للفنادق والمنتجعات

HOTELS & RESORTS

ANNUAL REPORT 2006

للفنادق والمنتجعات

HOTELS & RESORTS

للفنادق والمنتجعات

HOTELS & RESORTS

HIS HIGHNESS THE LATE EMIR
SHEIKH JABER AL-AHMED AL-JABER AL-SABAH
(1928 – 2006)

للفنادق والمنتجعات

HOTELS & RESORTS

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

H. H. SHEIKH NASSER AL-MOHAMMAD AL-AHMAD AL-SABAH
THE PRIME MINISTER OF THE STATE OF KUWAIT

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HOTELS & RESORTS

MEMBERS OF THE BOARD

TALAL JASSIM AL-BAHAR
CHAIRMAN AND MANAGING DIRECTOR

ABDULWAHAB AHMAD AL NAQIB
VICE CHAIRMAN

ABYIAH AHMAD AL QATAMI
MEMBER OF THE BOARD

JAMES WILSON
MEMBER OF THE BOARD

TALAL BADER AL-BAHAR
MEMBER OF THE BOARD

CHAIRMAN'S MESSAGE

Dear Shareholders,

On behalf of my colleagues on the Board of Directors and myself, it gives me great pleasure to announce that IFA Hotels & Resorts (IFA HR) has achieved excellent results in our first year of listing. We achieved a year-end profit of KD 6.7 million, which is 26 fils per share, with 75% increase on the expected forecast in the PPM.

These results have exceeded the expected forecast during the time of listing at the start of this year. We are pleased with these results, and equally so with the significant growth achieved by our South African subsidiary, IFA Hotels & Resorts Limited (IFA SA). We also recently announced to our shareholders share dividends of 15% bonus shares in this short term period, which equals to 30% annualised basis since listing in January 2006.

IFA HR listed on the Kuwait Stock Exchange on January 3rd this year with a market capitalisation of over US$ 1 billion. This was seen as the step in our plan to list on other markets in the future. Following this listing, we announced the reverse-listing of two South African subsidiaries onto the JSE Limited on February 27th under the banner IFA Hotels & Resorts Limited (IFA SA).

Through its listing on the JSE Limited, IFA SA had to sell by the requirement of listing 12.5% of its shareholding in which it made a profit of KD 5 million, valuing the company at approximately KD 46 million.

Last year, the Middle East region covered the announcement of several new projects. In May 2005, we launched the first branded freehold residence on The Palm Jumeirah in Dubai, The Fairmont Palm Residence, consisting of 558 luxury apartments, townhouses and penthouses. IFA HR invested US$ 250 million in The Fairmont Palm Residence and US$ 230 million jointly with strategic partner Kingdom Hotel Investments in The Fairmont Palm Hotel & Resort.

In Lebanon, we introduced the Alabadiyah Hills resort in August 2005. The mixed use resort will be managed by Kempinski Hotels and Resorts. The resort will consist of 15 private villas, 30 townhouses, 220 luxury apartments, an upmarket spa and leisure facilities.

During November 2005, and for the first time in the Middle East, we launched a new hotel ownership product – the Mövenpick Hotel & Residence Laguna Tower Dubai.

This innovative property investment vehicle combines hotel ownership with a guaranteed return and strong capital growth potential and allows investors to buy a fully-furnished, five-star branded hotel residence, professionally managed by the renowned Swiss hotel chain Mövenpick Hotels & Resorts. This represented a new opportunity for mid-tier investors to participate in hotel ownership, which has previously been the exclusive domain of high net worth individuals and large corporations.

Furthermore, diversification of our portfolio has seen us actively identifying new opportunities in different key markets. This is reflected in our investment into YOTEL, the world's most radical hotel concept, which will open its first two hotels at London Heathrow and London Gatwick during the first quarter of 2008. The YOTEL concept is set to change the hospitality industry and will be developed throughout the world in prime city centre and airport locations.

Through our ongoing investment into South Africa we were able to attract the luxury hotel group, Fairmont Hotels & Resorts, to manage the new Fairmont Zimbali.

This will lead to attract the creation of over 2,000 jobs in the province through this USD$ 250 million project.

Our intention has been to use IFA SA as a platform for continued investment in Africa to expand the group's global network of resorts. This in turn ensures that we deliver prime opportunities in tourism and real estate to our global investors. Our recent investment into Boschendal Ltd. in the Cape, South Africa, enables IFA SA to elevate Boschendal onto the international real estate market and present the estate as a world class destination. We have also recently acquired a further 2.54 million square metres of land at the Zimbali Coastal Resort, together with joint venture partner Moreland Developments. The sale of the land into the IFA / Moreland Joint Venture is in line with the group's strategy of developing strong resort networks at various strategic locations on KwaZulu Natal's north coast.

Chairman's Message (continued)

In its first annual results following the listing on the JSE in February, IFA SA outperformed expectations and achieved significant growth. Revenue for the year to June 2006 was up by 57% to R 161 million (approx KD 6.45 million) and earnings before interest and tax ("EBIT") by 138% to R 55.6 million (approx KD 2.23 million). Profit after tax leapt 209% to R 42 million (approx KD 1.68 million).

In July, together with Kingdom Hotel Investments, we announced the appointment of Movenpick Hotels & Resorts to manage the legendary Spice Island resort, the Movenpick Resort & Spa – Zanzibar, planned to re-open last quarter 2006.

The expansion of our IFA Yacht Ownership Club is another move towards offering a full spectrum of leisure and travel related opportunities to our customers. The concept of the membership club is the first of its kind in the Middle East; it's innovative, simple and works just like a beach or country club. An annual membership fee gives members ready access to cruising time on three superb Maiora yachts, based in Cannes, Beirut and Dubai, covering cruising destinations throughout the Mediterranean, the Red Sea and the Arabian Gulf. Additionally, the introduction of IFA Travel & Tourism in Kuwait increases our ability to move tourists and shareholders around the globe, effortlessly linking our resorts and services. IFA Travel & Tourism will soon embark on an expansion programme by opening offices in the region, starting with Dubai.

IFA Properties, launched earlier this year, focuses on property sales, property consulting and property investment management to both commercial developers and individual buyers. For consumers, IFA Properties will provide a one-stop-shop to individuals seeking to invest and purchase properties around the world, supported by a full suite of real estate advice on each market. In addition to IFA HR's existing signature developments, IFA Properties will also sell properties for other developers outside of the existing IFA HR portfolio. At a corporate level, IFA Properties can develop new market sectors on behalf of other developments by accessing a worldwide client base, which has been created globally through IFA HR's existing sales projects.

Most importantly, during the first quarter of 2007, we will deliver one of our first projects in Dubai to customers – The Palm Residence shoreline apartments (Al Nabat and Al Haseer). These are from the first residential projects on the trunk of The Palm Jumeirah Island to be completed and handed over to owners.

The vision and strategy of IFA HR, what it has become today and what it will be in the future, is largely due to the success that we have achieved through careful strategic planning with our key partners and investors. The next fiscal year will see expansion in the Far East, other areas of the African sub Continent and in the Caribbean and Central America.

In conclusion, I would like to express my sincere appreciation to all of those who have supported our global expansion plans and have helped fulfil our overall objectives. We are grateful to our investors, shareholders, customers and staff for their continued faith in us.

Talal Jassim Al-Bahar
Chairman & Managing Director

The Palm Jumeirah, Dubai

The Palm Golden Mile, Dubai

The Fairmont Palm Residence, Dubai

The Fairmont Palm Hotel & Resort, Dubai

The Palm Residence, Dubai

Mövenpick Hotel & Residence Laguna Tower Dubai

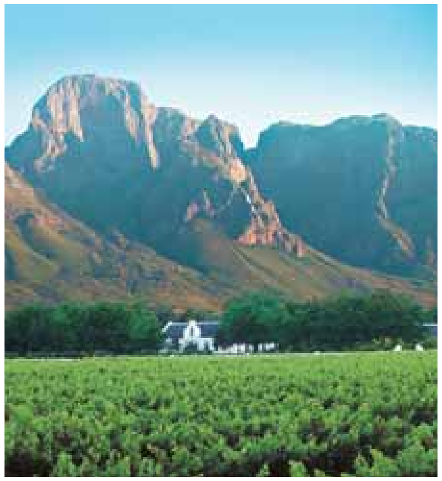
Laguna Tower, Dubai

Four Seasons, Beirut

Alabadiyah Hills, Lebanon

Zimbali Lodge, South Africa

Fairmont Zimbali, South Africa

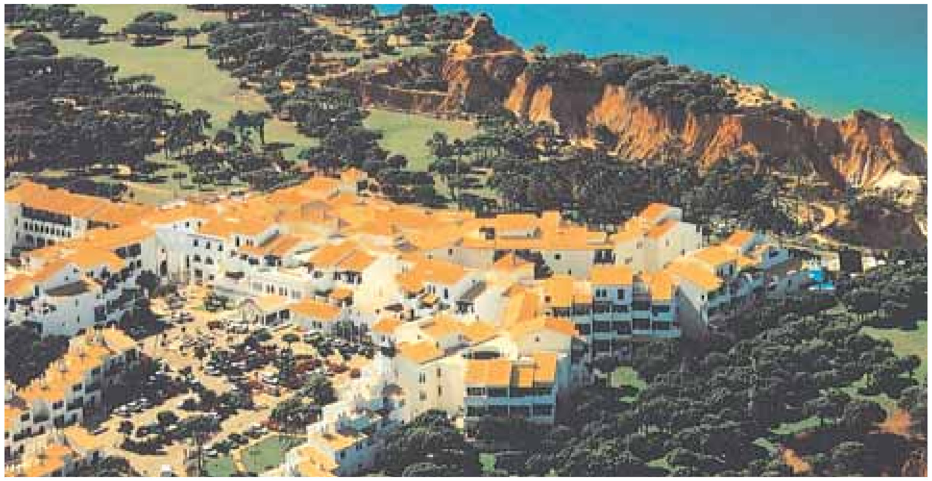


Boschendal, South Africa

Fairmont Kenya Portfolio, Kenya

Zanzibar Beach Resort, Tanzania

Pine Cliffs Resort, Portugal



Yotel, United Kingdom

IFA Properties

IFA Travel & Tourism

IFA Yacht Ownership Club

The Palm Jumeirah, Dubai

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HOTELS & RESORTS

AUDITORS REPORT

TO THE SHAREHOLDERS OF IFA HOTELS & RESORTS – KSC (CLOSED) KUWAIT

We have audited the accompanying consolidated balance sheet of IFA Hotels & Resorts (A Kuwaiti Closed Shareholding Company) and its subsidiaries (the group) as at 30 June 2006, and the related consolidated statements of income, changes in equity and cash flows for the year then ended. These consolidated financial statements are the responsibility of the group's management. 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 plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion on the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the group as at 30 June 2006, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Furthermore, in our opinion proper books of account have been kept by the group and the consolidated financial statements, together with the contents of the report of the Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Commercial Companies Law of 1960, as amended, and by the parent company's articles of association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the commercial companies law of 1960, as amended, nor of the articles of association of the parent company have occurred during the financial year that might have had a material effect on the business of the group or on its financial position.

Anwar Y. Al-Qatami, F.C.C.A.
(Licence No. 50-A)
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CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED 30 JUNE 2006

	Notes	Year ended 30 June 2006 KD	Period from 1 January 2004 to 30 June 2005 KD
Income			
Net income from hoteliers and related services		**1,100,276**	1,913,710
Unrealised gain on fair value adjustment of investment properties	9	**226,961**	24,381,070
Gain on sale of shares in a subsidiary company	4	**5,231,778**	-
Gain on sale of share in associated company		-	4,466,730
Unrealised (loss)/gain from investments at fair value through statement of income		**(312,501)**	2,310,010
Gain on sale of trading properties	5	**4,406,274**	1,593,277
Interest income		**1,354,460**	4,417
Dividend income		**102,155**	55,982
Fees and commission income		**615,208**	3,235
Other income		**653,546**	424,135
Total income		**13,378,157**	35,152,566
Expenses and other charges			
Operating expenses		**5,610,022**	2,776,946
Depreciation		**369,530**	114,792
Total expenses and other charges		**5,979,552**	2,891,738
Profit before taxation on overseas subsidiaries, Directors' remuneration, KFAS, and National Labour Support Tax		**7,398,605**	32,260,828
Taxation on overseas subsidiaries		**(703,956)**	-
Board of Directors' remuneration		**(50,000)**	-
Contribution to Kuwait Foundation for the Advancement of Sciences		**(39,320)**	(290,143)
National Labour Support Tax		**(96,067)**	-
Profit for the year/period		**6,509,262**	31,970,685
Attributable to			
Shareholders of the parent company		**6,796,212**	31,993,353
Minority interest		**(286,950)**	(22,668)
Profit for the year/period		**6,509,262**	31,970,685
EARNINGS PER SHARE OF THE PARENT COMPANY	6	**26.14 Fils**	123.05 Fils

CONSOLIDATED BALANCE SHEET
FOR THE YEAR ENDED 30 JUNE 2006

	Notes	30 June 2006 KD	30 June 2005 KD
Assets			
Non-current assets			
Property, plant and equipment	7	**6,179,886**	5,490,904
Capital work in progress	8	**41,133,593**	30,977,427
Investment properties	9	**29,320,753**	29,430,538
Investments available for sale	10	**16,403,831**	4,739,435
Investment in associated company	11	**2,159,884**	-
Goodwill		**218,496**	105,000
Total non-current assets		**95,416,443**	70,743,304
Current assets			
Investment at fair value through statement of income	12	**5,677,806**	5,171,645
Trading properties	13	**15,459,739**	6,414,745
Due from related parties	14	**3,011,264**	1,530,799
Accounts receivable and other assets	15	**11,761,196**	4,375,657
Cash and bank balances	16	**34,689,227**	16,477,480
Total current assets		**70,599,232**	33,970,326
Total assets		**166,015,675**	104,713,630
Equity and Liabilities			
Equity attributable to the shareholders of the parent company			
Share capital	17	**26,000,000**	4,000,000
Statutory reserve	18	**3,926,742**	3,233,582
Voluntary reserve	18	**700,660**	7,500
Foreign currency translation reserve		**(2,014,551)**	18,398
Retained earnings		**6,580,715**	23,170,823
Total equity attributable to the shareholders of the parent company		**35,193,566**	30,430,303
Minority interest		**2,124,982**	1,789,727
Total equity		**37,318,548**	32,220,030
Non-current liabilities			
Instalment payments due on purchase of lands	19	**15,372,165**	10,955,464
Term loans	20	**6,818,872**	-
Total non-current liabilities		**22,191,037**	10,955,464
Current liabilities			
Due to related parties	14	**36,035,861**	21,123,439
Trade creditors and other payables	21	**10,969,899**	4,090,161
Advances received from customers	22	**59,500,330**	36,324,536
Total current liabilities		**106,506,090**	61,538,136
Total equity and liabilities		**166,015,675**	104,713,630

Talal Jassim Al-Bahar
Chairman & Managing Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2006

	Attributable to Shareholders of the Parent Company								
	Share capital KD	**Statutory reserve KD**	**Voluntary reserve KD**	**Foreign currency translation reserve KD**	**Partners' current account KD**	**Retained earnings KD**	**Total KD**	**Minority interest KD**	**Total KD**
Balance at 31 December 2003	3,500,000	7,500	7,500	-	-	8,646,586	12,161,586	-	12,161,586
Transferred to increase share capital	500,000	-	-	-	-	(500,000)	-	-	-
Translation reserve	-	-	-	18,398	-	-	18,398	-	18,398
Profit for the period	-	-	-	-	-	31,993,353	31,993,353	(22,668)	31,970,685
Transferred to partners' current account	-	-	-	-	13,743,034	(13,743,034)	-	-	-
Net movement on partners' current account	-	-	-	-	(13,743,034)	-	(13,743,034)	-	(13,743,034)
Transferred to reserves	-	3,226,082	-	-	-	(3,226,082)	-	-	-
Changes in minority interest	-	-	-	-	-	-	-	1,812,395	1,812,395
Balance at 30 June 2005	4,000,000	3,233,582	7,500	18,398	-	23,170,823	30,430,303	1,789,727	32,220,030
Issue of bonus shares	22,000,000	-	-	-	-	(22,000,000)	-	-	-
Translation reserve	-	-	-	(2,032,949)	-	-	(2,032,949)		(2,032,949)
Profit for the year	-	-	-	-	-	6,796,212	6,796,212	(286,950)	6,509,262
Transferred to reserves	-	693,160	693,160	-	-	(1,386,320)	-	-	-
Changes in minority interest	-	-	-	-	-	-	-	622,205	622,205
Balance 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**

The notes set out on pages 28 to 48 form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2006

	Notes	Year ended 30 June 2006 KD	Period from 1 January 2004 to 30 June 2005 KD
OPERATING ACTIVITIES			
Profit for the year/period attributable to the shareholders of the parent company		6,796,212	31,993,353
Adjustments:			
Unrealised loss/(gain) from investments at fair value through statement of income		312,501	(2,310,010)
Gain on sale of shares in a subsidiary company		(5,231,778)	-
Gain on sale of share in associated company		-	(4,466,730)
Gain on sale of trading properties		(4,406,274)	(1,593,277)
Unrealised gain on fair value adjustment of investment properties		(226,961)	(24,381,070)
Dividend income		(102,155)	(55,982)
Depreciation		369,530	468,372
		(2,488,925)	(345,344)
Changes in operating assets and liabilities:			
Accounts receivable and other assets		(7,385,539)	(6,198,814)
Trading properties		2,912,878	(1,864,553)
Due from related parties		(1,480,465)	(1,530,799)
Accounts payable and other liabilities		6,879,738	14,403,748
Due to related parties		14,912,422	21,123,439
Advances received from customers		23,175,794	36,324,536
Net cash from operating activities		36,525,903	61,912,213
INVESTING ACTIVITIES			
Net proceeds from sale of shares in a subsidiary company		6,352,111	-
Proceeds from sale of share in associated company		-	17,250,000
Investment in associated company		(2,159,884)	-
Net additions of property, plant and equipment		(1,058,512)	(5,878,777)
Purchase of investments at fair value through statement of income		(818,662)	(2,860,792)
Net additions to investment properties		336,746	(9,249,977)
Purchase of available for sale investments		(11,664,396)	(4,739,435)
Additions to capital work in progress		(17,707,764)	(28,078,675)
Dividend income received		102,155	55,982
Net cash used in investing activities		(26,618,206)	(33,501,674)
FINANCING ACTIVITIES			
Net movement on partners' current accounts		-	(13,743,034)
Foreign currency translation reserve		(2,032,949)	18,398
Changes in minority interest		(898,575)	1,789,727
Long term liability towards purchase of land		4,416,702	-
Term loans obtained		6,818,872	-
Net cash from (used in) financing activities		8,304,050	(11,934,909)
Net increase in cash and cash equivalents		18,211,747	16,475,630
Cash and cash equivalents at beginning of the year/period	16	16,477,480	1,850
Cash and cash equivalents at end of the year/period	16	34,689,227	16,477,480

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

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 the following owned principal subsidiaries are collectively referred to as the group in these consolidated financial statements:

Name of subsidiary	Country of incorporation	Percentage held
IFA Hotels & Resorts Limited	South Africa	85%
IFA Zimbali Hotels & Resorts (Pty) Limited	South Africa	100%
IFA Hotels & Resorts (Zanzibar) Co. Limited	Tanzania	100%
Ocean Leisure Co. Limited	Tanzania	100%
IFA Hotels & Resorts and Subsidiaries – Jebel Ali Free Zone	Dubai, UAE	100%
IFA Hotels & Resorts Holding – SAL	Lebanon	51%

The amended activities of the company were also changed to 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006 (CONTINUED)

1. Incorporation and Activities (continued)

- 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.
- Utilisation 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 group is a subsidiary of International Financial Advisers (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 were listed on the Kuwait stock exchange on 3 January 2006.

The Board of Directors of the parent company approved to issue these consolidated financial statements on 9 September 2006 and they are subject to the approval of the general assembly of shareholders of the parent company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006 (CONTINUED)

2. Significant Accounting Policies

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The comparative figures have been presented for the 18 month period beginning 1 January 2004 and ending 30 June 2005. The latter period was used because the parent company amended its articles of incorporation to change the fiscal year end to 30 June instead of 31 December of every year.

Basis of consolidation

Subsidiaries are those enterprises controlled by the parent company. Control exists when the parent company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise 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 subsidiaries 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 gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Revenue recognition

Income from hoteliers and related services is recognised when services are rendered. Income from trading properties is recognised on sale commitment of properties is established, and using the percentage of completion method for properties sold but not delivered.

Dividends income is recognised when right to receive payment is established. Fees and commission income is recognised when earned.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006 (CONTINUED)

2. Significant Accounting Policies (continued)

Investment in associates

Associates are enterprises which the group holds 20% to 50% of the voting power or over which it exercises significant influence. Investment in associates are accounted for using the equity method of accounting.

Jointly controlled entities

The group's interests in jointly controlled entities are accounted for using proportionate consolidation. The group combines its share of the joint ventures' individual income, expenses, assets and liabilities on a line-by-line basis with similar items in the group's financial statement. 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 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 or a re-valued amount less accumulated depreciation and impairment losses. Depreciation is calculated to write-off the cost less the estimated residual value of fixed assets, 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 stated at fair value and is depreciated over the period of the lease. No depreciation is provided on freehold land.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006 (CONTINUED)

2. Significant Accounting Policies (continued)

Investment properties

Investment property is initially measured at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Any gain or loss arising from a change in fair value is recognised in the consolidated statement of income.

Investments at fair value through statement of income

Investments at fair value through statement of income are initially recorded at cost, which is the fair value of the consideration given excluding transaction charges. These investments are classified upon initial recognition as either "held-for-trading" or "designated" investments.

Held-for-trading investments are those investments which are acquired for the purpose of buying and selling in the short-term, or to be held as a part of investment portfolios which include financial instruments that are specifically managed with the presumption and expectation that by trading in them a short-term profit or gain will be realised.

Designated investments are those investments that are recorded initially as "investments at fair value through the statement of income" with the exception of those financial instruments that are not listed in the stock exchange and for which no active trading market exists, resulting in a fair market value that cannot be measured in a reliable manner.

The resulting realised gains or losses from disposal, or unrealised gains or losses as a result of fair market value changes, of investments at fair value through statement of income, are shown in the statement of income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006 (CONTINUED)

2. Significant Accounting Policies (continued)

Available for sale investments

Available for sale investments are initially recognised at cost, which is the fair value of the consideration given including transaction charges.

Subsequent to initial recognition, available for sale investments are re-measured at fair value with the exception of those investments in financial instruments that don't have an apparent market value in an active trading market, and whose fair value cannot be reliably measured, in which case measurement will be at cost.

Unrealised gains or losses that result from the revaluation of available for sale investments to their fair market values are immediately recognised and recorded in shareholder's equity under the "cumulative changes in fair value" account until the security is sold or its value is deemed impaired, in which case any previously recorded cumulative gains and losses in shareholder's equity will be shown in the consolidated income statement.

Fair value

With respect to investments that are traded in regulated financial markets, fair value is determined by referring to the closing listed bid price on the consolidated balance sheet date.

With respect to investments that do not have a readily available market price, a reasonable fair value is determined by reference to the market price of assets that are considered to be similar to a large extent or by using objective fair value assessment techniques that are widely used by market participants.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006 (CONTINUED)

2. Significant Accounting Policies (continued)

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 cost and net realisable value.

Cash and cash equivalents

Cash and cash equivalents as stated in the statement of cash flows comprise cash and bank balances.

Related party transactions

Related parties consist of Directors, executive officers, their close family members and companies of which they are principal owners. All related party transactions are approved by management.

Foreign currencies

Foreign currency transactions are recorded in Kuwaiti Dinars at the rate of exchange prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Kuwaiti Dinars at the rate of exchange prevailing on the balance sheet date. Resulting gains or losses on exchange are recorded as part of the earnings for the year. Balance sheet items of foreign subsidiaries are translated to Kuwaiti Dinars at the balance sheet date and the resultant change is taken to foreign currency translation reserve within the shareholders' equity.

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, or a group of similar assets, may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss is recorded as the difference between the estimated recoverable amount and the carrying value on the balance sheet.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006 (CONTINUED)

3. Financial Instruments

Interest rate risk

Bank balances earn interest at current commercial rates.

Credit risk

The group's exposure to credit risk is primarily in respect of bank balances, loans and other investments and receivables. As at the balance sheet date, the group's maximum exposure to credit risk is equal to the carrying amount of the above assets disclosed in the consolidated balance sheet.

Foreign currency risk

The group is exposed to foreign currency risk primarily with respect to investments that are denominated in a currency other than Kuwaiti Dinars. At the consolidated balance sheet date, the group was exposed to foreign currency exchange risk for most of the consolidated balance sheet items with the exception of investments at fair value through the statement of income which consists solely of investments denominated in Kuwaiti Dinars.

Fair value of financial assets and liabilities

The estimated fair value of financial assets and liabilities that are not carried at fair value at the consolidated balance sheet date are not materially different form their carrying values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006 (CONTINUED)

3. Financial Instruments (continued)

Market risk

Market risk is the risk that the value of assets will fluctuate as a result of changes in market prices. Market risks are managed principally through the proportionate diversification of specific assets and continuous revaluation to take into account changing market conditions and trends as well as the determination by management of the long and short term changes in fair value.

Liquidity risk

Liquidity risk is the risk that the group will be unable to meet its net financial obligations. Liquidity risk is affected by market fluctuations or a decline in the degree of credit rating which can be caused by the exhaustion of financial resources. To limit this risk, the group has arranged funding from related parties to manage assets with liquidity and monitors liquidity on a daily basis.

Derivatives

The group does not engage in the trading or speculation of derivative instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006 (CONTINUED)

4. Gain on Sale of Shares in a Subsidiary Company

During the year, and as part of the initial public offering the group sold 15% of its wholly owned subsidiary, IFA Hotels & Resorts Limited (South Africa) for a total amount equivalent to KD 6,352,111. The group recognised a profit on this sale amounting to KD 5,231,778.

5. Gain on Sale of Trading Properties

This represents the value and cost of properties originally purchased by the group and resold to customers. Income recognised on these properties is determined based on the percentage of completion method as follows:

	Year ended 30 June 2006 KD	18 months period ended 30 June 2005 KD
Sales revenue	**17,601,271**	5,875,773
Cost of sales	**(13,194,997)**	(4,282,496)
	4,406,274	1,593,277

6. Earnings Per Share of the Parent Company

Earnings per share of the parent company is computed by dividing the profit for the year/period by the weighted average number of shares outstanding during the year/period.

	2006	2005
Profit for the year/period period attributable to the shareholders of the parent company (KD)	**6,796,212**	31,993,353
Weighted average number of shares outstanding (shares)	**260,000,000**	260,000,000
Earnings per share – basic	**26.14 Fils**	123.05 Fils

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2006 (CONTINUED)

7. Property, plant and equipment

	Land KD	Buildings on freehold land KD	Buildings on leasehold land KD	Plant and equipment KD	Furniture and fixtures KD	Motor vehicles KD	Yacht KD	**Total KD**
Cost or valuation								
At 1 July 2005	1,810,523	2,455,830	621,832	279,444	585,731	125,417	-	**5,878,777**
Additions	3,409,258	44,025	580,370	8,025	195,152	11,478	2,231,970	**6,480,278**
Reclassification (below)	(4,819,083)	-	-	(6,829)	(43,862)	-	-	**(4,869,774)**
Disposal	-	-	-	(456)	(2,047)	(82)	-	**(2,585)**
Foreign exchange adjustment	(258,146)	(241,921)	-	(53,771)	(6,096)	21,944	-	**(537,990)**
At 30 June 2006	142,552	2,257,934	1,202,202	226,413	728,878	158,757	2,231,970	**6,948,706**
Depreciation								
At 1 July 2005	-	63,011	31,545	37,917	212,136	43,264	-	**387,873**
Charge for the year	-	93,270	18,931	40,959	180,112	36,258	-	**369,530**
Relating to disposal	-	-	-	-	(60)	-	-	**(60)**
Foreign exchange adjustment	-	17,433	(863)	4,308	(16,709)	7,308	-	**11,477**
At 30 June 2006	-	173,714	49,613	83,184	375,479	86,830	-	**768,820**
Net book value								
30 June 2006	**142,552**	**2,084,220**	**1,152,589**	**143,229**	**353,399**	**71,927**	**2,231,970**	**6,179,886**
30 June 2005	1,810,523	2,392,819	590,287	241,527	373,595	82,153	-	**5,490,904**

During the period, group reclassified an amount of KD 4,819,083 (Rand 120,266,611) from property, plant and equipment to trading properties as it represents the cost of land purchased with a purpose of trading after development in one of the subsidiary companies in South Africa.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006 (CONTINUED)

8. Capital Work in Progress

Capital work in progress consists of the following

	2006 KD	2005 KD
Hotels	**15,612,298**	12,314,130
Residential flats	**25,018,894**	18,543,389
Retail properties	**502,401**	119,908
	41,133,593	30,977,427

During the year, the group reclassified all costs including advances paid and associated with construction hotel buildings, residential flats and retail properties to capital work in progress.

9. Investment Properties

	2006 KD	2005 KD
"Palm project" freehold land in the Crescent area (Al-Hilal) – Al-Jumeira – Dubai, represents 40% of the total land in that area	**29,140,438**	29,160,782
Private freehold land in "IFA Zimbali Hotels & Resorts"– South Africa	**180,315**	269,756
Value of real estate investments on purchase date	**29,320,753**	29,430,538

The fair market value of these lands based on valuation performed by an independent property appraiser as at 30 June 2006.

Net unrealised gain on valuation of investment properties in both Dubai, UAE and South Africa amounted to KD 226,961 (KD 24,381,070 for 30 June 2005).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006 (CONTINUED)

10. Investments Available for Sale

	2006 **KD**	2005 KD
Foreign investments - unquoted	**16,403,831**	4,739,435

Foreign investments with a total value of KD 16,403,831 have been stated at cost due to the lack of reliable information to determine their fair values (2005: KD 4,739,435). Included in investments available for sale, the group's participations in the share capitals of foreign companies with a total value of KD 10,328,550 (KD 4,390,681 at 30 June 2005).

11. Investment in Associated Company

The group's investment in Boschendal (Pty) Ltd, SA, a company involved in property development, represents KD 2,159,884. The group has effective interest in the above company of 19.25% as at the consolidated date of the balance sheet.

12. Investments at Fair Value through Statement of Income

Investments at fair value through statement of income represent local quoted investments at fair value.

	2006 **KD**	2005 KD
Quoted shares – local	**5,677,806**	5,171,645

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006 (CONTINUED)

13. Trading Properties

	2006 KD	2005 KD
Residential flats in Dubai, UAE	**7,551,598**	2,956,915
Properties in South Africa	**7,908,141**	3,457,830
	15,459,739	6,414,745

14. Due from/to Related Parties

	2006 KD	2005 KD
Due from		
Kuwait Invest Company – KSC (Closed)	**148,723**	1,530,799
Assjad Al-Kuwait General Trading & Contracting Company – WLL	**1,551,746**	-
International Investment Projects Company – KSC (Closed)	**1,308,862**	-
Others	**1,933**	-
	3,011,264	1,530,799
Due to		
Kuwait Real Estate Company KSC	**485,204**	4,846,039
United Investment Company – Portugal	**-**	3,464,504
International Finance company – KSC (Closed)	**-**	1,947,146
International Financial Advisers (IFA) – KSC (Closed)	**35,044,314**	10,865,750
Istithmar PSC – Dubai	**506,343**	-
	36,035,861	21,123,439

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006 (CONTINUED)

15. Accounts Receivable and Other Assets

	2006 KD	2005 KD
Accounts receivable and advances	**10,154,279**	3,371,333
Deposits and prepayments	**542,663**	666,405
Other receivables	**1,064,254**	337,919
	11,761,196	4,375,657

16. Cash and Bank Balances

	2006 KD	2005 KD
Cash and bank balances	**25,006,777**	-
Fixed deposits – due within three months	**9,682,450**	16,477,480
Cash and cash equivalents in the consolidated statement of cash flows	**34,689,227**	16,477,480

17. Share Capital

The general assembly of shareholders, have approved in their ordinary and extraordinary meeting held on 19 September 2005 to increase the share capital of the parent company by KD 22,000,000 through the issuance of bonus shares of 5.5 shares for every share to the shareholders registered on that date. Accordingly, the share capital is composed of 260,000,000 shares with a par value of 100 Fils (2005: 40,000,000 shares of 100 Fils each).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006 (CONTINUED)

18. Reserves

In accordance with the Commercial Companies Law of Kuwait and the articles of incorporation, the parent company transfers 10% of profit for the year to the statutory reserve until the reserve's balance is equal to 50% of paid-up capital. Furthermore, 10% of profit is transferred to the voluntary reserve.

19. Instalment Payments Due on Purchase of Properties

These instalments represent amounts payable on the purchase of land in the Crescent (Al-Hilal) area in Dubai, UAE classified as investment properties and amount payable to the contractor on account of properties held for trading, which will be settled over a period of ten years.

20. Term Loans

	2006 KD	2005 KD
Term loan – Dubai	**5,055,792**	-
Term loan – South Africa	**1,763,080**	-
	6,818,872	-

Term loan represents loans obtained by the subsidiaries in Dubai and South Africa to finance the projects in Dubai and the purchase of properties in South Africa. These loans are secured against the mortgage of those properties and carry interest at commercial rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006 (CONTINUED)

21. Trade Creditors and Other Payables

	2006	2005
	KD	KD
Accounts payable	2,612,711	1,342,721
Liability towards purchase of properties – current portion	2,784,434	21,592
Accruals	582,033	20,734
Deferred tax	1,251,815	706,029
Deferred income	2,038,966	-
Other payables	1,699,940	1,999,085
	10,969,899	4,090,161

22. Advances Received from Customers

These represent advances received from customers relating to the purchase of residential apartments which are currently under construction by a subsidiary company in Dubai, UAE.

23. Proposed Dividends

The Board of Directors of the parent company proposed to distribute stock dividends of 15% or 15 shares for every 100 shares held by the shareholders at the date of the general assembly. Such proposals are subject to the approval of the general assembly of shareholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006 (CONTINUED)

23. Proposed Dividends (continued)

The general assembly of the shareholders held on 19 September 2005 approved the issuance of 220,000,000 shares as stock dividends with a par value of 100 Fils (Kuwaiti) per share, which is equivalent to KD 22,000,000 or 550% of the paid up share capital.

24. Segmental Information

Primary segment information – business segments

The group is organised into functional divisions in order to manage its various lines of business. For the purpose of segment reporting, the group's management has grouped the group activities into the following business segments. These business segments form the basis on which the group reports its primary segmental information.

- Local investment, comprising investment activities for own account and for clients, in the local Kuwaiti market;
- International investment, comprising investment activities for own account and for clients in international markets;
- Investment properties, comprising investments in land and buildings in international markets.

Segment results include revenue and expenses directly attributable to a segment and an allocation of cost of funds based on the weighted average balance of segment assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006 (CONTINUED)

24. Segmental Information (continued)

Financial information about business segments for the year/period ended 30 June 2006 and 30 June 2005 is set out below:

	Local investment KD '000	International Investments KD '000	Others KD '000	Total KD '000
Year ended 2006				
Income statement				
Segment revenue	**(313)**	**9,865**	**3,826**	**13,378**
Segment result	**(313)**	**9,865**	**3,826**	**13,378**
Unallocated corporate expenses				**(6,869)**
Profit for the year				**6,509**
Period ended 2005				
Income statement				
Segment revenue	2,310	30,441	2,402	35,153
Segment result	2,310	30,441	2,402	35,153
Unallocated corporate expenses				(3,182)
Profit for the period				31,971

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006 (CONTINUED)

25. Capital Commitments

Capital expenditure commitments

At 30 June 2006, the group was committed to invest in the additional anticipated funding required to build several real estate projects in Dubai, UAE and Beirut, Lebanon. The estimated funding commitments on these projects are as follows:

	2006 KD	2005 KD
Capital expenditure for purchase of properties contracted for	**10,246,858**	46,523,000
Estimated and contracted capital expenditure for construction of properties	**203,504,561**	75,525,000
	213,751,419	122,048,000

The group expects to 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.

In addition to this, the group has finance lease commitment with a value of KD 617,950 (2005: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006 (CONTINUED)

26. Related Parties Transactions

These represent transactions with related parties, that is Shareholders, Directors and senior management of the parent company and companies of which they are principal owners. Pricing policies and terms of these transactions are approved by the parent company's management.

Transactions with related parties included in the consolidated financial statements are as follows:

	2006 KD	2005 KD
Transactions included in the balance sheet:		
Proceeds from sale of subsidiary	**4,913,862**	-
Investment in associated company	**2,629,900**	-
Amounts due from related parties (Note 14)	**3,011,264**	1,530,799
Amounts due to related parties (Note 14)	**36,035,861**	21,123,439
Purchase of investments available for sale	**3,644,624**	3,444,000
Transactions included in the statement of income:		
Profit from sale of subsidiary	**3,796,151**	-
Interest expenses	**492,134**	623,000
Key management compensation	**50,000**	-

Related party balances outstanding at year end due to funds transfer are included under due from related parties and due to related parties.

27. Comparative Figures

Certain comparative amounts have been reclassified to conform to the presentation in the current year. Such reclassification does not affect previously reported consolidated net assets, net equity, net results for the period or net increase in cash and cash equivalents.

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HOTELS & RESORTS