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للفنادق والمنتجعات

HOTELS & RESORTS

ANNUAL REPORT 2007

2007

للفنادق والمنتجعات

HOTELS & RESORTS

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

MEMBERS OF THE BOARD

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

IFA Hotels & Resorts is currently engaged in over

30 projects in 12 countries

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

Africa
- Zimbali Coastal Resort, South Africa
- Zimbali Lodge, South Africa
- Fairmont Zimbali, South Africa
- Boschendal Estate, South Africa
- Legend Golf & Safari Resort, South Africa
- Zanzibar Beach Hotel & Resort
- Fairmont Kenya
- Kempinski Namibia
- Zilwa, Seychelles

Europe
- Yotel, United Kingdom
- Pine Cliffs Resort, Portugal

Asia (Thailand)
- The River, Bangkok
- The Lofts Yennakart, Bangkok
- The Lakes, Bangkok
- The Lofts Sathorn, Bangkok
- The Legend Saladaeng, Bangkok
- Northpoint, Pattaya
- Northshore, Pattaya
- The Heights, Phuket
- Kata Gardens, Phuket

IFA Yacht Ownership Club
- IFA Dubai
- IFA Beirut
- IFA Cannes

CHAIRMAN'S MESSAGE

Dear Shareholders,

Building on our success achieved in 2006, which saw the listing of IFA Hotels & Resorts (IFA HR) on the Kuwait Stock Exchange and our South African subsidiary, IFA Hotels & Resorts Limited (IFA SA), listing on the JSE Limited, it is with great pleasure that I announce on behalf of my colleagues and the Board of Directors, this year's end profits of KD22.82 million or 76.81 fils per share, achieving a 236% increase in profits compared to last year. We are also happy to announce to our shareholders share dividends of 15% bonus shares and 30% cash bonus for this period.

This impressive growth has been fuelled by a number of outstanding projects we have been working on in the past few years such as The Fairmont Palm Residence, The Palm Golden Mile, The Palm Residence and the Laguna Tower in Dubai.

In the Middle East, our most notable launch has been that of the Kingdom of Sheba resort on The Palm Jumeirah and the subsequent launch of Fairmont Heritage Place, Kingdom of Sheba; the first fractional ownership product to be launched in the region. The combined value of the Kingdom of Sheba resort is in excess of US$1 billion and will cover 141,500 square metres in a prime location on the crescent of the island.

In addition to this regional development, we have been focusing on a set strategy to extend the geographic reach of IFA HR as a global mixed-use hotel and tourism resort developer. Last year, we pledged that the next 12 months would see IFA HR expanding into the Far East, other areas of the African sub continent and into the Caribbean, and today, as we close the fiscal year, we are making steady progress to achieve this goal. We are currently engaged in over 30 projects across more than a dozen markets including Thailand, Africa, Portugal, the UK, the Seychelles and the Caribbean.

The expansion of IFA HR into Thailand, after acquiring 24.9% of SET (Stock Exchange of Thailand) listed condominium developer Raimon Land, represents an important part of our strategy to enter the world's most exotic destinations. Raimon Land currently has a portfolio of ten residential projects; six in Bangkok, two in Pattaya and two in Phuket. This move provides IFA HR with a stepping stone to pursue further growth and expansion throughout Asia.

IFA Hotels & Resorts - Financial Results 2007

Earning per share
76.81 fils
30% cash dividends

Total profits (KD)
22.82 million
15% bonus shares

Fiscal year results ending on June 30, 2007

	30/6/06	30/6/07	Growth (%)
Total revenue (million KD)	13.38	32.64	144
Shareholders' equity (million KD)	35.19	52.46	49
Net profit (million KD)	6.8	22.82	236
Earning per share (Fils)	22.73	76.81	238
Return on assets	5%	11.7%	133
Return on shareholders' equity	20.7%	52.1%	151

HOTELS & RESORTS

Continuing with this commitment, 2007 saw the opening of our London office, bringing our global portfolio to the doorstep of the UK investor. Located in the heart of the city, this office will also lead and manage our existing European projects while exploring future investment opportunities.

In Africa, we entered the Namibian hospitality market with four hotels acquired through a strategic partnership with Ohlthaver & List, launched Fairmont Heritage Place, Zimbali in South Africa and increased our investments in Boschendal Ltd.

During July, we opened our first YOTEL hotel at Gatwick Airport. We truly believe the YOTEL concept represents the future and hope to see a YOTEL in the majority of international cities and airports in the next few years. Several international locations have already been identified as prime opportunities for YOTEL including Dubai, the Netherlands, Singapore, Thailand, Germany, New York, Russia, India, South Africa and more.

Whether welcoming guests at YOTEL or expanding our Yacht Ownership Club to include the Caribbean, we will continue our expansion plans while maintaining our commitment to provide both our clients and shareholders with a great choice of varied investment and recreational opportunities that yield first-class returns.

Already in our first quarter, we have announced our entry into the Seychelles with Zilwa, a mixed-use resort, and our new venture into wildlife hospitality with Legend Golf & Safari Resort in South Africa.

The vision and strategy of IFA HR is largely due to the success that we have achieved through careful strategic planning with our key partners and investors. I would like to express my sincere appreciation to all of those who have supported our global expansion plans and helped us to realise many of them. From our investors, shareholders, partners and customers to our hardworking and dedicated staff – thank you.

Talal Jassim Al-Bahar

Chairman & Managing Director
IFA Hotels & Resorts

From our investors, shareholders, partners and customers to our hardworking and dedicated staff

thank you

HOTELS & RESORTS

THE IFA HOTELS & RESORTS PORTFOLIO

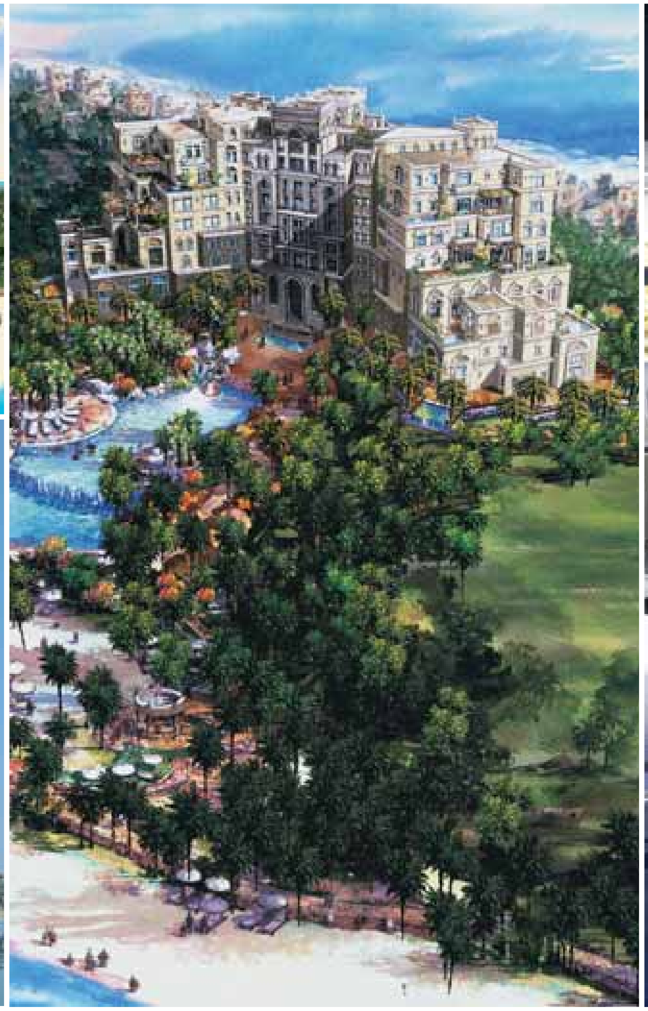
MIDDLE EAST

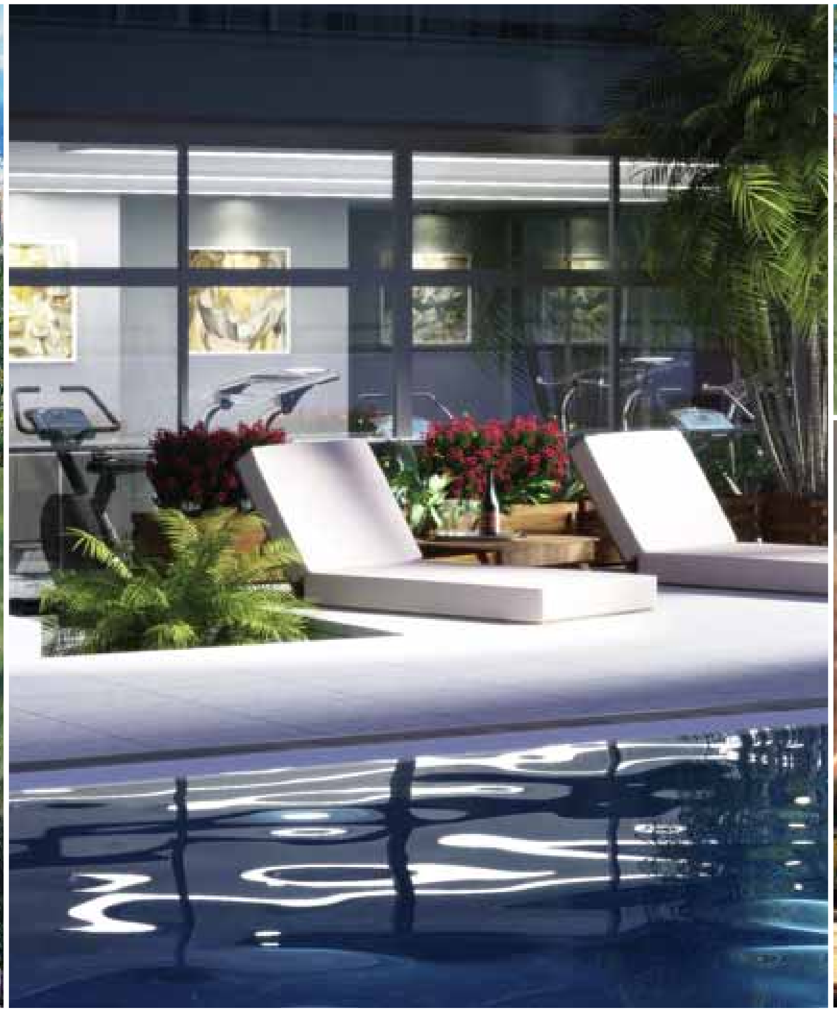

Kingdom of Sheba, Dubai

The Fairmont Palm Residence, Dubai



The Palm Residence, Dubai


Fairmont Heritage Place, Kingdom of Sheba, Dubai


Mövenpick Hotel & Residence Laguna Tower Dubai

Alabadiyah Hills, Lebanon



Four Seasons, Beirut

THE IFA HOTELS & RESORTS PORTFOLIO (CONTINUED)

AFRICA

Boschendal Estate, South Africa

Zimbali Lodge, South Africa

Fairmont Zimbali, South Africa

Zilwa, Seychelles

Legend Golf & Safari Resort, South Africa

Zanzibar Beach Hotel & Resort, Tanzania

Fairmont Kenya

THE IFA HOTELS & RESORTS PORTFOLIO (CONTINUED)

ASIA

The River, Bangkok, Thailand

Northpoint, Pattaya, Thailand

The Heights, Phuket, Thailand

The Lofts Yennekart, Bangkok, Thailand

EUROPE

AROUND THE GLOBE

Pine Cliffs Resort, Portugal

YOTEL, UK

IFA Yacht Ownership Club

IFA Travel & Tourism

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 ("the Group"), which comprise the consolidated balance sheet as at 30 June 2007, and the related consolidated statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements
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 that might have had a material effect on the business of the Group or on its financial position.

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

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

Kuwait
2 August 2007

CONSOLIDATED STATEMENT OF INCOME
30 JUNE 2007

	Note	Year ended 30 June 2007 KD	Year ended 30 June 2006 KD
Income			
Net income from hoteliers and related services		969,625	1,715,484
Change in fair value of investment properties		27,830	226,961
Gain on sale of shares in a subsidiary company	4	-	5,231,778
Realised loss from sale of investments at fair value through statement of income		(179,819)	-
Unrealised loss from investments at fair value through statement of income		(1,287,261)	(312,501)
Realised gain from sale of available for sale investments		127,122	-
Gain on sale of trading properties	5	29,763,918	4,406,274
Share of loss of associated companies		(274,718)	-
Interest income		2,443,294	1,354,460
Dividend income		-	102,155
Other income		1,047,546	653,546
Total income		32,637,537	13,378,157
Expenses and other charges			
Operating expenses and other charges		8,122,920	5,316,515
Impairment in value of goodwill		129,303	-
Depreciation		514,008	369,530
Finance costs		361,421	293,507
Total expenses and other charges		9,127,652	5,979,552
Profit before taxation on overseas subsidiaries, KFAS, NLST and board of directors' remuneration,		23,509,885	7,398,605
Taxation on overseas subsidiaries		58,830	(703,956)
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(213,087)	(39,320)
National Labour Support Tax (NLST)		(591,908)	(96,067)
Board of directors' remuneration		(50,000)	(50,000)
Profit for the year		22,713,720	6,509,262
Attributable to :			
Shareholders of the parent company		22,821,309	6,796,212
Minority interest		(107,589)	(286,950)
Profit for the year		22,713,720	6,509,262
Basic and diluted earnings per share attributable to the shareholders of the parent company	6	76.81 Fils	22.73 Fils

CONSOLIDATED BALANCE SHEET
30 JUNE 2007

	Note	Year ended 30 June 2007 KD	Year ended 30 June 2006 KD
Assets			
Non-current assets			
Goodwill		93,059	218,496
Property, plant and equipment	7	9,002,860	6,179,886
Capital work in progress	8	29,324,641	16,056,770
Investment properties	9	218,425	29,320,753
Investment in associated companies	10	10,398,617	2,159,884
Investments available for sale	11	22,409,074	16,403,831
Total non-current assets		71,446,676	70,339,620
Current assets			
Accounts receivable and other assets	12	46,052,059	14,772,460
Properties under development	13	61,351,026	25,076,823
Trading properties	14	9,340,161	15,459,739
Investments at fair value through statement of income	15	3,752,283	5,677,806
Cash and cash equivalents	16	32,176,915	34,689,227
Total current assets		152,672,444	95,676,055
Total assets		224,119,120	166,015,675
Equity and liabilities			
Equity			
Equity attributable to the shareholders of the parent company			
Share capital	17	29,900,000	26,000,000
Treasury shares	18	(4,659,835)	-
Statutory reserve	19	6,294,372	3,926,742
Voluntary reserve	19	3,068,290	700,660
Cumulative changes in fair value		(657,006)	-
Treasury shares profit reserve		25,131	-
Foreign currency translation reserve		(2,274,412)	(2,014,551)
Retained earnings		20,766,764	6,580,715
Total equity attributable to the shareholders of the parent company		52,463,304	35,193,566
Minority interest		9,106,458	2,124,982
Total equity		61,569,762	37,318,548
Non-current liabilities			
Instalment payments due on purchase of properties	20	7,396,039	15,372,165
Term loans	21	6,359,751	6,818,872
Total non-current liabilities		13,755,790	22,191,037
Current liabilities			
Due to related parties	28	45,114,613	36,035,861
Accounts payable and other liabilities	22	42,656,734	10,969,899
Advances received from customers	23	61,022,221	59,500,330
Total current liabilities		148,793,568	106,506,090
Total equity and liabilities		224,119,120	166,015,675

Talal Jassim Al-Bahar

Chairman & Managing Director
IFA Hotels & Resorts

HOTELS & RESORTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
30 JUNE 2007

	Equity attributable to shareholders of the parent company										
	Share capital KD	Treasury shares KD	Statutory reserve KD	Voluntary reserve KD	Cumulative changes in fair value KD	Treasury shares profit reserve KD	Foreign currency translation reserve KD	Retained earnings KD	Sub -Total KD	Minority interest KD	Total 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 (see Note 25)	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**

Balance as 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
Foreign currency translation adjustment	-	-	-	-	-	-	(2,032,949)	-	(2,032,949)	-	(2,032,949)
Net expense recognised directly in equity	-	-	-	-	-	-	(2,032,949)	-	(2,032,949)	-	(2,032,949)
Profit/(loss) for the year	-	-	-	-	-	-	-	6,796,212	6,796,212	(286,950)	6,509,262
Total recognised (expense)/income for the year	-	-	-	-	-	-	(2,032,949)	6,796,212	4,763,263	(286,950)	4,476,313
Bonus shares issued	22,000,000	-	-	-	-	-	-	(22,000,000)	-	-	-
Transfer to reserves	-	-	693,160	693,160	-	-	-	(1,386,320)	-	-	-
Changes in minority interest	-	-	-	-	-	-	-	-	-	622,205	622,205
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**

CONSOLIDATED STATEMENT OF CASH FLOWS
30 JUNE 2007

	Note	**Year ended 30 June 2007 KD**	Year ended 30 June 2006 KD
OPERATING ACTIVITIES			
Profit for the year		**22,713,720**	6,509,262
Adjustments:			
Realised loss from sale of investments at fair value through statement of income		**179,819**	-
Unrealised loss from investments at fair value through statement of income		**1,287,261**	312,501
Gain on sale of shares in a subsidiary company		**-**	(5,231,778)
Realised gain from sale of available for sale investments		**127,122**	-
Share of loss of associated companies		**274,718**	-
Change in fair value of investment properties		**(27,830)**	(226,961)
Dividend income		**-**	(102,155)
Interest income		**(2,443,294)**	(1,354,460)
Impairment in value of goodwill		**129,303**	-
Depreciation		**514,008**	369,530
		22,754,827	275,939
Changes in operating assets and liabilities:			
Accounts receivable and other assets		**(31,279,599)**	(8,866,004)
Properties under development		**(7,972,816)**	-
Trading properties		**6,119,578**	(1,493,396)
Accounts payable and other liabilities		**32,685,531**	4,846,789
Due to related parties		**9,078,752**	14,912,422
Advances received from customers		**1,521,891**	23,175,794
Net cash from operating activities		**32,908,164**	**32,851,544**
INVESTING ACTIVITIES			
Net proceeds from sale of shares in a subsidiary company		**-**	6,352,111
Investment in associated company		**(7,944,579)**	(2,159,884)
Net additions of property, plant and equipment		**(3,322,382)**	(1,058,512)
Purchase of investments at fair value through statement of income		**(45,879)**	(818,662)
Proceeds from sale of investments at fair value through statement of income		**504,322**	-
Additions to investment properties		**(7,967)**	-
Proceeds from sale of available for sale investments		**817,611**	-
Purchase of available for sale investments		**(7,606,982)**	(11,664,396)
Additions to capital work in progress		**(14,277,028)**	(17,371,018)
Dividend income received		**-**	102,155
Interest income received		**2,443,294**	1,354,460
Net cash used in investing activities		**(29,439,590)**	**(25,263,746)**
FINANCING ACTIVITIES			
Purchase of treasury shares		**(10,466,724)**	-
Proceeds from sale of treasury shares		**5,832,020**	-
Changes in minority interest		**7,089,065**	(611,625)
Long term liability towards purchase of land		**(7,976,126)**	4,416,702
(Decrease)/increase in term loans		**(459,121)**	6,818,872
Net cash (used in)/from financing activities		**(5,980,886)**	**10,623,949**
Net (decrease)/increase in cash and cash equivalents		**(2,512,312)**	18,211,747
Cash and cash equivalents at beginning of the year	16	**34,689,227**	16,477,480
Cash and cash equivalents at end of the year	16	**32,176,915**	**34,689,227**

HOTELS & RESORTS

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 and Resorts – KSC (Closed) 'the parent company' and its principal subsidiaries listed in note 3 a) to the consolidated financial statements are collectively referred to as the "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 specialised 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 realize 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 company's shares were listed in Kuwait stock exchange on 3 January 2006.

The board of directors of the parent company approved these consolidated financial statements for issuance on 2 August 2007. The general assembly of the parent company's shareholders has the power to amend these consolidated financial statements after issuance.

2 Significant accounting policies

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.

The accounting policies are consistent with those used in the previous year except for the new accounting policy adopted for "Treasury shares".

IASB Standard issued but not yet effective

The following IASB Standard has been issued but not yet effective, and has not yet been adopted by the Group.

IFRS 7 Financial Instruments: disclosures
IFRS 8 Operating Segments
IAS 1 Amendment–Presentation of financial statements.

The application of IFRS 7, which will be effective for the year ending 30 June 2008, will result in amended and additional disclosures relating to financial instruments and associated risks and the application of IFRS 8, which will be effective for the year ending 30 June 2010 will result in amended and additional disclosure relating to segment reporting. The amendment to IAS 1, which will be effective for the year ending 30 June 2008, will result in the group making certain additional disclosures relating to managing capital.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the parent company for the year ended 30 June 2007, and the financial statements of its subsidiaries prepared to that date, or to a date not earlier than three months of the parent company's year end using consistent accounting policies.

Subsidiaries are those enterprises controlled by the Group and are fully consolidated from the date on which control is transferred to the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of income from the date of acquisition or up to the date of disposal, as appropriate.

All significant inter-company balances and transactions are eliminated on consolidation.

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.

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

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

Income from sale of properties

Revenue on sale of condominiums is recognised on the basis of percentage completion using the cost-to-cost method as and when all of the following conditions are met:

- The buyer's investment, to the date of the financial statements, is adequate (20% and above) 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 finished;
- The buyer is committed; and
- The aggregate sales proceeds and costs can be reliably estimated.

Dividends income

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

Finance cost

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

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".

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.

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

Management determines the classification of these financial instruments at the time of acquisition.

Measurement

Investments at fair value through statement of income

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

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

Loans and receivables

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

Available for sale investments

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

2 Significant accounting policies (continued)

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 derecognised or determined to be impaired. On derecognition or impairment, the cumulative gain or loss previously recognised in equity is recognised in the consolidated statement of income.

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

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

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

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 derecognition of financial assets and liabilities
A financial asset or a financial liability is recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (in whole or in part) is derecognised 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 derecognised 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.

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 venturers. 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.

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

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the 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 for 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 disclosed net of transfer to 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 disclosed 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 realizable value.

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.

2 Significant accounting policies (continued)

Leases
Leases where a significant portion of the risks and rewards of ownership are retained by the leaser 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.

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 profits then reserves. Subsequent to this, should profits arise from sale of treasury shares an amount is transferred to reserves then retained profits 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 presentational 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 (the 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.

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

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

Valuation of unquoted equity investments
Valuation of unquoted equity investments is normally based on one of the following:
- Recent arm's length market transactions;
- Current fair value of another instrument that is substantially the same; or
- The expected cash flow discounted at current rates applicable for items with similar terms and risk characteristics;
- Other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. There are certain investments where this estimation cannot be reliably determined, and as a result available for sale investments with a carrying amount of KD12,099,879 (2006: KD10,328,550) are carried at cost.

Estimation of useful lives of property, plant and equipment
The Group's management determines the useful lives and 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.

3 Subsidiary companies and joint ventures

a) **Subsidiary companies**
The principal 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%

3 Subsidiary companies and joint ventures (continued)

b) Joint ventures

The Group has interest in the following 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 Moorland/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%

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

	2007 KD	2006 KD
Assets	**7,449,321**	10,936,705
Liabilities	**(1,605,671)**	(5,621,550)
Equity	**5,843,650**	5,315,155
Income	**2,312,120**	6,827,414
Direct cost and other expenses	**(865,577)**	(3,747,909)
Profit	**1,446,543**	3,079,505

4 Gain on sale of shares in a subsidiary company

During the previous year, 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 consideration equivalent to KD6,352,111, which resulted in a profit of KD5,231,778 being recognised in the statement of income.

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:

	2007 KD	2006 KD
Sales revenue	**75,945,921**	17,601,271
Cost of sales	**(46,182,003)**	(13,194,997)
	29,763,918	4,406,274

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

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:

	2007	2006
Profit for the year attributable to the shareholders of the parent company (KD)	**22,821,309**	6,796,212
Weighted average number of shares outstanding during the year (excluding treasury shares)	**297,119,018**	299,000,000
Basic and diluted earnings per share	**76.81 Fils**	22.73 Fils

The weighted average number of shares outstanding during the previous year has been adjusted to reflect the 15% bonus shares of 39,000,000 approved by the general assembly held on 30 October 2006 (Note 25).

7 Property, plant and equipment

	Land KD	Buildings on freehold land KD	Buildings on leasehold land KD	Plant and equipment KD	Furniture, fixtures and office equipment KD	Motor vehicles KD	Yacht KD	Total KD
At 1 July 2005								
Cost	1,810,523	2,455,830	621,832	279,444	585,731	125,417	-	**5,878,777**
Accumulated depreciation	-	(63,011)	(31,545)	(37,917)	(212,136)	(43,264)	-	**(387,873)**
Net book amount	**1,810,523**	**2,392,819**	**590,287**	**241,527**	**373,595**	**82,153**	-	5,490,904
Year ended 30 June 2006								
Opening net book amount	1,810,523	2,392,819	590,287	241,527	373,595	82,153	-	**5,490,904**
Additions	3,409,258	44,025	580,370	8,025	195,152	11,478	2,231,970	**6,480,278**
Reclassification (see 7.1)	(4,819,083)	-	-	(6,829)	(43,862)	-	-	**(4,869,774)**
Disposals	-	-	-	(456)	(1,987)	(82)	-	**(2,525)**
Foreign exchange adjustment	(258,146)	(259,354)	863	(58,079)	10,613	14,636	-	**(549,467)**
Depreciation charge for the year	-	(93,270)	(18,931)	(40,959)	(180,112)	(36,258)	-	**(369,530)**
Closing net book amount	**142,552**	**2,084,220**	**1,152,589**	**143,229**	**353,399**	**71,927**	**2,231,970**	6,179,886
At 30 June 2006								
Cost	142,552	2,257,934	1,202,202	226,413	728,878	158,757	2,231,970	**6,948,706**
Accumulated depreciation	-	(173,714)	(49,613)	(83,184)	(375,479)	(86,830)	-	**(768,820)**
Net book amount	**142,552**	**2,084,220**	**1,152,589**	**143,229**	**353,399**	**71,927**	**2,231,970**	6,179,886
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 charge 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

7.1 During the previous year, the group reclassified an amount of KD4,819,083 (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.

7.2 Land and building with a carry value of KD2,234,391 located in South Africa have been pledged as security for the term loan facility obtained by a South African subsidiary (see note 21).

HOTELS & RESORTS

8 Capital work in progress

Capital work in progress represents mainly hotels under construction in Dubai, UAE.

The movement in capital work in progress is as follows:

	2007	2006
	KD	KD
Carrying value at 1 July	16,056,770	889,310
Discount on early payment	(864,336)	-
Additions	14,277,028	15,178,946
Foreign exchange adjustments	(144,821)	(11,486)
Carrying value at 30 June	29,324,641	16,056,770

The above balance consists of the following:

	2007	2006
	KD	KD
Land cost		
- The Trunk, The Palm Jumeirah	6,748,980	6,810,405
- Crescent, The Palm Jumeirah	6,283,587	7,212,980
- Golden Mile, The Palm Jumeirah	1,220,915	165,007
	14,253,482	14,188,392
Construction, piling and enabling work	11,845,888	409,892
Other construction related costs	3,225,271	1,458,486
	29,324,641	16,056,770

9 Investment properties

The movement in investment properties is as follows:

	2007	2006
	KD	KD
Carrying value at 1 July	29,320,753	29,093,792
Discount on early payment	(576,224)	-
Additions during the year	7,967	-
Transfer to property under developments (see note 9b.)	(28,301,387)	-
Change in fair value	27,830	226,961
Foreign currency translation adjustment	(260,514)	-
Carrying value at 30 June	218,425	29,320,753

The investment properties consist of the following:

	2007	2006
	KD	KD
Crescent, The Palm Jumeirah [freehold land in the crescent area (Al-Hilal) – Al-Jumeira – Dubai, represents 40% of the total land in that area]	-	29,140,438
Private freehold land in "IFA Zimbali Hotels & Resorts"– South Africa	218,425	180,315
	218,425	29,320,753

9a) The Group's investment properties were revalued at 30 June 2007 by professionally qualified external valuers with experience in the respective real estate markets based on open market value method.

9b) During the year, properties in the United Arab Emirates with a value of KD28,301,387 (AED362,791,786) were transferred to properties under development (see note 13) as the management intends to construct and sell freehold apartments, villas, townhouses, penthouses, vacation club and heritage place on this plot of land .

10 Investment in associated companies

Details of associates are as follows:

Name and particulars of the company	Interest in equity	2007 KD	2006 KD
Boschendal (Pty) Ltd. (Registered in South Africa and its principal activity is providing banking services)	26.57%	2,451,419	2,159,883
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)	24.99%	7,947,197	-
		10,398,617	2,159,884

Aggregate share of associates' balance sheets:

	2007	2006
	KD	KD
Assets	18,515,803	2,429,658
Liabilities	(8,117,186)	(269,774)
Equity	10,398,617	2,159,884

Aggregate share of associates' revenue and losses:

Revenue	736,590	-
Losses	(274,718)	-

The fair market value of Raimon Land Public Company Limited quoted shares is KD5,665,033. The fair value of the other associate could not be reliably measured since it is unquoted.

11 Investments available for sale

	2007	2006
	KD	KD
Foreign investments – quoted shares	581,871	-
Foreign investments – unquoted shares	12,245,029	10,621,060
Foreign investments – principal guaranteed instruments (see note 11a)	8,395,350	5,782,771
Local investments – quoted shares	1,076,824	-
Local investments – unquoted shares	110,000	-
	22,409,074	16,403,831

11a The above foreign principal guaranteed instruments are denominated in US Dollars and issued by foreign banks and carry effective interest rates ranging from 7.25% to 11.25% per annum.

12 Accounts receivable and other assets

	2007	2006
	KD	KD
Accounts receivable and advances	25,000,317	10,154,279
Due from related parties	16,655,876	3,011,264
Deposits and prepayments	592,444	542,663
Other receivables	3,803,422	1,064,254
	46,052,059	14,772,460

13 Properties under development

	2007	2006
	KD	KD
Land cost		
- The Trunk, The Palm Jumeirah	7,592,602	9,969,770
- Jumeirah Lake, Dubai	3,388,412	2,005,365
- Golden Mile, The Palm Jumeirah	4,441,885	1,485,066
- Crescent, The Palm Jumeirah (see note 9b.)	28,301,387	-
	43,724,286	13,460,201
Construction, piling and enabling works	9,482,159	6,082,056
Other construction related costs	8,144,581	5,534,566
	61,351,026	25,076,823

14 Trading properties

	2007	2006
	KD	KD
Residential flats in Dubai, UAE	942,085	7,551,598
Properties in South Africa	8,398,076	7,908,141
	9,340,161	15,459,739

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

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

The Group uses the percentage of completion method in recognising the income generated from selling these flats.

15 Investments at fair value through statement of income

	2007	2006
	KD	KD
Held for trading:		
Local quoted shares	3,752,283	5,677,806

16 Cash and cash equivalents

	2007 KD	2006 KD
Cash and bank balances	**17,869,996**	25,006,777
Term deposits – due within three months	**14,306,919**	9,682,450
	32,176,915	34,689,227

17 Share capital

The general assembly meeting of the shareholders of the parent company held on 30 October 2006 approved an increase in the share capital from KD26,000,000 to KD29,900,000 by way of issuance of 15% bonus shares amounting to KD3,900,000.

At 30 June 2007, the authorised, issue and paid-up capital of the parent company comprised 299,000,000 (2006: 260,000,000) shares of 100 fils each.

18 Treasury shares

At 30 June 2007 the parent company held 4,234,000 (2006: Nil) of its own shares, equivalent to 1.416% of the total issued share capital at that date. The market value of these shares at the balance sheet date was KD4,657,400. Reserves of the parent company equivalent to the cost of the treasury shares have been earmarked as non-distributable.

19 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 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 and board of directors remuneration but after taxation on overseas subsidiaries and minority interest, to the voluntary reserve.

20 Instalment payments due on purchase of properties

These instalments as at 30 June 2007 represent amounts payable on the purchase of land in the crescent on The Palm Jumeira, Dubai, UAE and the land located at Jumirah 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:

	2007 KD	2006 KD
Amounts due within one year (see note 22)	**7,455,683**	2,784,434
Amounts due after one year	**7,396,039**	15,372,165
Total amount due	**14,851,722**	18,156,599

21 Term loans

	Effective interest rates %	2007 KD	2006 KD
Term loan – Dubai	5%	**5,010,192**	5,055,792
Term loan – South Africa	13%	**1,349,559**	1,763,080
		6,359,751	6,818,872

Term loans represent loans obtained by the subsidiaries in Dubai and South Africa to finance the projects in Dubai and the purchase of properties in South Africa. The loan obtained by the South African subsidiary is secured against the mortgage of those properties with a carrying value of KD2,234,391.

22 Accounts payables and other liabilities

	2007 KD	2006 KD
Accounts payable	**4,883,627**	2,612,711
Accrued construction costs	**22,527,659**	-
Instalment payments due on purchase of properties – current portion (see note 20)	**7,455,683**	2,784,434
Accruals	**1,437,981**	582,033
Deferred tax	**936,199**	1,251,815
Deferred income	**1,097,490**	2,038,966
Other payables	**4,318,095**	1,699,940
	42,656,734	10,969,899

23 Advances received from customers

These balances represents amounts collected from customers in advance on the sale of residential flats currently under construction by a subsidiary company in Dubai, UAE.

24 Staff costs

The total staff costs of the group for the year ended 30 June 2007 amounted to KD2,487,596 (2006: KD2,127,589).

25 Proposed dividends

Subject to the requisite consent of the relevant authorities and approval from the general assembly, the parent company's board of directors propose a cash dividend of 30 Fils (2006: Nil) per share and the issue of 15% (2006: 15%) of the paid-up share capital as at 30 June 2007 as bonus shares.

The proposed bonus shares of 15% of paid up share capital amounting to KD3,900,000, for the year ended 30 June 2006 to the shareholders of record on the date of the general assembly, was approved at the general assembly held on 30 October 2006 and distributed subsequently.

26 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 and Europe. The geographical analysis of segment information is as follows:

30 June 2007 Income statement	Kuwait KD	Asia and Middle East KD	Africa KD	Europe KD	Total KD
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	**25,047,142**	**163,518,941**	**31,573,474**	**3,979,563**	**224,119,120**
Segment liabilities	**(45,981,080)**	**(110,450,826)**	**(6,117,452)**	-	**(162,549,358)**
Total equity	**(20,933,938)**	**53,068,115**	**25,456,022**	**3,979,563**	**61,569,762**
Depreciation	**149,552**	**196,200**	**168,256**	-	**514,008**
30 June 2006 Income statement					
Segment revenue	5,021,432	3,480,865	4,875,860	-	13,378,157
Segment result	5,271,879	552,489	820,281	-	6,644,649
Unallocated corporate expenses					(135,387)
Profit for the year					6,509,262
Balance sheet					
Segment assets	16,379,119	125,394,617	20,597,316	3,644,623	166,015,675
Segment liabilities	(35,521,548)	(90,848,903)	(2,326,676)	-	(128,697,127)
Total equity	(19,142,429)	34,545,714	18,270,640	3,644,623	37,318,548
Depreciation	-	102,529	267,001	-	369,530

Secondary segment information - business segments

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

	Assets 2007 KD	Assets 2006 KD	Revenue 2007 KD	Revenue 2006 KD
Investments	**39,406,731**	22,506,790	**(1,339,958)**	4,919,277
Hoteliers and property development	**204,712,389**	143,508,885	**33,977,495**	8,458,880
	224,119,120	166,015,675	**32,637,537**	13,378,157

27 Capital commitments

Capital expenditure commitments

At 30 June 2007, 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:

	2007 KD	2006 KD
Capital expenditure for purchase of properties contracted	42,427,618	10,246,858
Estimated and contracted capital expenditure for construction of properties	171,396,487	203,504,561
	213,824,105	213,751,419

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 KD468,144 (2006: KD617,950).

28 Related party transactions

These represent transactions with related parties, that is, major shareholders, directors and senior management personnel of the parent company, and companies of which they 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 parent company's management.

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

	2007 KD	2006 KD
Consolidated balance sheet:		
Amounts due from related parties (see note 12)	16,655,876	3,011,264
Amount due to ultimate parent company	43,533,401	35,044,314
Amounts due to other related parties	1,581,212	991,547
Purchase of investments available for sale	-	3,644,624
Transactions included in the consolidated statement of income:		
Finance costs	315,039	-
Interest income	522,386	-
Compensation of key management personnel of the Group		
Short-term employee benefits	258,728	160,173

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

29 Risk management

Interest rate risk

Calls accounts and deposits carry interests at commercial rates and mature within three months from the deposit date.

The interest rates related to term loans are disclosed in note 21 to the consolidated financial statements.

Credit risk

Financial assets, which potentially subject the group to concentrations of credit risk, consist principally of bank balances, term deposits, due from related parties and accounts receivable and other assets. The group's bank balances and term deposits are placed with financial institutions of high credit standings and due from related parties, accounts receivable and other assets are presented net of appropriate provisions.

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group views itself as a Kuwaiti entity, with the Kuwaiti Dinar as its functional currency. The Group's management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the Group does not hedge foreign currency exposure.

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market.

The Group is exposed to market risk with respect to its investments securities.

The Group limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in international and local equity markets. In addition, the Group actively monitors the key factors that affect stock market movements, including analysis of the operational and financial performance of investees.

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.

30 Fair value of financial instruments

Fair value represents amounts at which an asset could be exchanged or a liability settled on an arm's length basis. In the opinion of the parent company's management, except for certain available for sale investments which are carried at cost for reasons specified in Note 2 to the consolidated financial statements (under the heading 'Estimation uncertainty'), the carrying amounts of financial assets and liabilities as at 30 June 2007 and 2006 approximate their fair values.

31 Comparative figures

Certain comparative figures have been re-grouped and re-classified in order to conform to the presentation of the current year and does not affect previously reported consolidated net assets, net shareholder's equity, profit for the year or net increase in cash and cash equivalents.

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