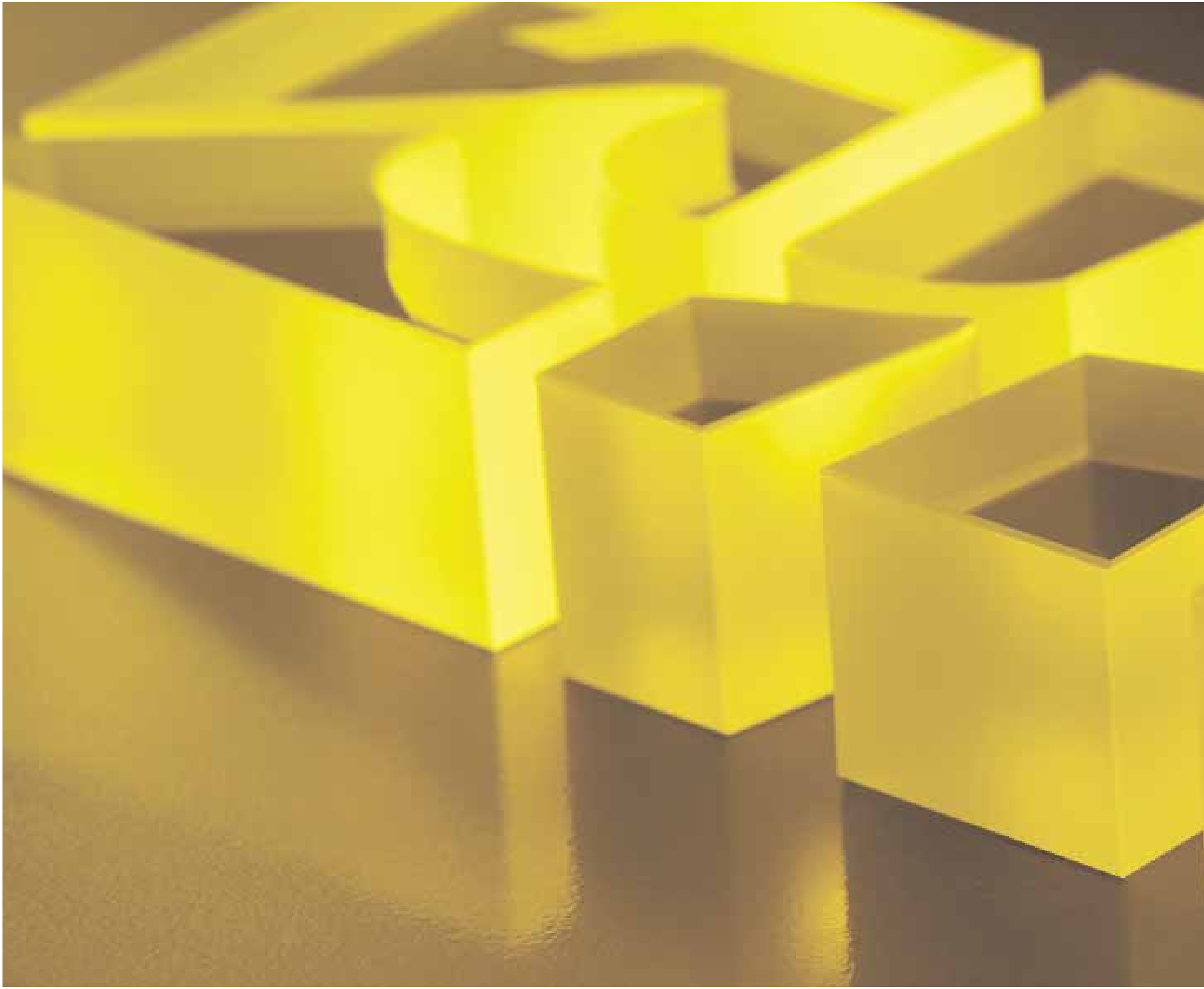
IFA Yacht Ownership Club

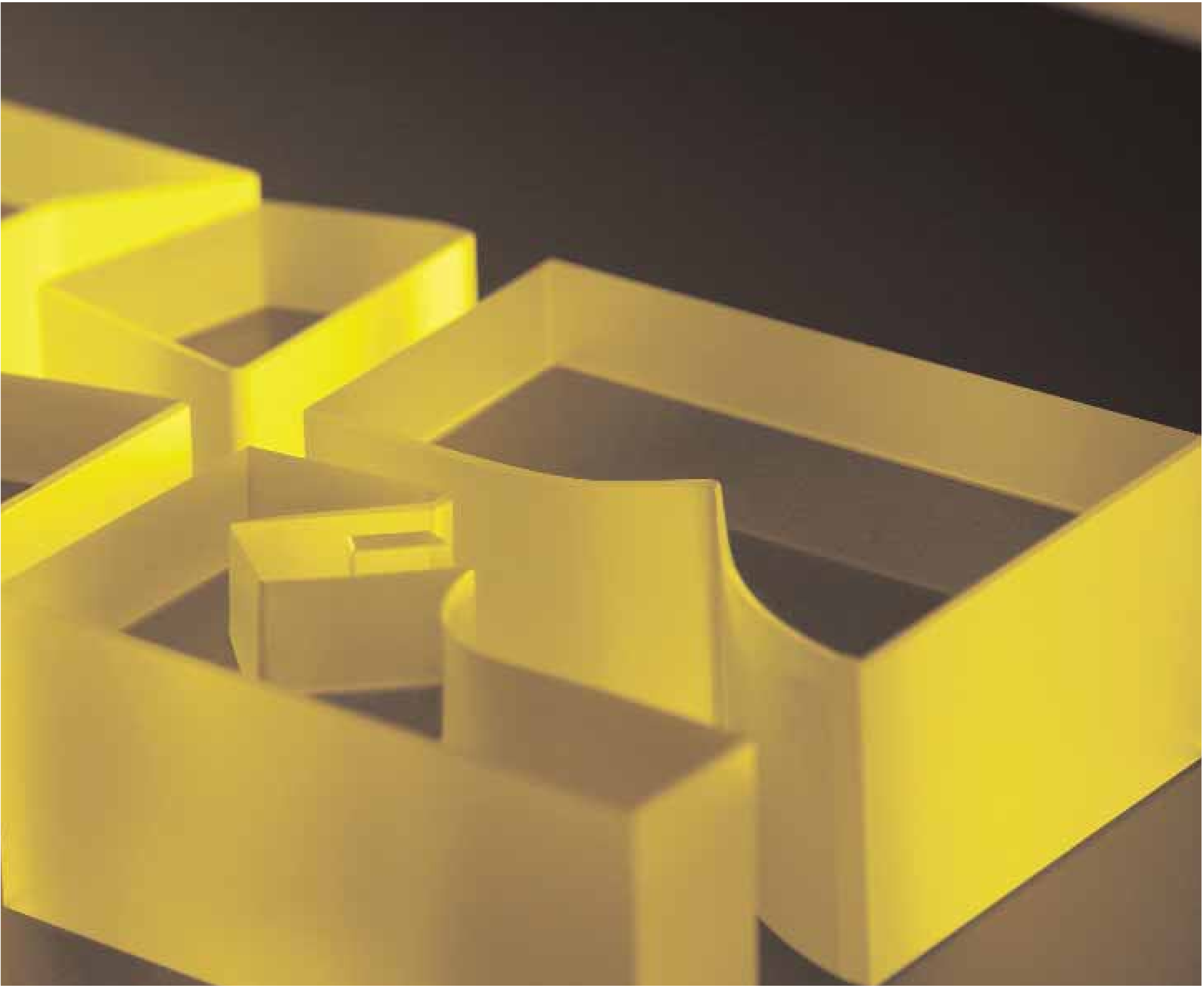
Unitied Kingdom

The Netherlands

Portugal

France





CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORT
IFA HOTELS & RESORTS KSC (CLOSED) AND SUBSIDIARIES

KUWAIT 30 JUNE 2008

Contents

INDEPENDENT AUDITORS' REPORT

To the shareholders of IFA Hotels & Resorts – KSC (Closed)
Kuwait

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of IFA Hotels & Resorts (A Kuwaiti Closed Shareholding Company) ("the parent company") and Subsidiaries (collectively "the group"), which comprise the consolidated balance sheet as at 30 June 2008, and the related consolidated statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

The parent company's board of directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the group as at 30 June 2008, and the results of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

In our opinion proper books of account have been kept by the parent company and the consolidated financial statements, together with the contents of the report of the parent company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Commercial Companies Law of 1960, and by the parent company's articles of association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Commercial Companies Law, or of the parent company's articles of association, as amended, have occurred during the year ended 30 June 2008 that might have had a material effect on the business of the group or on its financial position.

Abdullatif M. Al-Aiban (CPA)
(Licence No. 94-A)
of Grant Thornton – Anwar Al-Qatami & Co.

Ali Abdul Rahman Al Hasawi
(Licence No. 30-A)
of BDO Burgan International Accountants

Kuwait
12 August 2008

CONSOLIDATED STATEMENT OF INCOME

	Note	**Year ended 30 June 2008 KD**	Year ended 30 June 2007 KD
Income			
Net income from hoteliers and related services		**1,895,892**	969,625
Gain on sale of properties	6	**43,520,116**	29,763,918
Fees and commission income		**3,441,424**	913,005
Change in fair value of investment properties		**1,329,271**	27,830
Realised gain/(loss) from sale of investments at fair value through statement of income		**30,708**	(179,819)
Unrealised gain/(loss) from investments at fair value through statement of income		**194,238**	(1,287,261)
Realised (loss)/gain from sale of available for sale investments		**(120,557)**	127,122
Share of profit/(loss) of associated companies		**881,565**	(274,718)
Interest income	7	**4,021,748**	2,443,294
Other income		**399,506**	134,541
Total income		**55,593,911**	32,637,537
Expenses and other charges			
Staff costs		**4,263,121**	2,487,596
Operating expenses and other charges	8	**9,895,094**	5,635,324
Impairment in value of goodwill		**-**	129,303
Depreciation		**923,459**	514,008
Finance costs	9b	**1,498,672**	361,421
Total expenses and other charges		**16,580,346**	9,127,652
Profit before taxation, KFAS, NLST, Zakat provision and board of directors' remuneration		**39,013,565**	23,509,885
Taxation on overseas subsidiaries	10	**680,431**	58,830
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		**(351,567)**	(213,087)
National Labour Support Tax (NLST)		**(976,575)**	(591,908)
Zakat Provision	11	**(221,357)**	-
Board of directors' remuneration		**(50,000)**	(50,000)
Profit for the year		**38,094,497**	22,713,720
Attributable to:			
Shareholders of the parent company		**37,463,501**	22,821,309
Minority interest		**630,996**	(107,589)
Profit for the year		**38,094,497**	22,713,720
Basic and diluted earnings per share attributable to the shareholders of the parent company	12	**110.98 Fils**	66.74 Fils

CONSOLIDATED BALANCE SHEET

	Note	Year ended 30 June 2008 KD	Year ended 30 June 2007 KD
Assets			
Non-current assets			
Goodwill		**77,159**	93,059
Property, plant and equipment	13	**13,046,388**	9,002,860
Capital work in progress	14	**38,202,143**	29,324,641
Investment properties	15	**2,016,785**	218,425
Investment in associated companies	16	**18,751,199**	10,398,617
Available for sale investments	17	**16,953,027**	22,409,074
Total non-current assets		**89,046,701**	71,446,676
Current assets			
Accounts receivable and other assets	18	**61,979,563**	46,052,059
Properties under development	19	**61,202,915**	61,351,026
Trading properties	20	**14,276,858**	9,340,161
Investments at fair value through statement of income	21	**2,681,526**	3,752,283
Cash and cash equivalents	22	**48,694,114**	32,176,915
Total current assets		**188,834,976**	152,672,444
Total assets		**277,881,677**	224,119,120
Equity and Liabilities			
Equity			
Equity attributable to the shareholders of the parent company			
Share capital	23	**34,385,000**	29,900,000
Treasury shares	24	**(9,932,955)**	(4,659,835)
Statutory reserve	25	**10,200,672**	6,294,372
Voluntary reserve	25	**6,974,590**	3,068,290
Cumulative changes in fair value		**-**	(657,006)
Treasury shares profit reserve		**-**	25,131
Foreign currency translation reserve		**(10,406,564)**	(2,274,412)
Retained earnings		**36,245,262**	20,766,764
Total equity attributable to the shareholders of the parent company		**67,466,005**	52,463,304
Minority interest		**8,401,768**	9,106,458
Total equity		**75,867,773**	61,569,762
Non-current liabilities			
Instalment payments due on purchase of properties	26	**5,234,897**	7,396,039
Term loans	27	**9,164,437**	6,359,751
Other financial liabilities	28	**6,492,012**	-
Total non-current liabilities		**20,891,346**	13,755,790
Current liabilities			
Due to related parties	34	**50,582,547**	45,114,613
Accounts payable and other liabilities	29	**38,974,382**	42,656,734
Term loans	27	**4,595,440**	-
Advances received from customers	30	**86,970,189**	61,022,221
Total current liabilities		**181,122,558**	148,793,568
Total liabilities		**202,013,904**	162,549,358
Total equity and liabilities		**277,881,677**	224,119,120

Talal Jassem Mohammed Al-Bahar
Chairman and Managing Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to shareholders of the parent company										
	Share capital	Treasury shares	Statutory reserve	Voluntary reserve	Cumulative changes in fair value	Treasury shares profit reserve	Foreign currency translation reserve	Retained earnings	Sub-Total	Minority interest	Total
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
Balance as at 30 June 2007	29,900,000	(4,659,835)	6,294,372	3,068,290	(657,006)	25,131	(2,274,412)	20,766,764	52,463,304	9,106,458	61,569,762
Changes in fair value of available for sale investments	-	-	-	-	515,006	-	-	-	515,006	-	515,006
Realised from sale of available for sale investments	-	-	-	-	142,000	-	-	-	142,000	-	142,000
Foreign currency translation adjustment	-	-	-	-	-	-	(8,132,152)	-	(8,132,152)	(860,183)	(8,992,335)
Net income/(expense) recognised directly in equity	-	-	-	-	657,006	-	(8,132,152)	-	(7,475,146)	(860,183)	(8,335,329)
Profit for the year	-	-	-	-	-	-	-	37,463,501	37,463,501	630,996	38,094,497
Total recognised income/(expense) for the year	-	-	-	-	657,006	-	(8,132,152)	37,463,501	29,988,355	(229,187)	29,759,168
Bonus shares issued (see note 31)	4,485,000	-	-	-	-	-	-	(4,485,000)	-	-	-
Cash dividend (see note 31)	-	-	-	-	-	-	-	(8,824,530)	(8,824,530)	-	(8,824,530)
Purchase of treasury shares	-	(48,660,012)	-	-	-	-	-	-	(48,660,012)	-	(48,660,012)
Sale of treasury shares	-	43,386,892	-	-	-	-	-	-	43,386,892	-	43,386,892
Loss on sale of treasury shares	-	-	-	-	-	(25,131)	-	(862,873)	(888,004)	-	(888,004)
Transfer to reserves	-	-	3,906,300	3,906,300	-	-	-	(7,812,600)	-	-	-
Changes in minority interest	-	-	-	-	-	-	-	-	-	(475,503)	(475,503)
	4,485,000	(5,273,120)	3,906,300	3,906,300	-	(25,131)	-	(21,985,003)	(14,985,654)	(475,503)	(15,461,157)
Balance as at 30 June 2008	**34,385,000**	**(9,932,955)**	**10,200,672**	**6,974,590**	**-**	**-**	**(10,406,564)**	**36,245,262**	**67,466,005**	**8,401,768**	**75,867,773**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Equity attributable to shareholders of the parent company										
	Share capital	Treasury shares	Statutory reserve	Voluntary reserve	Cumulative changes in fair value	Treasury shares profit reserve	Foreign currency translation reserve	Retained earnings	Sub-Total	Minority interest	Total
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
Balance as at 30 June 2006	26,000,000	-	3,926,742	700,660	-	-	(2,014,551)	6,580,715	35,193,566	2,124,982	37,318,548
Changes in fair value of available for sale investments	-	-	-	-	(657,006)	-	-	-	(657,006)	-	(657,006)
Foreign currency translation adjustment	-	-	-	-	-	-	(259,861)	-	(259,861)	-	(259,861)
Net expense recognised directly in equity	-	-	-	-	(657,006)	-	(259,861)	-	(916,867)	-	(916,867)
Profit/(loss) for the year	-	-	-	-	-	-	-	22,821,309	22,821,309	(107,589)	22,713,720
Total recognised (expense)/income for the year	-	-	-	-	(657,006)	-	(259,861)	22,821,309	21,904,442	(107,589)	21,796,853
Bonus shares issued	3,900,000	-	-	-	-	-	-	(3,900,000)	-	-	-
Purchase of treasury shares	-	(10,466,724)	-	-	-	-	-	-	(10,466,724)	-	(10,466,724)
Sale of treasury shares	-	5,806,889	-	-	-	-	-	-	5,806,889	-	5,806,889
Profit on sale of treasury shares	-	-	-	-	-	25,131	-	-	25,131	-	25,131
Transfer to reserves	-	-	2,367,630	2,367,630	-	-	-	(4,735,260)	-	-	-
Changes in minority interest	-	-	-	-	-	-	-	-	-	7,089,065	7,089,065
	3,900,000	(4,659,835)	2,367,630	2,367,630	-	25,131	-	(8,635,260)	(4,634,704)	7,089,065	2,454,361
Balance as at 30 June 2007	29,900,000	(4,659,835)	6,294,372	3,068,290	(657,006)	25,131	(2,274,412)	20,766,764	52,463,304	9,106,458	61,569,762

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 30 June 2008 KD	Year ended 30 June 2007 KD
Operating Activities			
Profit before taxation, KFAS, NLST, Zakat provision and board of directors' remuneration		**39,013,565**	23,509,885
Adjustments:			
Realised (gain)/loss from sale of investments at fair value through statement of income		**(30,708)**	179,819
Unrealised (gain)/loss from investments at fair value through statement of income		**(194,238)**	1,287,261
Realised loss/(gain) from sale of available for sale investments		**120,557**	(127,122)
Share of (profit)/loss of associated companies		**(881,565)**	274,718
Changes in fair value of investment properties		**(1,329,271)**	(27,830)
Interest income		**(4,021,748)**	(2,443,294)
Impairment in value of goodwill		**-**	129,303
Depreciation		**923,459**	514,008
Finance costs		**1,498,672**	361,421
		35,098,723	23,658,169
Changes in operating assets and liabilities:			
Accounts receivable and other assets		**(15,927,503)**	(31,279,599)
Properties under development		**868,285**	(7,972,816)
Trading properties		**(5,490,500)**	6,119,578
Accounts payable and other liabilities		**(3,524,013)**	32,143,610
Due to related parties		**5,467,934**	9,078,752
Advances received from customers		**25,947,968**	1,521,891
Net cash from operating activities		**42,440,894**	33,269,585
Investing Activities			
Investment in associated company		**(8,934,884)**	(7,944,579)
Net additions of property, plant and equipment		**(4,581,990)**	(3,322,382)
Purchase of investments at fair value through statement of income		**-**	(45,879)
Proceeds from sale of investments at fair value through statement of income		**1,295,703**	504,322
Additions to investment properties		**(800)**	(7,967)
Proceeds from sale of available for sale investments		**2,450,293**	817,611
Purchase of available for sale investments		**(1,132,342)**	(7,606,982)
Additions to capital work in progress		**(14,386,880)**	(14,277,028)
Interest income received		**4,021,748**	2,443,294
Net cash used in investing activities		**(21,269,152)**	(29,439,590)
Financing Activities			
Purchase of treasury shares		**(48,660,012)**	(10,466,724)
Proceeds from sale of treasury shares		**42,498,888**	5,832,020
Changes in minority interest		**(475,503)**	7,089,065
Increase/(decrease) in long term liability towards purchase of land and other non-current financial liabilities		**4,330,870**	(7,976,126)
Increase/(decrease) in term loans		**7,400,126**	(459,121)
Dividends paid		**(8,250,240)**	-
Finance costs paid		**(1,498,672)**	(361,421)
Net cash used in financing activities		**(4,654,543)**	(6,342,307)
Net increase/(decrease) in cash and cash equivalents		**16,517,199**	(2,512,312)
Cash and cash equivalents at beginning of the year	22	**32,176,915**	34,689,227
Cash and cash equivalents at end of the year	22	**48,694,114**	32,176,915

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 JUNE 2008

1 Incorporation and Activities

IFA Hotels & Resorts was established as a limited liability company on 19 July 1995, under the name "Offset Consulting and Project Management Company – WLL – Najwa Ahmed Abdelaziz Al-Qatami and Partners". On 14 May 2005, the company's name and legal status was changed to IFA Hotels & Resorts – Kuwaiti Closed Shareholding Company.

IFA Hotels & Resorts – KSC (Closed) "the parent company" and its subsidiaries are collectively referred to as the "group" in the consolidated financial statements.

The parent company is principally engaged in the following:

- Developing, managing and marketing hotels and resorts.
- Purchasing, selling and development of real estate and land on behalf of the company within or outside the State of Kuwait. In addition, managing trust holdings, as well as trading private residential plots, in a manner that is not in violation of the laws relevant to these activities and their respective provision.
- Holding, purchasing, and selling shares and bonds of real estate companies based both in Kuwait and outside Kuwait, solely for the company's benefit and purposes.
- Providing and presenting studies and consultations on all types of real estate issues, subject to the relevant conditions required of these services.
- Performing maintenance services relating to buildings and real estate owned by the company including all types of maintenance work and the implementation of civil, mechanical, electrical, elevator and air conditioning related works whose purpose it is to preserve these buildings and to ensure their well-being.
- Organising private real estate exhibitions to promote the real estate company's projects, in accordance with the ministry's regulations.
- Preparing real estate auctions.
- Holding and managing commercial and residential complexes.
- Utilization of excess cash in the company's possession by investing in financial and real estate portfolios which are managed by specialized and professional parties.
- Direct participation in the establishment of building foundations for residential, commercial, maintenance, touristic, urban, and athletic buildings and projects using the "Build-Operate-Transfer" (BOT) method and using BOT to manage the real estate location either for the company's, or other parties, benefit.
- The company is also permitted to subscribe and have interests in any activities of parties that are performing similar activities or that otherwise will help the company realise its objectives within or outside Kuwait. The company is permitted to participate in construction, to cooperate in joint ventures, or to purchase these parties either fully or partially.

The parent company is a subsidiary of International Financial Advisors (IFA) – KSC (Closed).

The address of the parent company's registered office is PO Box 4694, Safat 13047, State of Kuwait.

The parent company's shares are listed on the Kuwait Stock Exchange.

The board of directors of the parent company approved these consolidated financial statements for issuance on 12 August 2008. The general assembly of the parent company's shareholders has the power to amend these consolidated financial statements after issuance.

2 Adoption of new and revised International Financial Reporting Standards

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

IFRS 7 Financial Instruments: Disclosures

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

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

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

IAS 1 Presentation of Financial Statements

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

IFRIC 10 Interim Financial Reporting and Impairment

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

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

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

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

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

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

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

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

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

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

In addition to the above IFRIC 15 – Agreements for construction of Real Estate has been issued which is effective for annual periods beginning on or after 1 January 2009.

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

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

- IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyper-Inflationary Economies; and
- IFRIC 9 Reassessment of Embedded Derivatives.
- IFRIC 11 IFRS 2 Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007)

3 Significant accounting policies

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the preparation of the consolidated financial statements for the year ended 30 June 2007. The significant accounting policies adopted in the preparation of the consolidated financial statements are set out here after:

Basis of preparation

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

The consolidated financial statements are prepared under the historical cost convention except for the measurement at fair value of investments at fair value through statement of income, available for sale investments and investment properties.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the parent company for the year ended 30 June 2008, and the financial statements of its subsidiaries prepared to that date, or to a date not earlier than three months of the parent company's year end using consistent accounting policies.

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

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

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

3 Significant accounting policies (continued)

Business combinations

Acquisition of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, plus any costs directly attributable to the business combination. The acquirer's identifiable assets, liabilities and contingent liabilities are recognised at their fair values at the acquisition date.

Goodwill represents the excess of acquisition cost over the fair value of the group's share of the identifiable net assets of the acquirer at the date of the acquisition. Any excess, at the date of acquisition, of the group's share in the fair value of the identifiable net assets acquired over the acquisition cost is recognised as negative goodwill in the consolidated statement of income.

Goodwill

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

Revenue recognition

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

Income from hoteliers and other related services

Income from hoteliers and related services is recognised when services are rendered.

Gain on sale of properties

Revenue on sale of condominiums is recognised on the basis of percentage completion using the certificate provided by the independent lead consultants of the respective projects as and when all of the following conditions are met:

- The buyer's investment, to the date of the financial statements, is adequate to demonstrate a commitment to pay for the property;
- Construction is beyond a preliminary stage. The engineering, design work, signing of construction contract, site clearance and building foundation are substantially completed;
- The buyer is committed; and
- The aggregate sales proceeds and costs can be reliably estimated.

Dividends income

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

Fees and commission income

Fees and commission income is recognised when earned.

Interest income

Interest income is recognised using the effective interest method.

Cost of sale of properties

Cost of sale of properties includes the cost of land and development costs. Development costs include the cost of infrastructure and construction. The cost of sales in respect of sale of condominiums is recognised on the basis of percentage of completion.

Finance costs

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

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

Financial instruments

Classification

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

i Investments at fair value through statement of income

ii Loans and receivables

iii Available for sale investments

Financial liabilities are classified as "non trading financial liabilities". The group's non trading financial liabilities are classified under "instalment payments due on purchase of properties, term loans, other non-current financial liabilities, due to related parties, accounts payable and other liabilities" and "advance received from customers" in the consolidated balance sheet.

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

The group classifies investments as trading if they are acquired principally for the purpose of selling or are a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking.

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

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

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

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

Measurement

Investments at fair value through statement of income

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

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

Loans and receivables

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

Available for sale investments

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

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

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

Financial liabilities

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

Fair values

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

For investments where there is no quoted market price, a reasonable estimate of fair value is determined by using valuation techniques. The group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Valuation techniques used include the use of comparable recent arm's length transactions, and other valuation techniques commonly used by market participants.

Trade and settlement date accounting

All "regular way" purchases and sales of financial assets are recognised on the trade date, i.e. the date that the group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the market place concerned.

Recognition and de-recognition of financial assets and liabilities

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

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

Impairment of financial assets

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

a) For financial assets carried at fair value, impairment is the difference between carrying value and fair value; and

b) For financial assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

3 Significant accounting policies (continued)

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

Impairment of non-financial assets

The group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and then its recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount by recognising impairment loss in the consolidated income statement.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit). In determining fair value less costs to sell an appropriate valuation model is used. These calculations are corroborated by available fair value indicators.

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

Investment in associates

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

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

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

Jointly controlled entities

The group's interests in jointly controlled entities are accounted for by proportionate consolidation. The group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the group's financial statements. The group recognises the portion of gains or losses on the sale of assets by the group to the joint venture that is attributable to the other ventures. The group does not recognise its share of profits or losses from the joint venture that results from the group's purchase of assets from the joint venture until it resells the assets to an independent party. However, a loss on the transactions is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

Property, plant and equipment

Property, plant and equipment, are stated at cost less accumulated depreciation and impairment losses. Depreciation is calculated to write-off the cost less the estimated residual value of property, plant and equipment on a straight-line basis over their estimated useful lives as follows:

Buildings	50	Years
Plant and equipment	5-7	Years
Motor vehicles	4-5	Years
Furniture and fixtures	5-7	Years
Yacht	10	Years

Lease hold property is depreciated over the period of the lease. No depreciation is provided on freehold land.

Capital work in progress

Capital work-in-progress includes land which is stated at cost less impairment in value, if any. The carrying value of land is 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 value exceeds the estimated recoverable amount, the value of land is written down to its recoverable amount. Capital work-in-progress also includes the cost of construction, design and architecture and other related expenditures such as professional fees, project management fees and engineering costs attributable to the project, which are capitalised as and when activities that are necessary to get the assets ready for the intended use are in progress. Direct costs from the start of the project up to completion of the project are capitalised.

Investment properties

Investment properties are initially recorded at cost, being the purchase price and any directly attributable expenditure for a purchased investment property and cost at the date when construction or development is complete for a self-constructed investment property. Subsequent to initial recognition, investment properties are re-measured at fair value. Fair value of investment properties at the year end is based on valuation by an independent professional valuer where market values are not readily available. Where the market values are readily available the fair value is ascertained based on latest transacted deals in the open market. Changes in fair values are taken to the consolidated statement of income.

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

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

Accounts receivable

Accounts receivable are stated at original invoice amount less provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Property under development

Property under development represents properties under development/construction for trade, which are stated at cost or net realisable values which ever is lower. Cost includes the cost of land, construction, design and architecture, advances paid for purchase of properties and other related expenditures such as professional fees, project management fees and engineering costs attributable to the project, which are accrued as and when activities that are necessary to get the assets ready for the intended use are in progress. Direct costs from the start of the project up to completion of the project are accrued to property under development. Completion is defined as the earlier of the issuance of the certificate of practical completion, or when management considers the project to be completed. Upon completion, unsold properties, if any are transferred to trading properties. Property under development is stated after deducting cost of properties sold during the year.

Deposits received from customers

Deposits received from customers represent money received from customers towards instalments for properties in accordance with the terms of the sale agreements. Deposits received from customers are stated net of revenue recognised during the year.

Trading properties

Trading properties include purchase and development costs of unsold real estate (land). Development costs include planning, maintenance and service costs. Trading properties are recorded at the lower of cost and net realisable value.

Taxation

Deferred taxation is provided in respect of all temporary differences. Deferred tax assets are recognised in respect of unutilised tax losses when it is probable that the loss will be used against future profits.

Term loans

Term loans are carried at amortised cost.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in future for goods or services received, whether or not billed to the group.

Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on straight line basis over the period of the lease.

Provisions

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

Employees' end of service benefits

Provision is made for employees' end of service benefits in accordance with the applicable Labour Laws based on employees' salaries and accumulated periods of service or on the basis of employment contracts, where such contracts provide extra benefits.

3 Significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents represent cash and bank balances and term deposits maturing within three months from the date of inception.

Treasury shares

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

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

Foreign currencies

Functional and presentation currency

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

Transactions and balances

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

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at closing rate.

Group companies

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

4 Critical accounting judgements and key sources of estimation uncertainty

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

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

Judgements

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

Classification of real estate property

Management decides on acquisition of a real estate property whether it should be classified as trading, under development, capital-work-in-progress or investment property.

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

The group classifies property as properties under development if it is acquired, with the intention of development with a view to sale.

The group classifies property as capital work-in progress if the property is acquired with the intention of development for the purpose of it being used as investment property or owner occupied property.

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

Classification of financial assets

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

Impairment of investments

The group treats certain financial assets as available for sale and recognise movement in their fair value in equity when the fair value declines, management makes assumption about the decline in value to determine whether it is an impairment that should be recognised in profit or loss. At 30 June 2008 no impairment losses have been recognised for available for sale investments (2007: Nil).

Estimation uncertainty

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

Valuation of unquoted equity investments

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

- recent arm's length market transactions;
- current fair value of another instruments that is substantially the same; or
- an earnings multiple;
- other valuation models.

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

Estimating percentage for revenue recognition and cost absorption

The group recognises revenues on sale of property under development and trading properties and absorbs the related cost of revenues for each of its projects based on the percentage of completion method. The percentage of work completed is certified by the independent lead consultant of the respective projects.

The percentage of completion method is applied on a cumulative basis in each accounting period to the current estimates of contract revenue and contract costs. The changed estimates are used in the determination of the amount of revenue and expenses recognised in profit or loss in the period in which the change is made and in subsequent periods.

Estimation of impairment of property, plant and equipment and capital work-in progress and their useful lives

The group's management tests annually whether property plant and equipment and capital work-in progress have suffered impairment in accordance with the accounting policies stated within note 3. The recoverable amounts of the assets are determined based on value-in-use method. This method uses estimated cash flow projections over the estimated useful life of the asset discounted using market rates.

The group's management determines the useful lives of property plant and equipment and the related depreciation charge. The depreciation charge for the year will change significantly if actual life is different from the estimated useful life of the asset.

5 Subsidiary companies and joint ventures

a) Subsidiary companies

The significant consolidated subsidiaries are as follows:

Consolidated subsidiaries	Country of incorporation	Principal activity	Incorporation/ acquisition date	Percentage ownership
IFA Hotels & Resorts FZ – LLC	UAE	Property development	2003	100%
IFA Hotels & Resorts – Jabel Ali Free Zone	UAE	Property development	2005	100%
IFA Hotels & Resorts (SAL) Holdings	Lebanon	Property development	2003	51%
IFA Zimbali Hotels & Resorts (Pty) Ltd.	South Africa	Property development	2003	100%
IFA Hotels & Resorts Limited	South Africa	Hotelier and property developer	2003	85%
IFA Hotels & Resorts 2 Limited	Tanzania	Hotelier	2003	70%
IFA Hotels & Resorts (Zanzibar) Ltd.	Tanzania	Hotelier	2003	99%
IFA Hotels & Resorts 3 Limited	Mauritius	Property development	2006	100%
International Property Trading Holding Ltd.	British Virgin Islands	Property development	2007	100%
Yotel Investments Limited	Jersey	Hotelier	2006	100%
IFA Fairmont Zimbali Hotels & Resorts (Pty) Ltd.	South Africa	Hotelier	2006	100%

b) Joint ventures

The following are a listing of the group's interest in significant joint ventures which are included in the consolidated balance sheet and consolidated statement of income on the proportional consolidation basis:

Name and details of the joint ventures	Country of registration/ incorporation	Interest %
Interest in Tongaat Hulett/IFA Hotels & Resorts Development (the principal activity of the joint venture is property development)	South Africa	50%
Interest in Zimbali Estates (PTY) Ltd. (the principal activity of the joint venture is the sale of developed property)	South Africa	50%
Interest in OLIFA Hotels & Resorts (Namibia) (Pty) Ltd (the principal activity of the joint venture is hoteliering)	South Africa	50%

The following amount represent the group's share of assets, liabilities, income, expenses and profit of the joint ventures:

	2008 KD	2007 KD
Assets	**8,734,821**	7,449,321
Liabilities	**(3,508,529)**	(1,605,671)
Equity	**5,226,292**	5,843,650
Income	**2,807,306**	2,312,120
Direct cost and other expenses	**(1,526,173)**	(865,577)
Profit	**1,281,133**	1,446,543

6 Gain on sale of properties

This represents the revenue and related costs of trading properties and properties under development which have been originally purchased by the group and then developed and resold to customers. Income recognised on these properties is determined based on the percentage of completion method as follows:

	2008 KD	2007 KD
Sales revenue	**83,363,875**	75,945,921
Cost of sales	**(39,843,759)**	(46,182,003)
	43,520,116	29,763,918

7 Interest income

	2008 KD	2007 KD
Interest income on bank balances and deposits	**1,903,896**	1,864,729
Interest income on late payment by customers	**1,276,454**	256,377
Interest income on others	**841,398**	322,188
	4,021,748	2,443,294

8 Operating expense and other charges

Operating expenses and other charges include the following:

	2008 KD	2007 KD
Travel expenses	**699,218**	305,810
Office expenses	**1,196,216**	638,392
Loss from foreign currency exchange difference	**157,928**	75,933
Commissions	**1,761,702**	994,830
Rent	**243,234**	134,586
Professional fees	**1,026,920**	287,501
Advertising	**1,033,850**	1,608,104

9 Net gain or loss on financial assets and finance costs

a) Net gain or loss on financial assets

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

	2008 KD	2007 KD
Loans and receivables		
- Cash and cash equivalents	**1,903,896**	1,864,729
- Accounts receivable and other assets	**2,117,852**	578,565
Investments at fair value through statement of income		
- Trading	**224,946**	(1,467,080)
Available for sale investments		
- Recognised directly in consolidated equity	**657,006**	(657,006)
- Recycled from equity to consolidated statement of income	**(142,000)**	-
- Recognised directly in consolidated statement of income	**21,443**	127,122
	4,783,143	446,330
Net gain recognised in the consolidated statement of income	**4,126,137**	1,103,336
Net gain/(loss) recognised in the consolidated statement of changes in equity	**657,006**	(657,006)
	4,783,143	446,330

b) Finance Costs

Finance costs relate to term loans which are financial liabilities stated at amortised cost.

10 Taxation on overseas subsidiaries

	2008 KD	2007 KD
Current tax expense:		
Current year charge	**(780,235)**	(324,376)
Deferred tax credit:		
Current year credit	**1,460,666**	383,206
	680,431	58,830

11 Zakat provision

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

12 Basic and diluted earnings per share attributable to the shareholders of the parent company

Basic and diluted earnings per share is computed by dividing the profit for the year attributable to the shareholders of the parent company by the weighted average number of shares outstanding during the year as follows:

	2008	2007
Profit for the year attributable to the shareholders of the parent company (KD)	**37,463,501**	22,821,309
Weighted average number of shares outstanding during the year (excluding treasury shares)	**337,569,824**	341,969,018
Basic and diluted earnings per share	**110.98 Fils**	66.74 Fils

The weighted average number of shares outstanding during the previous period has been adjusted to reflect the 15% bonus shares of 44,850,000 approved by the general assembly held on 23 September 2007 (see note 23).

13 Property, plant and equipment

	Land KD	Buildings on freehold land KD	Buildings on leasehold land KD	Plant & equipment KD	Furniture, fixtures & office equipment KD	Motor vehicles KD	Yacht KD	Total KD
Year ended 30 June 2008								
Opening net book amount	197,432	2,145,593	4,697,811	134,391	461,927	94,574	1,271,132	**9,002,860**
Additions	596,580	1,979,747	1,616,088	59,062	481,375	39,838	-	**4,772,690**
Transferred from capital work in progress (see note 14)	-	-	1,967,650	-	-	-	-	**1,967,650**
Disposals	-	-	-	-	-	(221)	(31,717)	**(31,938)**
Foreign exchange adjustment	(36,524)	(374,582)	(1,720,637)	225,017	296,555	30,379	(2,861)	**(1,582,653)**
Depreciation for the year	-	(100,584)	(275,489)	(71,453)	(308,617)	(28,325)	(138,991)	**(923,459)**
Write-off of assets	-	-	-	(39,043)	(78,706)	(41,013)	-	**(158,762)**
Closing net book amount	**757,488**	**3,650,174**	**6,285,423**	**307,974**	**852,534**	**95,232**	**1,097,563**	**13,046,388**
At 30 June 2008								
Cost	757,488	3,978,568	6,689,064	451,648	1,611,079	211,803	1,395,979	**15,095,629**
Accumulated depreciation	-	(328,394)	(403,641)	(143,674)	(758,545)	(116,571)	(298,416)	**(2,049,241)**
Net book amount	**757,488**	**3,650,174**	**6,285,423**	**307,974**	**852,534**	**95,232**	**1,097,563**	**13,046,388**
Year ended 30 June 2007								
Opening net book amount	142,552	2,084,220	1,152,589	143,229	353,399	71,927	2,231,970	6,179,886
Additions	17,430	115,678	3,642,065	6,953	378,620	59,395	27,152	4,247,293
Reclassification	35,354	2,367	42,419	8,069	(103,515)	35	15,271	-
Disposals	-	-	(46,613)	(214)	(23,315)	(8,905)	(845,864)	(924,911)
Foreign exchange adjustment	2,096	20,075	(9,407)	900	804	76	56	14,600
Depreciation for the year	-	(76,747)	(83,242)	(24,546)	(144,066)	(27,954)	(157,453)	(514,008)
Closing net book amount	197,432	2,145,593	4,697,811	134,391	461,927	94,574	1,271,132	9,002,860
At 30 June 2007								
Cost	197,432	2,373,403	4,825,963	207,917	911,855	182,820	1,430,557	10,129,947
Accumulated depreciation	-	(227,810)	(128,152)	(73,526)	(449,928)	(88,246)	(159,425)	(1,127,087)
Net book amount	197,432	2,145,593	4,697,811	134,391	461,927	94,574	1,271,132	9,002,860

13.1 Land and building with a carry value of KD 3,718,609 (2007: KD 2,234,391) located in South Africa have been pledged as security for the term loan facility obtained by a South African subsidiary (see note 27).

14 Capital work in progress

Capital work in progress represents mainly hotels under construction in Dubai, UAE, United Kingdom and Europe.

The movement in capital work in progress is as follows:	2008 KD	2007 KD
Carrying value at 1 July	**29,324,641**	16,056,770
Discount on early payment	**-**	(864,336)
Additions	**14,386,880**	14,277,028
Transferred to property, plant and equipment (see note 13)	**(1,967,650)**	-
Transferred to properties under development (see note 19)	**(720,174)**	-
Foreign currency translation adjustment	**(2,821,554)**	(144,821)
Carrying value at 30 June	**38,202,143**	29,324,641

The above balance consists of the following:	2008 KD	2007 KD
Land cost		
- The Trunk, Palm Jumeirah	**6,130,592**	6,748,980
- Crescent, Palm Jumeirah	**960,570**	6,283,587
- Golden Mile, Palm Jumeirah	**1,132,850**	1,220,915
- Kingdom of Sheba Hotel	**5,254,319**	-
- Palm Residence Club	**1,216,388**	-
	14,694,719	14,253,482
Construction, piling and enabling work	**18,339,560**	11,845,888
Other construction related costs	**5,167,864**	3,225,271
	38,202,143	29,324,641

15 Investment properties

The movement in investment properties is as follows:

	2008 KD	2007 KD
Carrying value at 1 July	**218,425**	29,320,753
Discount on early payment	**-**	(576,224)
Additions during the year	**800**	7,967
Transfer from held for trading	**553,803**	-
Transfer to properties under development (see note19)	**-**	(28,301,387)
Change in fair value	**1,329,271**	27,830
Foreign currency translation adjustment	**(85,514)**	(260,514)
Carrying value at 30 June	**2,016,785**	218,425

The investment properties consist of the following:

	2008 KD	2007 KD
Crescent, Palm Jumeirah [freehold land in the Crescent area (Al-Hilal) – Al-Jumeira – Dubai, represents 40% of the total land in that area]	**1,839,352**	-
Private freehold land in "IFA Zimbali Hotels & Resorts"– South Africa	**177,433**	218,425
	2,016,785	218,425

During the previous year, properties in the United Arab Emirates with a value of KD 28,301,387 (AED 362,791,786) were transferred to properties under development (see note 19) as the management intended to construct and sell freehold apartments, villas, townhouses, penthouses, Vacation Club and Heritage Place on this plot of land.

16 Investment in associated companies

Details of associates are as follows:

Name and particulars of the company	Interest in equity	2008 KD	2007 KD
Boschendal (Pty) Ltd. (registered in South Africa and its principal activity is providing banking services)	**26.57%**	**1,734,512**	2,451,419
Purple Plum Properties Limited (registered in South Africa and its principal activity is property development)	**26.57%**	**1**	1
Raimon Land Public Company Limited (registered in Thailand and its principal activity is property development)	**24.18%**	**7,225,434**	7,947,197
Legend and IFA Developments (Pty) Ltd. (registered in South Africa and its principal activity is property development and safari resorts accommodation and related service)	**50.00%**	**9,791,252**	-
		18,751,199	10,398,617

	2008 KD	2007 KD
Aggregate share of associates' balance sheets:		
Assets	**33,150,661**	18,515,803
Liabilities	**(14,399,462)**	(8,117,186)
Equity	**18,751,199**	10,398,617
Aggregate share of associates' revenue and losses:		
Revenue	**3,652,815**	736,590
Profits/(losses)	**881,565**	(274,718)

The fair market value of Raimon Land Public Company Limited's shares is KD 4,218,137 (2007: KD 5,665,033).
The fair value of the other associates could not be reliably measured since they are unquoted.

17 Available for sale investments

	2008 KD	2007 KD
Foreign investments – quoted shares	**-**	581,871
Foreign investments – unquoted shares	**9,142,658**	12,245,029
Foreign investments – principal guaranteed instruments (see note 17a)	**7,700,369**	8,395,350
Local investments – quoted shares	**-**	1,076,824
Local investments – unquoted shares	**110,000**	110,000
	16,953,027	22,409,074

a) The above foreign principal guaranteed instruments are denominated in US Dollars and issued by foreign banks and carry effective interest rates ranging from 2.00% to 11.61% (2007: 7.25% to 11.25%) per annum.

b) Foreign and local unquoted investments of KD 9,252,658 (2007: KD 12,355,029) are carried at cost less impairment in value if any, since their fair value cannot be reliably determined. Management is not aware of any circumstances that would indicate impairment in the value of these investments.

18 Accounts receiveable and other assets

	2008 KD	2007 KD
Financial assets:		
Accounts receivable and advance to contractors	**21,869,208**	25,000,317
Due from related parties (see note 34)	**19,277,913**	16,655,876
Payment towards acquisition of investments	**4,794,435**	-
Other financial assets	**3,800,626**	3,803,422
	49,742,182	45,459,615
Non-financial assets:		
Payments towards acquisition of properties	**6,353,082**	-
Advance payments/prepayments towards construction of properties	**5,524,622**	-
Other non-financial assets	**359,677**	592,444
	12,237,381	592,444
	61,979,563	46,052,059

19 Properties under development

The movement in properties under development is as follows:

	2008 KD	2007 KD
Carrying value at 1 July	**61,351,026**	25,831,752
Additions	**38,675,249**	38,442,858
Transferred from capital work in progress (see note 14)	**720,174**	-
Amount transferred from investment properties (see note 15)	**-**	28,301,387
Cost absorbed during the year	**(34,298,396)**	(36,977,702)
Foreign exchange adjustments	**(5,245,138)**	5,752,731
Carrying value at 30 June	**61,202,915**	61,351,026

The above balance consists of the following:

	2008 KD	2007 KD
Land cost		
- The Trunk, Palm Jumeirah	**4,933,403**	7,592,602
- Jumeirah Lake, Dubai	**2,533,186**	3,388,412
- Golden Mile, Palm Jumeirah	**3,533,186**	4,441,885
- Crescent, Palm Jumeirah (see note 15)	**-**	28,301,387
- Kingdom of Sheba Heritage Place	**3,829,675**	-
- Balqis Residence	**20,022,674**	-
	34,852,124	43,724,286
Construction, piling and enabling works	**20,816,084**	9,482,159
Other construction related costs	**5,534,707**	8,144,581
	61,202,915	61,351,026

20 Trading Properties

	2008 KD	2007 KD
Residential flats in Dubai, UAE	-	942,085
Properties in South Africa	**14,276,858**	8,398,076
	14,276,858	9,340,161

Trading properties in Dubai in the previous year represented the total cost of residential flats in buildings purchased from a developer in Dubai, UAE for trading purposes.

Trading properties in South Africa represents plots of lands purchased in South Africa for trading purposes and comprise land at cost and development expenditure attributable to unsold properties.

The group uses the percentage of completion method in recognising the income generated from the above properties.

21 Investments at fair value through statement of income

	2008 KD	2007 KD
Held for trading:		
Local quoted shares	**2,681,526**	3,752,283

22 Cash and cash equivalents

	2008 KD	2007 KD
Cash and bank balances	**22,141,288**	17,869,996
Term deposits – due within three months	**26,552,826**	14,306,919
	48,694,114	32,176,915

The term deposits carry effective interest rates ranging from 0.5% to 11.5% per annum (2007: 0.5% to 11.5% per annum)

23 Share capital

The general assembly meeting of the shareholders of the parent company held on 23 September 2007 approved an increase in the share capital from KD 29,900,000 to KD 34,385,000 by way of issuance of 15% bonus shares amounting to KD 4,485,000

At 30 June 2008, the authorised, issued and paid-up capital of the parent company comprised 343,850,000 (2007: 299,000,000) shares of 100 fils each.

24 Treasury shares

At 30 June 2008, the parent company held 10,601,350 (2007: 4,234,000) of its own shares, equivalent to 3.08% (2007: 1.42%) of the total issued share capital at that date. The market value of these shares at the balance sheet date was KD 9,541,215 (2007: KD 4,657,400). Reserves of the parent company equivalent to the cost of the treasury shares have been earmarked as non-distributable.

25 Statutory and voluntary reserves

As required by the Commercial Companies Law and the parent company's articles of association, 10% of the profit for the year before KFAS, NLST, Zakat provision and board of directors remuneration but after taxation on overseas subsidiaries and minority interest is transferred to the statutory reserve until the balance reaches 50% of the parent company's issued and paid-up capital. Any transfer to the statutory reserve thereafter is subject to approval from the general assembly. No transfer is required in a year when losses are made. Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of paid-up share capital to be made in years when retained earnings are not sufficient for the distribution of a dividend of that amount.

Subject to the approval of the general assembly, the parent company's board of directors propose to transfer 10% of the profit for the year before KFAS, NLST, Zakat provision and board of directors remuneration but after taxation on overseas subsidiaries and minority interest, to the voluntary reserve.

26 Installment payments due on purchase of properties

These instalments as at 30 June 2008 represent amounts payable on the purchase of land in the Crescent on the Palm Jumeirah, Dubai, UAE and the land located at Jumeirah Lake, Dubai, UAE (classified as capital work in progress and property under development) which will be settled over a period of five years. The maturity details of the instalments due are as follows:

	2008	2007
	KD	KD
Amounts due within one year (see note 29)	**6,888,462**	7,455,683
Amounts due after one year	**5,234,897**	7,396,039
Total amount due	**12,123,359**	14,851,722

27 Term loans

	Effective interest rates %	2008 KD	2007 KD
Term loan – Dubai	**5%**	**4,595,440**	5,010,192
Term loan – South Africa	**13%**	**8,772,512**	1,349,559
Term loan – Jersey	**6.5%**	**391,925**	-
		13,759,877	6,359,751
Less: Amount due within one year		**(4,595,440)**	-
Amount due after more than one year		**9,164,437**	6,359,751

Term loans represent loans obtained by the subsidiaries in Dubai, South Africa and Jersey to finance the projects in Dubai, United Kingdom and purchase of properties in South Africa.

The loan obtained by the South African subsidiary is secured by:

- the mortgage of property, plant and equipment with a carrying value of KD 3,718,609 (2007: KD 2,234,391) and;
- the 26.57% investment in Boschendal (Pty) Ltd. (associated company).

28 Other financial liabilities

	2008 KD	2007 KD
Retention payable	**5,956,645**	-
Amount due to Joint Venturer	**854,456**	-
	6,811,101	-
Retention payable within one year (see note 29)	**(319,089)**	-
	6,492,012	-

29 Accounts payable and other liabilities

	2008 KD	2007 KD
Financial Liabilities		
Accounts payable	**8,991,079**	4,883,627
Accrued construction costs	**14,290,824**	22,527,659
Instalment payments due on purchase of properties – current portion (see note 26)	**6,888,462**	7,455,683
Accruals	**3,971,079**	1,437,981
Deferred tax	**292,321**	936,199
Deferred income	**1,089,140**	1,097,490
Dividend payable	**574,290**	-
Retention payable – current portion (see note 28)	**319,089**	-
Other payables	**2,558,098**	4,318,095
	38,974,382	42,656,734

30 Advances received from customers

These balances represent amounts collected from customers in advance on the sale of residential flats currently under construction by mainly a subsidiary company in Dubai, UAE. The movement in this balance is as follows:

	2008	2007
	KD	KD
Balance at 1 July	**61,022,221**	59,500,330
Advances received during the year	**112,397,881**	74,716,106
Revenue recognised during the year	**(80,518,416)**	(72,649,147)
Foreign exchange adjustment	**(5,931,497)**	(545,068)
Balance at 30 June	**86,970,189**	61,022,221

31 Proposed distributions

Subject to the requisite consent of the relevant authorities and approval of the general assembly, the parent company's board of directors propose to issue of 20% of the paid-up share capital as at 30 June 2008 as bonus shares.

The proposed cash dividend of 30 Fils per share amounting to KD 8,824,530 and bonus shares of 15% of paid up share capital amounting to KD 4,485,000 for the year ended 30 June 2007 to the shareholders of record on the date of the general assembly, were approved at the general assembly held on 23 September 2007 and distributed subsequently.

32 Segmental information

For management purpose the group's primary format for reporting segment information is geographical segments with secondary information reported for business segments.

Primary segment information – geographical segments

The group operates in four main geographical segments: Kuwait, Asia and other Middle Eastern countries, Africa, United Kingdom (UK) and Europe. The geographical analysis of segment information is as follows:

	Kuwait KD	Asia & Middle East KD	Africa KD	UK & Europe KD	Total KD
30 June 2008					
Income statement					
Segment revenue	776,547	49,028,090	5,094,660	694,614	55,593,911
Segment results	(545,109)	42,946,744	99,643	(2,857,282)	39,643,996
Unallocated corporate expenses					(1,549,499)
Profit for the year					38,094,497
Balance sheet					
Segment assets	46,316,235	195,098,137	30,524,881	5,942,424	277,881,677
Segment liabilities	(97,523,460)	(89,562,593)	(12,741,109)	(2,186,742)	(202,013,904)
Total equity	(51,207,225)	105,535,544	17,783,772	3,755,682	75,867,773
Depreciation	143,420	273,562	324,544	181,933	923,459

32 Segmental information (continued)

	Kuwait KD	Asia & Middle East KD	Africa KD	UK & Europe KD	Total KD
30 June 2007					
Income statement					
Segment revenue	(1,339,958)	30,484,273	3,493,222	-	32,637,537
Segment result	(1,766,105)	25,098,980	185,840	-	23,518,715
Unallocated corporate expenses					(804,995)
Profit for the year					22,713,720
Balance sheet					
Segment assets	23,720,752	163,518,941	31,573,474	5,305,953	224,119,120
Segment liabilities	(45,981,080)	(110,450,826)	(6,117,452)	-	(162,549,358)
Total equity	(22,260,328)	53,068,115	25,456,022	5,305,953	61,569,762
Depreciation	149,552	196,200	168,256	-	514,008

Secondary segment information-business segments

A segmental analysis of total assets employed and revenue by business segment are as follows:

	Assets		Revenue	
	2008 KD	2007 KD	**2008 KD**	2007 KD
Investments	**38,385,752**	39,406,731	**985,954**	(1,339,958)
Hoteliers and property development	**239,495,925**	184,712,389	**54,607,957**	33,977,495
	277,881,677	224,119,120	**55,593,911**	32,637,537

33 Capital commitments

Capital expenditure commitments

At 30 June 2008, the group was committed to invest in the additional anticipated funding required to build several real estate projects in Dubai, UAE and Lebanon. The estimated funding commitments on these projects are as follows:

	2008	2007
	KD	KD
Capital expenditure for purchase of properties contracted for	**156,581,091**	42,427,618
Estimated and contracted capital expenditure for construction of properties	**133,525,134**	171,396,487
	290,106,225	213,824,105

The group may finance the future expenditure commitments from the following sources:

a) sale of investment properties;

b) advances from customers;

c) raising additional share capital;

d) advances provided by shareholders, related entities, joint ventures; and

e) borrowings, if required.

Expected financing rates from the above sources are dependent on the source of financing and management estimates of the best financing available at the time they become due.

34 Related party transactions

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

Significant transactions and balances with related parties included in the consolidated financial statements are as follows:

	2008	2007
	KD	KD
Consolidated balance sheet:		
Amounts due from associate (see note 18)	**3,762,033**	-
Amounts due from joint ventures (see note 18)	**501,975**	-
Due from key management personnel (see note 18)	**65,547**	7,792
Amounts due from other related parties (see note 18)	**14,948,358**	16,648,084
Amounts due to ultimate parent company	**45,016,696**	43,533,401
Amounts due to other related parties	**5,565,851**	1,581,212
Compensation of key management personnel of the group		
Short-term employee benefits	**200,898**	258,728

Related party balances outstanding at year end due to funds transfer are included under due from related parties and due to related parties. Amount due to ultimate parent company are non-interest bearing and have no specific repayment dates.

35 Risk management objectives and policies

The group's principal financial liabilities comprise due on account of term loans, other financial liabilities, account payable and other liabilities, due to related parties and liabilities due on purchase of properties. The main purpose of these financial liabilities is to raise finance for group operations. The group has various financial assets such as accounts receivable and other assets, cash and cash equivalents and investment securities which arise directly from operations.

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

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

The group does not use derivative financial instruments.

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

35.1 Market risk

a) Foreign currency risk

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

The group mainly operates in the Middle Eastern countries, South Africa & Indian Ocean region and European countries and is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to US Dollar, UAE Dirhams, UK Pounds, Euro and South African Rand. The group's balance sheet can be significantly affected by the movement in these currencies. To mitigate the group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored.

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

The group had the following significant exposures denominated in foreign currencies at the balance sheet date, translated into Kuwaiti Dinars at the closing rates:

	2008 Equivalent KD	2007 Equivalent KD
US Dollars	**16,293,625**	22,949,160
UK Pounds	**30,779**	330,422
Euro	**2,726,390**	1,326,390

35 Risk management objectives and policies (continued)

35.1 Market risk (continued)

If the Kuwaiti Dinar had strengthened/weakened against the foreign currencies assuming the sensitivities given below, then this would have the following impact on the profit for the year:

	2008		2007	
	Inc/(Dec)	**Profit for the year**	Inc/(Dec)	Profit for the year
	%	**KD**	%	KD
US Dollars	**+ 3.37**	**+ 549,095**	+ 0.71	+ 162,939
	- 3.37	**- 549,095**	- 0.71	- 162,939
UK Pounds	**+ 2.94**	**+ 905**	+ 2.65	+ 8,756
	- 2.94	**- 905**	- 2.65	- 8,756
Euro	**+ 3.06**	**+ 83,427**	+ 2.25	+ 29,844
	- 3.06	**- 83,427**	- 2.25	- 29,844

The above percentages have been determined based on the average exchange rates in the previous twelve months.

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

b) Interest rate risk

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

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

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

The following table illustrates the sensitivity of the profit for the year to a reasonably possible change in interest rates of + 1% and – 1% (2007: + 1% and –1%) with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market condition. The calculation is based on the group's financial instruments held at each balance sheet date. All other variables are held constant.

	Increase in interest rates		Decrease in interest rates	
	2008	2007	**2008**	2007
	1%	1%	**1%**	1%
	KD	KD	**KD**	KD
Profit for the year	**(128,484)**	(56,069)	**128,484**	56,069

c) Price risk

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

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

The equity price risk sensitivity is determined on the following assumptions for the year 2008 and 2007:

Kuwait market	**10%**

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

	Profit for the year	
	2008	2007
	1%	1%
	KD	KD
Investments at fair value through statement of income	**268,153**	375,228

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

Available for sale investments held at 30 June 2008 are not quoted and accordingly they are not exposed to equity price risk.

35 Risk management objectives and policies (continued)

35.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The group credit policy and exposure to credit risk is monitored on an ongoing basis. The group seeks to avoid undue concentrations of risks with individuals or groups of customers in specific locations or business through diversification of its activities.

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

	2008	2007
	KD	KD
Available for sale investments	**16,953,027**	22,409,074
Accounts receivable and other assets (see note 18)	**49,742,182**	45,459,615
Investments at fair value through statement of income	**2,681,526**	3,752,283
Cash and cash equivalents	**48,694,114**	32,176,915
	118,070,849	103,797,887

None of the above financial assets are past due nor impaired. The group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The group's policy is to deal only with creditworthy counterparties. The group's management considers that all the above financial assets that are neither past due nor impaired for each of the reporting dates under review are of good credit quality.

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

The credit risk for cash and bank balance and short term deposits is considered negligible, since the counterparties are reputable financial institution with high credit quality. Information on other significant concentrations of credit risk is set out in note 35.3.

35.3 Concentration of assets

The distribution of financial assets by geographic region for 2008 and 2007 are as follows:

	Kuwait	Asia & Middle East	Africa	UK & Europe	Total
	KD	KD	KD	KD	KD
At 30 June 2008					
Available for sale investments	**110,000**	**15,516,637**	**-**	**1,326,390**	**16,953,027**
Accounts receivable and other assets (see note 18)	**9,202,195**	**38,328,721**	**1,111,483**	**1,099,783**	**49,742,182**
Investments at fair value through statement of income	**2,681,526**	**-**	**-**	**-**	**2,681,526**
Cash and cash equivalents	**542,871**	**43,493,480**	**3,833,385**	**824,378**	**48,694,114**
	12,536,592	**97,338,838**	**4,944,868**	**3,250,551**	**118,070,849**
At 30 June 2007					
Available for sale investments	1,186,825	12,159,275	3,757,021	5,305,953	22,409,074
Accounts receivable and other asset (see note 18)	16,233,191	22,943,428	6,282,996	-	45,459,615
Investments at fair value through statement of income	3,752,283	-	-	-	3,752,283
Cash and cash equivalents	2,484,046	27,018,284	2,674,585	-	32,176,915
	23,656,345	62,120,987	12,714,602	5,305,953	103,797,887

35 Risk management objectives and policies (continued)

35.4 Liquidity risk

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

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

	On Demand KD	1-3 Months KD	3-12 Months KD	1-5 Years KD	Total KD
At 30 June 2008					
Financial liabilities					
Instalment payments due on purchase of properties	**-**	**243,744**	**6,644,718**	**5,234,897**	**12,123,359**
Term loans	**-**	**-**	**4,595,440**	**9,164,437**	**13,759,877**
Other financial liabilities	**-**	**-**	**-**	**6,492,012**	**6,492,012**
Due to related parties	**50,582,547**	**-**	**-**	**-**	**50,582,547**
Accounts payable and other liabilities	**-**	**38,974,382**	**-**	**-**	**38,974,382**
	50,582,547	**39,218,126**	**11,240,158**	**20,891,346**	**121,932,177**
At 30 June 2007					
Financial liabilities					
Instalment payments due on purchase of properties	-	-	7,455,683	7,396,039	14,851,722
Term loans	-	-	-	6,359,751	6,359,751
Due to related parties	45,114,613	-	-	-	45,114,613
Accounts payable and other liabilities	-	42,656,734	-	-	42,656,734
	45,114,613	42,656,734	7,455,683	13,755,790	108,982,820

36 Summary of financial assets and liabilities by category

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

	2008 KD	2007 KD
Financial assets:		
Available for sale investments	**16,953,027**	22,409,074
Accounts receivable and other assets (see note 18)	**49,742,182**	45,459,615
Investments at fair value through statement of income	**2,681,526**	3,752,283
Cash and cash equivalents	**48,694,114**	32,176,915
	118,070,849	103,797,887
Financial liabilities:		
Instalment payments due on purchase of properties	**12,123,359**	14,851,722
Term loans	**13,759,877**	6,359,751
Other financial liabilities	**6,492,012**	-
Due to related parties	**50,582,547**	45,114,613
Accounts payable and other liabilities	**38,974,382**	42,656,734
	121,932,177	108,982,820

Fair value represents amounts at which an asset could be exchanged or a liability settled on an arm's length basis. In the opinion of the group's management, except for certain available for sale investments which are carried at cost for reasons specified in note 17b to the financial statements, the carrying amounts of financial assets and liabilities as at 30 June 2008 and 2007 approximate their fair values.

37 Capital management objectives

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

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

The group monitors capital on the basis of the return on equity and it is calculated as profit for the year divided by total equity (excluding cumulative changes in fair value) as follows:

	2008	2007
	KD	KD
Profit attributable to the shareholders of the parent company	**37,463,501**	22,821,309
Equity attributable to the shareholders of the parent company	**67,466,005**	53,120,310
Return on equity attributable to the shareholders of the parent company	**55.53%**	42.96%

38 Comparative amounts

Certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications were made in order to more appropriately present the items of balance sheet and statement of income as a result of adoption of IFRS 7. Such reclassifications do not affect previously reported total assets, total equity, total liabilities and profit reported in the prior year.