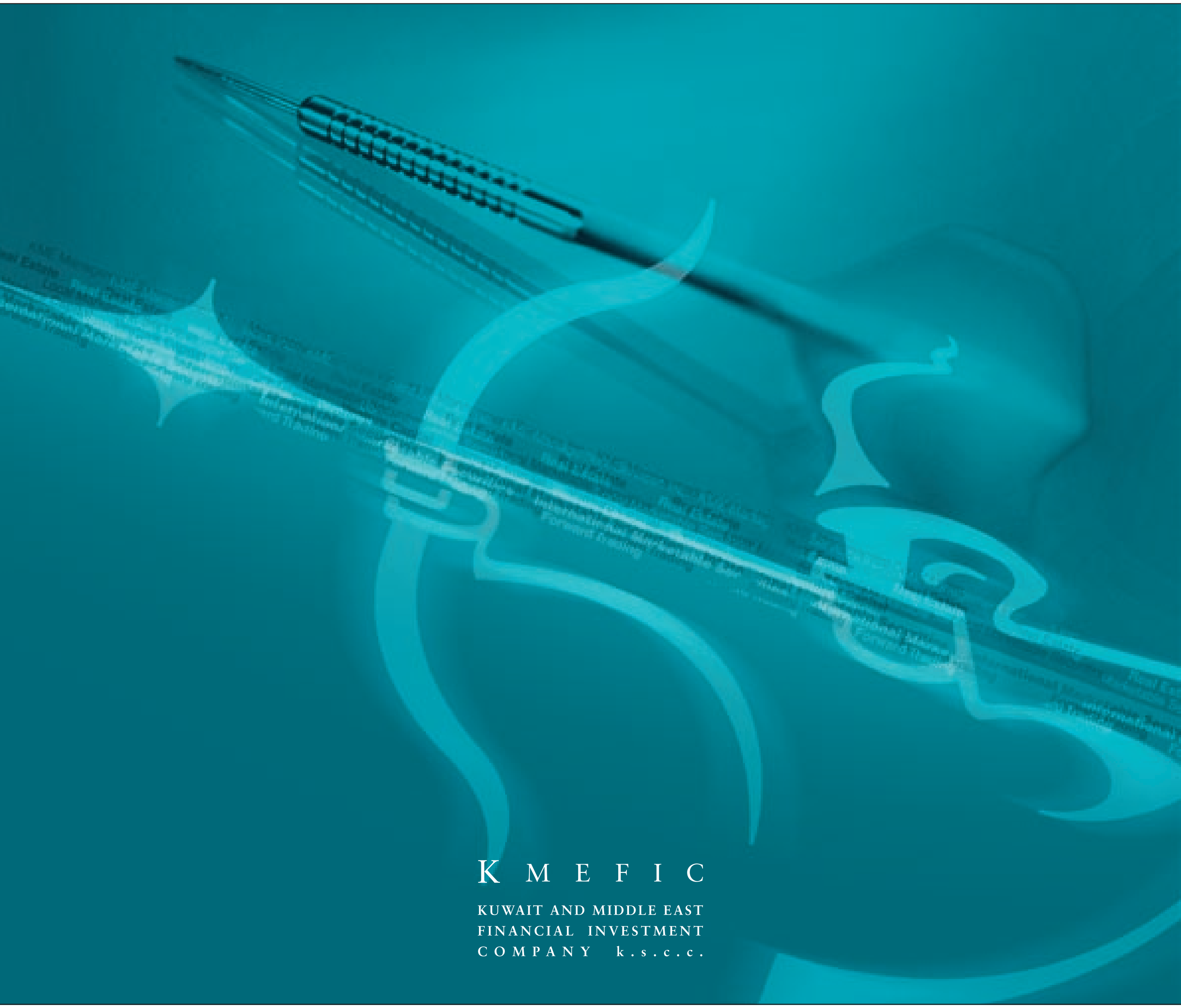
Annual Report
2007



KMEFIC

KUWAIT AND MIDDLE EAST
FINANCIAL INVESTMENT
COMPANY k.s.c.c.

P.O.Box 819 Safat, 13009 Kuwait
Tel.: 2255000-2255555
Fax : 2252558-2252563
E-mail: info@kmefic.com.kw

Contents

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

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

H.H. Sheikh Nasser Al-Mohammed Al-Ahmed Al-Sabah
Prime Minister of the State of Kuwait

Board of Directors

1		
2	3	4
5	6	7

1 Hamed S. Al-Saif
Chairman & Managing Director

2 Nasser B. Al-Mutair
Vice Chairman

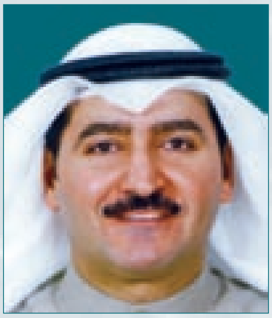
3 Hamad A. Al-Marzouk
Director

4 Sanjeev Baijal
Director

5 Hasan Y. Behbahani
Director

6 Adel Ellabban
Director

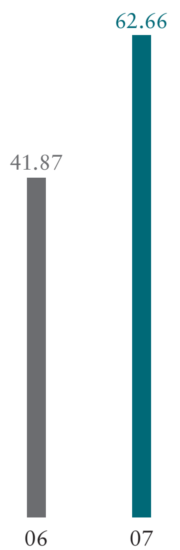
7 Michael Collis
Director



In 2007, the company achieved a total income of KD 25.8 million higher by 41% compared to KD 18.3 million in the previous year.

Chairman's Message

Earnings Per Share (fils)



Dear Shareholders

The Kuwait Stock Exchange - which outperformed all GCC markets over the first nine months of 2007, has experienced a correction in the last quarter of the year. Nevertheless, the market is still characterized as bull-run since 2001. During the period 2003-2007, the KSE Price Index registered a compounded annual growth of 23% while the KSE Weighted Index grew by 21%. As of the end of 2007, the KSE Price Index stood at 12,558 up by 2,492 points and higher by 24.7% compared to the previous year, while the Weighted Index closed at 715 up by 183 points and higher by 34.5% over the same period. Positive returns during the year were led by the continuous increase in oil prices recording new historic highs.

On the regional front, GCC financial markets have re-gained momentum and started to recover from the severe slump they went through in 2006. In the last twelve months Oman was the bigger winner marking a 62% increase followed by the UAE markets with increases of 52% and 44% in Abu Dhabi and Dubai respectively. All other GCC markets ended in the positive zone, Saudi Arabia made a significant recovery (up 41%), Qatar (up 34%), and Bahrain (up 24%).

The macro-economic fundamentals of the Kuwaiti economy continue to be buoyant on the back drop of high oil prices, strong domestic demand, rapid credit growth and government spending. The Gross Domestic Product (GDP) in nominal terms is estimated to reach KD 29 billion in 2007; higher by 7% over the previous year. Oil accounts for more than 50% of the GDP and more than 90% of the government revenues. Resilience in the economy has translated into record budget and current account surpluses for the government.

Company's performance

In the light of a rewarding year for the Kuwaiti capital markets, KMEFIC's performance has been outstanding. In 2007, the company achieved a total income of KD 25.8 million higher by 41% compared to KD 18.3 million in the previous year. During the year, the key drivers for the growth in income were attributed to the commission income at KD 8.99 million (higher by 46% compared to KD 6.14 million in the previous year) which constituted around 35% of the total income. This is followed by the management fees at KD 6.17 million (higher by 42% compared to KD 4.34 million in the previous year) which constituted around 24% of the total income. Gains on investments at fair value at KD 4.3 million (higher by 473% compared to KD 0.75 million in the previous year) constituted 16.6% of the total income while the performance fees surged to KD2.59 million (higher by 3392% Compared to KD 0.07 million in 2006) to constitute 10% of the total income. Interest income at KD 1.70 million (less by 8.1% compared to KD 1.85 million in the previous year) constituted 6.58% of the total income. Growth in management fees was mainly attributed to the increase in the assets under management in 2007

Chairman's Message Continued

Net Profit (KD)

which were higher by KD 322 million or 24% to reach KD 1,684 million (USD 6,133 million) compared to KD 1,362 million (USD 4,709 million) in 2006.

As the total income grew by 41%, operating expenses rose by 25% during the year to KD 11.48 million over the previous year mainly on account of higher staff expenses and other operating expenses. These expenses need to be viewed in line with our completed expansions during the year and the benefits of which will ensue in the coming years. A combination of the above factors helped the company achieve a record net profit of KD 13.26 million higher by 54 % compared to KD 8.61 million in 2006. This translated into diluted earnings per share of 62.37 Fils in 2007 compared to 41.56 Fils in 2006.

Brokerage

In 2007, and for the third consecutive year, the commission income remained the highest Contributor to KMEFIC's total income, driven mainly by Online trading (alawsat.com) and the brokerage operations in Kuwait, UAE and Oman represented by our subsidiaries: Middle East Financial Brokerage Company (MEFBC-Kuwait), Middle East Financial Brokerage Company (MEFBC-UAE) and Middle East Brokerage Company (MEBC) respectively. These three wholly owned subsidiaries have well complemented our online trading business and further helped KMEFIC to diversify its income stream. In December of 2007, our Jordanian subsidiary commenced its operations. In this respect, our subsidiaries in Bahrain, and Egypt (both fully owned), and Saudi Arabia (30% stake), are expected to commence operations in 2008.

At the closing of 2007, KMEFIC's Brokerage operations in Kuwait occupied around 13.4% of the market share measured by the three key parameters: number of trades, volume and value traded.

Local and Arabian Investments

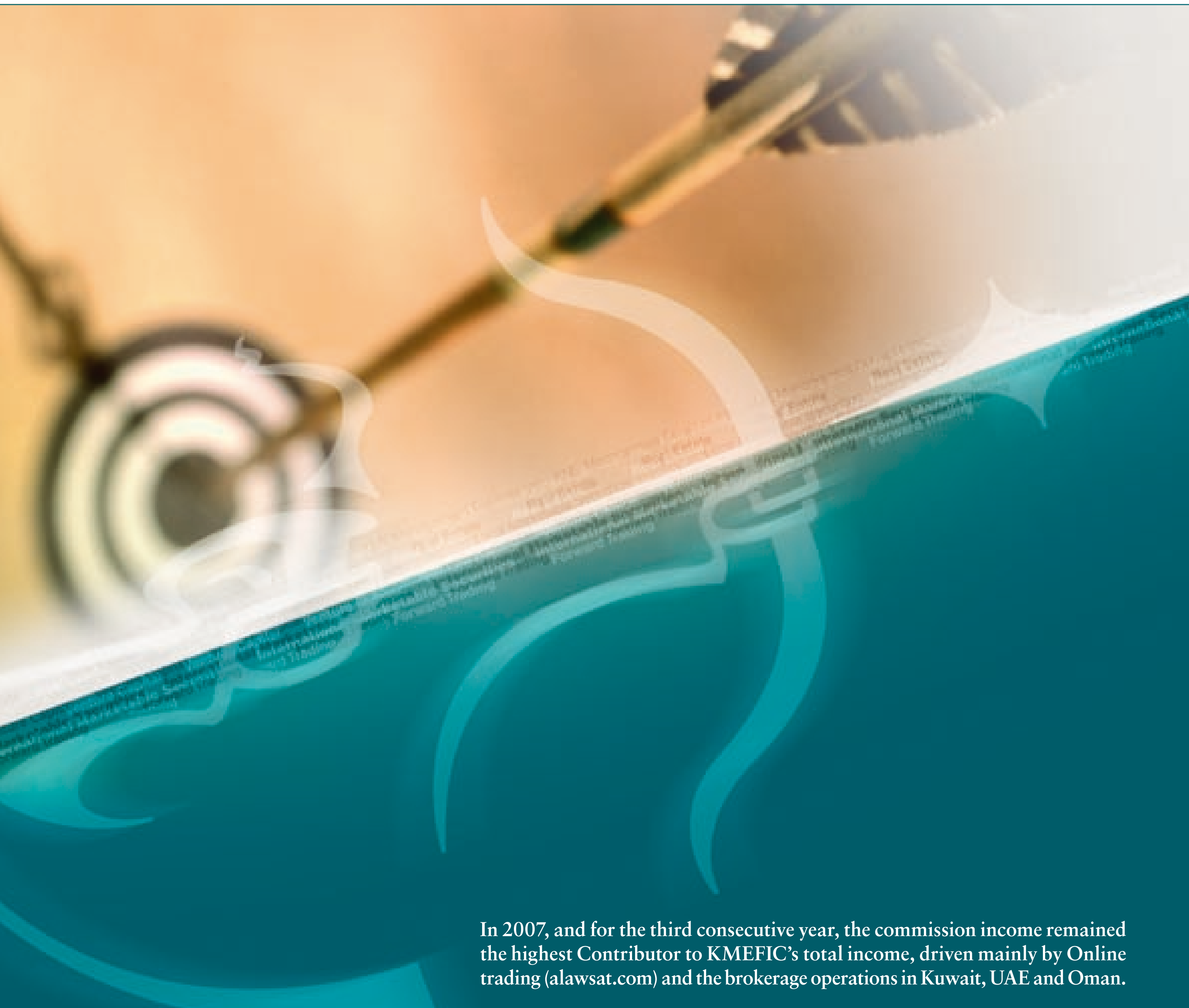
Our discretionary portfolios returned 47.5% (Weighted average returns) during 2007, outperforming the KSE weighted index (for the third consecutive year) that achieved 34.5% returns during the same period. Moreover, the total assets managed by the division stood at KD 1.025 million (USD 3.754 million) higher by 21% compared to KD 846 million (USD 3.098 million).

KMEFIC's local equity fund (Al-Rou'yah Fund), achieved a return of 32% during 2007 and a 255% return since inception.

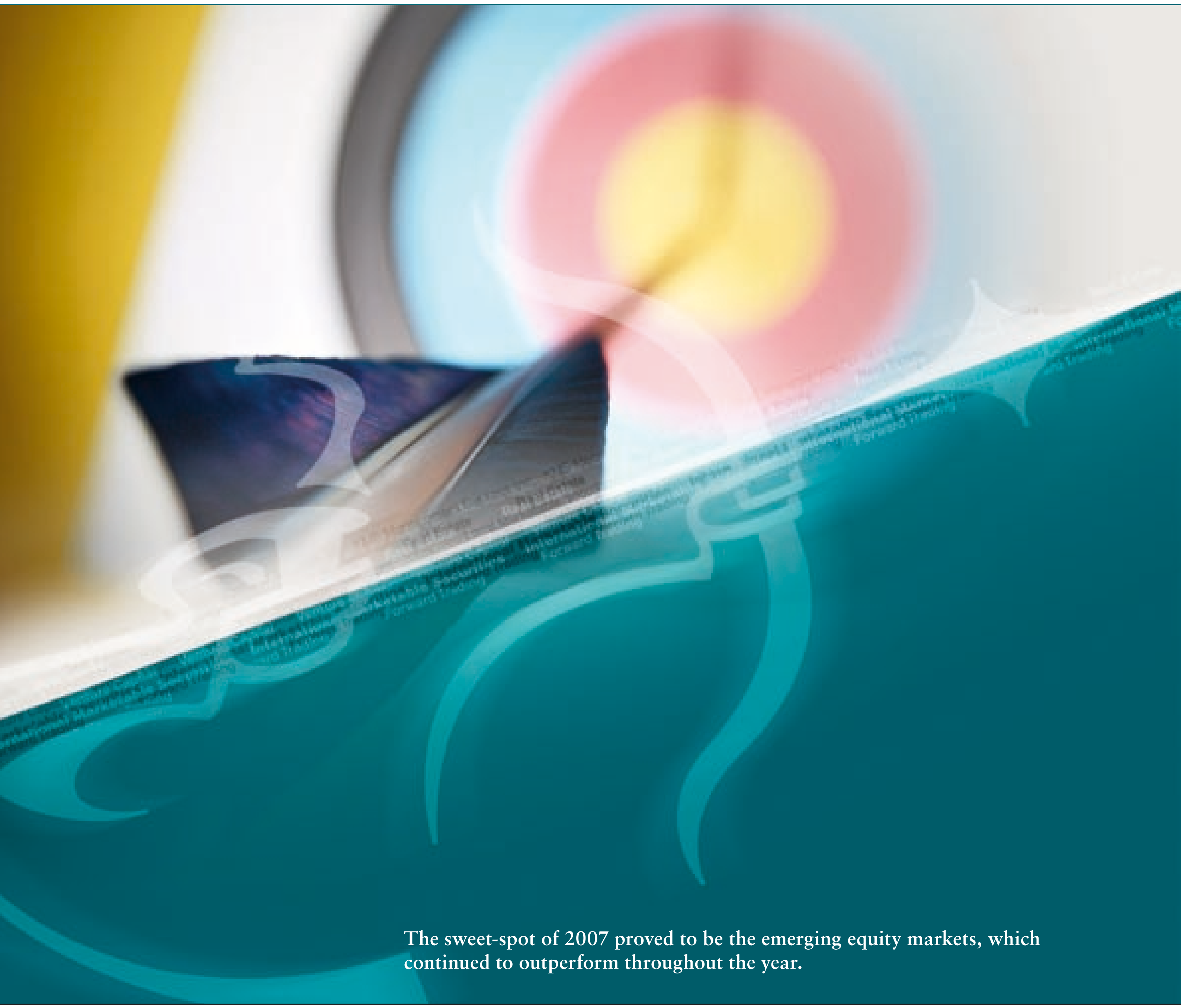
Furthermore, KMEFIC's pan G.C.C equity fund (Gulf Gate Fund), 50% of which invests in the Kuwait Stock Exchange and the rest in various Gulf markets, achieved returns of 23.75% during 2007, and an overall return of 23.5% since its inception in August 2006.

Local Financial Derivatives

The Local Financial Derivatives Division's strategic product (the Waad Portfolio) completed its first decade of operations. During the year, the cumulative average



In 2007, and for the third consecutive year, the commission income remained the highest Contributor to KMEFIC's total income, driven mainly by Online trading (alawsat.com) and the brokerage operations in Kuwait, UAE and Oman.



The sweet-spot of 2007 proved to be the emerging equity markets, which continued to outperform throughout the year.

Operating Income (KD)

returns for Waad exceeded 22%, and the net assets managed by the Local Financial Derivatives grew by 10% as compared to the year ended 2006. Additionally, 'Futures' have become the most popular and highly traded derivatives on the Kuwait Stock Exchange, rewarding KMEFIC for its decision to offer such services to maximize the investment potentials.

International Investments

2007 proved to be quite a turbulent year for global equity markets, as they experienced a sharp increase in volatility. Although during the first half of the year global markets rallied on the back of strong corporate earnings and significant activity in the mergers and acquisitions business. The second half of 2007 saw a reversal of fortunes amid the downturn in the US/UK housing markets, the collapse of the sub-prime mortgage industry, the subsequent credit crunch and the resulting impact on the global financial sector. Other looming concerns included rising energy prices, a deteriorating US dollar and increased global geo-political tensions (Middle-East, Pakistan, Kenya and other parts of the world). In response to this, and after a period of uncertainty, regulators across the global, particularly the US Federal Reserve, implemented several initiatives aimed at addressing the liquidity crunch and stabilizing the financial markets. While, the sweet-spot of 2007 proved to be the emerging equity markets, which continued to outperform throughout the year. Collectively, the MSCI World Index gained 2.83 % (in local currency terms) for the year.

US equities remained buoyant during the most part of the year. Even though investors had to contend with the number of on-going concerns and heightened volatility associated with it. These buoyant conditions ended with the culmination of the S&P 500 index reaching an all time high in October'07. From there on equities began to falter amidst rising concerns of a very real slow-down and fears of a recession in the US economy fueled by the downturn in the housing market, collapse of the sub-prime mortgage market, multi-billion dollar write downs by the leading financial institutions, a depreciating dollar, and surging oil prices. In response to this, the Federal Reserve cut its rates by 25 basis points each in Oct'07 and Dec'07, which has brought the federal funds rates down to 4.25 %. Nonetheless, US equities ended the year with moderate gains. Correspondingly, European stock markets also ended the year with marginal gains with the exception of Germany. Germany's DAX index surged 22 % for the year driven by economic growth, corporate restructuring and merger & acquisition activity.

Elsewhere in Asia, Japan's stock market performance was disappointing for the year as it lagged both the developed as well as emerging markets. The Nikkei 225 index declined 11 % for the year. The emerging equities continued to offer investors yet another year of incredible returns. Benchmark indexes in India, Brazil, Turkey and Indonesia all rose by

Chairman's Message Continued

Shareholders Equity (KD)

more than 40 % in 2007 while China's Shanghai Composite Index gained 97 %. Emerging market investors, particularly in Asia, have benefited from the strong economic growth, positive outlook on corporate earnings and favorable investor sentiments driven by strong investment inflows.

A cautious optimistic stance combined with optimum asset allocation between traditional asset classes and alternative asset classes helped the international investments portfolio to perform reasonably well for the year. Given the increased market volatility, the portfolio was well positioned to capture the market upside, while, restricting the downside impact relative to the market. Given the uncertain global financial market conditions and faltering US economic growth, the division continues to be cautiously optimistic of the year 2008 and further believes that dynamic management of the portfolio should yield attractive returns.

Furthermore, this year witnessed the successful launch of the KMEFIC India Equity Fund in March 2007. The fund ended the year on a strong note delivering 61% net returns to investors since its inception.

Information Technology & Online Trading

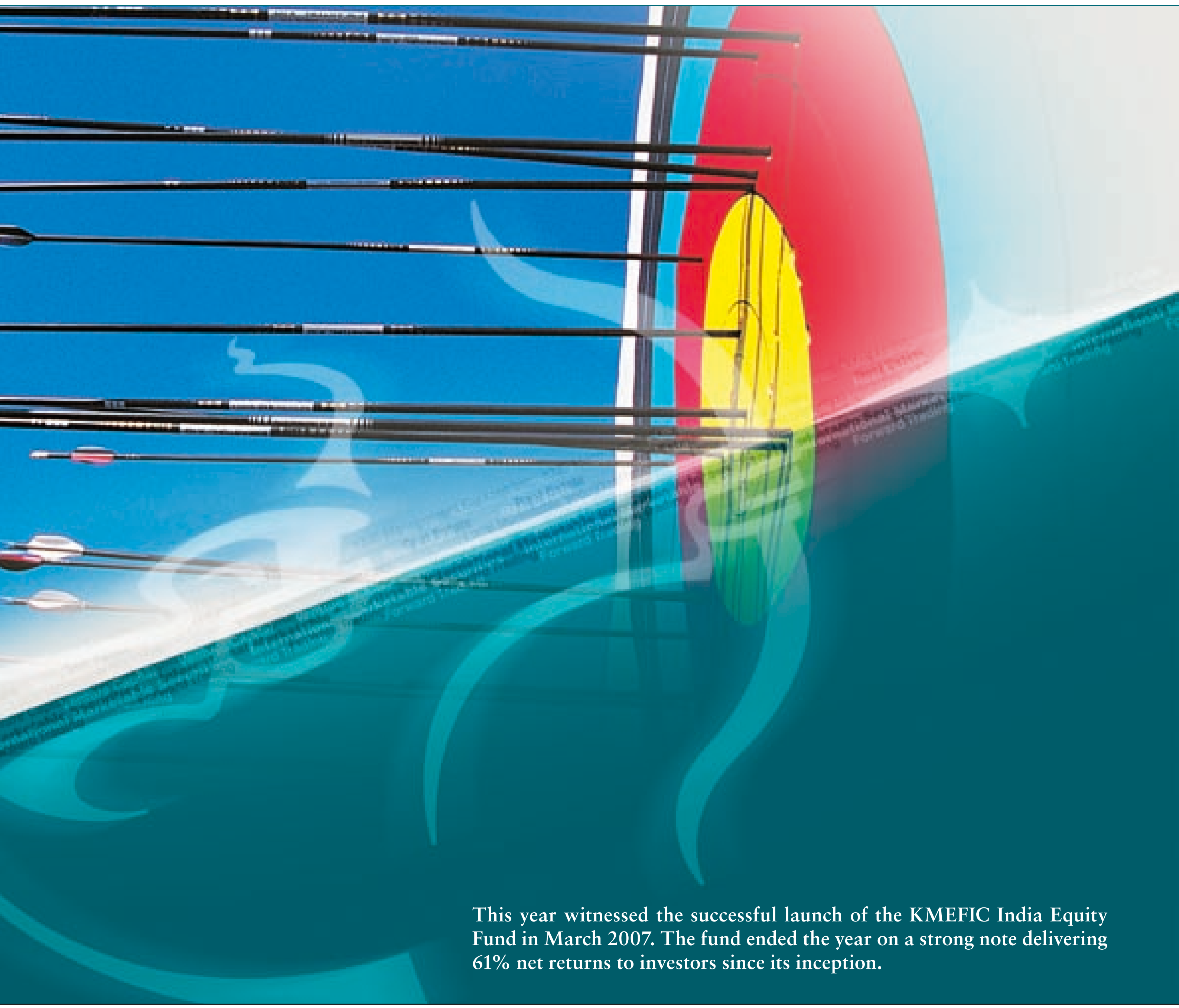
Online trading has been consistently generating substantial revenues with our flagship product alawsat.com. The year 2007 was yet another successful year for the division both in terms of profitability as well as business development. In December 2007, the division established connectivity and successfully launched the electronic routing to the Doha and Muscat markets, expanding the service that originally covered the markets of Dubai, Abu Dhabi, and Kuwait, in addition to the U.S markets. Another accomplishment for the IT division was relocating to our new premises where we upgraded our IT infrastructure with higher security, optimized performance and increased efficiency, smoothly and with no disruption of our services. Additionally, the Interactive Voice Response call center project (IVR) became operational, and the Automated Task Services and the SMS alerting system were launched.

Going forward, we plan to establish connectivity to each of the Saudi, Jordanian, Egyptian, and Bahraini stock markets in 2008. Furthermore, we aim to optimize the productivity of our information technology resources across all KMEFIC's offices.

Treasury

The Treasury Division achieved its goals within KMEFIC's financial and strategic plans and needs; covering all KMEFIC's subsidiaries in the region, it succeeded in maximizing interest income and reducing cost of funds. The Treasury team started to be more active in hedging customer's positions this year in light of the weakening USD in the market.

The Treasury Money Market Funds remained on top of the leading funds in the market. Al-Awsat KD Money Market



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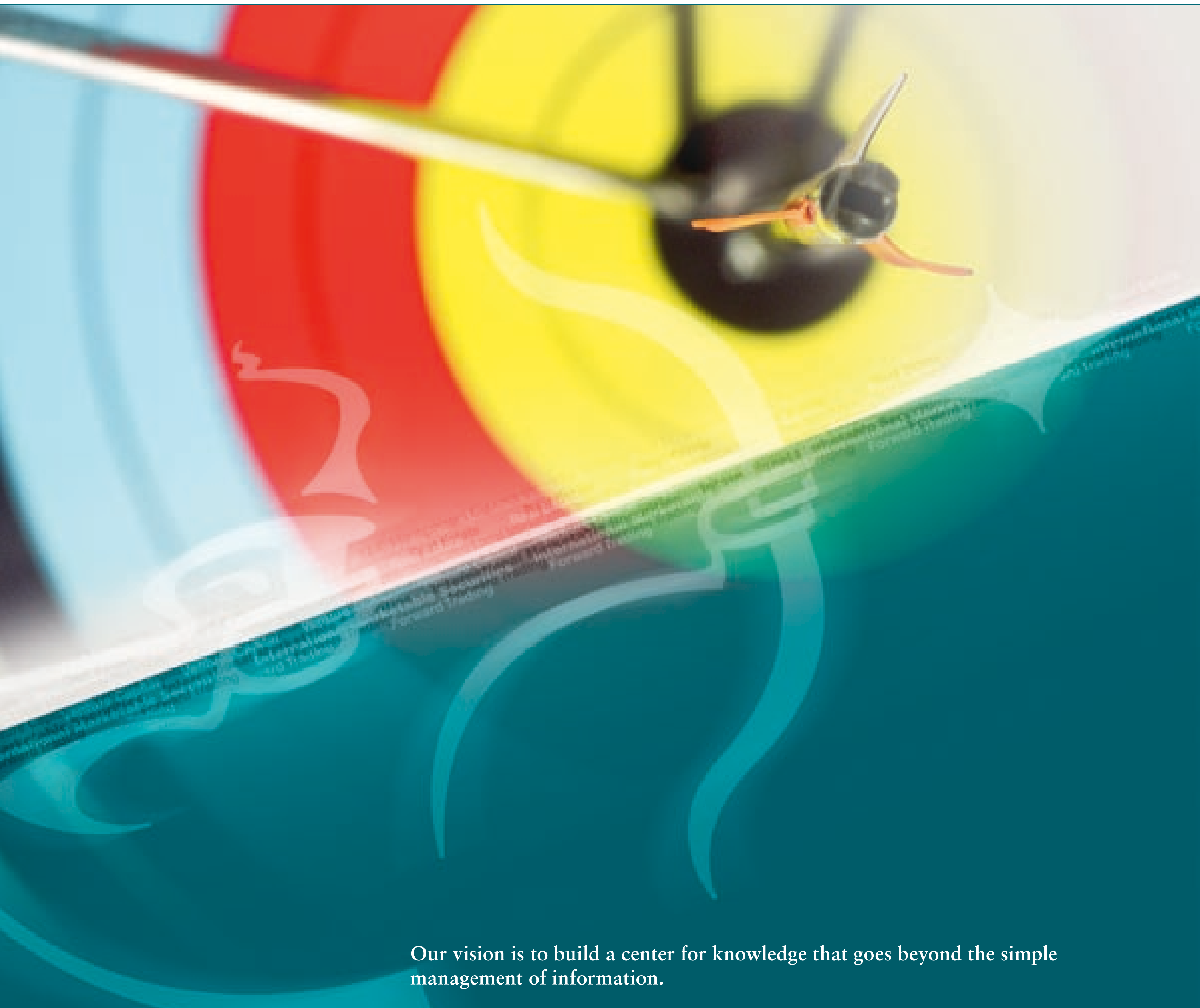

Our vision is to build a center for knowledge that goes beyond the simple management of information.

Performance Fees (KD)

Fund increased in size noticeably among all other money markets funds yielding 8.12% Year To Date. Amwal Money Market Fund (Shari'a complaint) has doubled in size due to the excellent performance achieved during the year yielding 7.59%. Al-Awsat USD Money Market Fund stayed on the top of the other USD funds in terms of performance during 2007 yielding 6.40% YTD.

Corporate Finance & Advisory

KMEFIC has established a full fledged Corporate Finance Division during this year and assembled a team of professionals who have vast experience to provide various Corporate Finance & Advisory services to our existing and new clients. The team operates with a sharp focus to go beyond what is expected and always try to deliver innovative solutions to its clientele. KMEFIC's Corporate Finance Division is fully integrated and experienced to lead and advise clients in need of the following services:

- Initial Public Offerings & Rights Issue management
- Private Placement of both Equity & Debt
- Credit Syndication
- Mergers & Acquisitions
- Project Finance Advisory
- Structured Finance Advisory
- Corporate restructuring
- Strategic & Financial Advisory including valuation and feasibility studies

During the year under review the team has received several mandates from corporates for listing their shares and for managing fund raising through rights/public offer. The number and spectrum of Corporate Finance & Advisory assignments are steadily growing inline with our business plan and the division is expected to contribute substantially to the fee based revenue for our company in addition to participating in our strategic initiatives in the years to come.

Research

In line with our continuous expansion of the brokerage operations and enhancing value added client services, the research team was further strengthened during the year to focus on the sell-side, generate superior investment ideas and initiate company and sector coverage in other GCC countries. The sell-side reports published during the year have been widely appreciated by the market participants for their timeliness, common sense analysis and brevity.

During 2007, and through the year 2008, the research function has been going through challenging changes. Our vision is to build a center for knowledge that goes beyond the simple management of information. Unique targets were set for year 2008 along with higher coverage that shall create new perspective within the investment community.

In light of the above, we plan to further expand the team so as to bring breadth and depth to the research function. The research department will continue its

Chairman's Message Continued

Management Fees (KD)

mission to create adequate tools for rational investors within the MENA region.

Closing thoughts and outlook

2008 is expected to be a challenging year for international equity markets, as volatility is set to continue in the short-term. Markets have not yet seen the full extent of the ramification of the recent turmoil in the US real estate market/general economy, the loss of confidence in the global financial industry, rising commodity prices and fear of a potential global slow-down/recession. On the other hand, the markets are yet to feel the effects of the recent monetary/economic counter measures taken by the central bankers and policy makers in response to the market developments. We remain cautiously optimistic that the international equities markets and in particular the emerging equities markets would end the year 2008 positively despite the difficult start.

Given the underlying economic strength of the Kuwaiti and GCC markets, attractive valuations and healthy corporate earnings, we believe that these regional financial markets will sustain growth during 2008 in spite of the mounting concern of global recession. Furthermore, our strategy to grow our assets under management and enhance our product offerings also takes these assumptions in to account.

On a final note, we have embarked on a comprehensive technological evolution where a new IT infrastructure is being implemented that will cover all our internal and external applications, casing all divisions and linking all KMEFIC subsidiaries while providing higher security, optimized performance and increased efficiency.

In conclusion, I would like to reiterate my sincere appreciation and gratefulness to KMEFIC's management and staff for their unremitting dedication and loyalty that enabled the company to reach its goals and objectives and to maintain its status as one of the leading investment and asset management companies in Kuwait and the region.

Hamed Saleh Al-Saif
Chairman & Managing Director

We have embarked on a comprehensive technological evolution where a new IT infrastructure is being implemented that will cover all our internal and external applications.

Consolidated Financial Statements & Independent Auditors' Report for the Year Ended 31 December 2007

Contents

Independent Auditors' Report

To the Shareholders of Kuwait & Middle East Financial Investment Company K.S.C.C.

We have audited the accompanying consolidated financial statements of Kuwait and Middle East Financial Investment Company K.S.C.C. ('the Company') and its subsidiaries (together referred to as 'the Group') which comprise the consolidated balance sheet as at 31 December 2007 and the consolidated statement of income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted for use by the State of Kuwait. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of 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 our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate 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 of 31 December 2007 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted for use by the State of Kuwait.

Report on other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of accounts have been kept by the Company 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 the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate the information that is required by the Kuwait Commercial Companies Law of 1960, as amended, and by the Company's Articles of Association; that an inventory was duly carried out; and that, to the best of our knowledge and belief, no violation of the Kuwait Commercial Companies Law of 1960, as amended, or of the Articles of Association have occurred during the year ended 31 December 2007 that might have had a material effect on the business of the Group or on its consolidated financial position.

We further report that, during the course of our audit, we have not become aware of any material violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations, during the year ended 31 December 2007.

Bader A. Al Wazzan
License No.62-A
PricewaterhouseCoopers

Safi A. Al-Mutawa
License No. 138-A
of KPMG Safi Al-Mutawa & Partners
Member firm of KPMG International

Kuwait
20 February 2008

Consolidated Balance Sheet

As at 31 December 2007

	Note	31 Dec 2007 (KD)	31 Dec 2006 (KD)
Assets			
Cash and cash equivalents	3	8,401,642	3,686,620
Investments at fair value through profit or loss	4	30,123,843	21,924,118
Investments available for sale	5	29,603,698	15,807,398
Loans and advances	6	13,718,631	10,128,595
Investment in an associate	7	8,774,244	-
Investments in unconsolidated subsidiaries	9	27,505	47,920
Other assets	10	7,168,249	15,883,937
Intangible assets	11	12,691,532	12,613,766
Equipment	12	2,359,165	1,013,965
Total assets		112,868,509	81,106,319
Liabilities and equity			
Liabilities			
Loans from banks and financial institutions	13	43,249,967	31,408,977
Accounts payable and other liabilities	14	5,007,644	6,958,217
Total liabilities		48,257,611	38,367,194
Equity	15		
Share capital		21,540,163	17,651,898
Treasury shares		-	(5,084,070)
Share premium		746,868	394,921
Statutory reserve		6,286,018	4,902,076
General reserve		5,853,912	4,469,970
Retained earnings		19,448,231	14,213,065
Fair valuation reserve		5,871,321	1,915,498
Foreign currency translation reserve		(351,985)	(3,180)
Treasury shares reserve		2,035,686	1,735,136
Share options reserve		753,743	596,963
Equity attributable to shareholders of the Company		62,183,957	40,792,277
Minority interest		2,426,941	1,946,848
Total equity		64,610,898	42,739,125
Total liabilities and equity		112,868,509	81,106,319

The notes set out on pages 21 to 43 form an integral part of these consolidated financial statements

Hamed Saleh Al-Saif
Chairman & Managing Director

Nasser Barak Al Mutair
Vice Chairman

Consolidated Statement of Income

For the period from 1 January 2007 to 31 December 2007

	Note	31 Dec 2007 (KD)	31 Dec 2006 (KD)
Income			
Management fees	16	6,174,580	4,341,202
Performance fees	16	2,595,353	74,307
Interest income	17	1,701,981	1,851,190
Net commission income	16	8,996,502	6,145,257
Placement fees	16	30,246	160,868
Gains on investments at fair value through profit or loss	4	4,300,261	752,278
Gains on disposal of investments available for sale		776,791	4,403,038
Dividends		527,683	426,113
Share of loss from an associate		-	(20,339)
Gains from unconsolidated subsidiaries		4,357	5,059
Foreign exchange gains		643,283	129,748
Other income		41,333	41,720
Total income		25,792,370	18,310,441
Operating expenses and other charges			
Staff expenses		4,806,109	3,968,336
Stock option expenses		156,780	589,153
Other operating expenses		3,591,831	2,516,879
Depreciation		361,495	304,882
Interest expense	17	2,399,229	1,777,641
Provision for impairment of loans and advances and other assets		26,826	16,946
Provision for impairment on an investment available for sale		140,594	14,964
Total operating expenses and other charges		11,482,864	9,188,801
Profit from operations		14,309,506	9,121,640
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(128,786)	(82,095)
National Labour Support Tax (NLST)		(341,952)	(218,675)
Directors' fees		(98,000)	(70,000)
Zakat		(8,359)	-
Profit for the year		13,732,409	8,750,870
Attributable to:			
Company's equity shareholders		13,262,320	8,610,202
Minority interest		470,089	140,668
		13,732,409	8,750,870
Earnings per share (Fils)	18	62.66	41.87
Diluted earnings per share (Fils)	18	62.37	41.56

The notes set out on pages 21 to 43 form an integral part of these consolidated financial statements

Consolidated Statement of Changes in Equity

For the period from 1 January 2007 to 31 December 2007

	Attributable to the Company's equity shareholders			
	Share capital (KD)	Treasury shares (KD)	Share premium (KD)	Statutory reserve (KD)
Balance at 31 December 2005	14,643,956	(1,925,212)	237,841	4,003,979
Changes in equity for the year ended 31 December 2006				
Investments available for sale:				
Valuation gains taken to equity	-	-	-	-
Transferred to consolidated statement of income on sale	-	-	-	-
Exchange differences on translating foreign operations	-	-	-	-
Net income recognised directly in equity	-	-	-	-
Profit for the year	-	-	-	-
Total recognised income and expenses for the year	-	-	-	-
Dividends	-	-	-	-
Bonus shares	2,928,791	-	-	-
Transfer to reserves	-	-	-	898,097
Equity share options issued	79,151	-	157,080	-
Purchase of treasury shares	-	(3,158,858)	-	-
Balance at 31 December 2006	17,651,898	(5,084,070)	394,921	4,902,076
Minority interest	-	-	-	-
Balance at 31 December 2006	17,651,898	(5,084,070)	394,921	4,902,076
Changes in equity for the year ended 31 December 2007				
Investments available for sale:				
Valuation gain taken to equity	-	-	-	-
Transferred to consolidated statement of income on sale	-	-	-	-
Prior year adjustment	-	-	-	-
Exchange differences on translating foreign operations	-	-	-	-
Net income recognised directly in equity	-	-	-	-
Profit for the year	-	-	-	-
Total recognised income and expenses for the year	-	-	-	-
Dividends	-	-	-	-
Bonus shares	3,590,027	-	-	-
Transfer to reserves	-	-	-	1,383,942
Equity share options issued	298,238	-	351,947	-
Purchase of treasury shares	-	(514,179)	-	-
Sale of treasury shares	-	5,598,249	-	-
Balance at 31 December 2007	21,540,163	-	746,868	6,286,018
Minority interest	-	-	-	-
Balance at 31 December 2007	21,540,163	-	746,868	6,286,018

The notes set out on pages 21 to 43 form an integral part of these consolidated financial statements

	General reserve (KD)	Retained earnings (KD)	Fair valuation reserve (KD)	Foreign currency translation reserve (KD)	Treasury shares reserve (KD)	Share options reserve (KD)	Minority interest (KD)	Total (KD)
	3,571,873	14,552,803	6,250,171	11,754	1,734,683	7,810	56,180	43,145,838
	-	-	68,365	-	453	-	-	68,818
	-	-	(4,403,038)	-	-	-	-	(4,403,038)
	-	-	-	(14,934)	-	-	-	(14,934)
	-	-	(4,334,673)	(14,934)	453	-	-	(4,349,154)
	-	8,610,202	-	-	-	-	140,668	8,750,870
	-	8,610,202	(4,334,673)	(14,934)	453	-	140,668	4,401,716
	-	(4,224,955)	-	-	-	-	-	(4,224,955)
	-	(2,928,791)	-	-	-	-	-	-
	898,097	(1,796,194)	-	-	-	-	-	-
	-	-	-	-	-	589,153	-	825,384
	-	-	-	-	-	-	-	(3,158,858)
	4,469,970	14,213,065	1,915,498	(3,180)	1,735,136	596,963	196,848	40,989,125
	-	-	-	-	-	-	1,750,000	1,750,000
	4,469,970	14,213,065	1,915,498	(3,180)	1,735,136	596,963	1,946,848	42,739,125
	-	-	3,961,484	-	-	-	-	3,961,484
	-	-	(5,661)	-	-	-	-	(5,661)
	-	19,435	-	-	-	-	-	19,435
	-	-	-	(348,805)	-	-	-	(348,805)
	-	19,435	3,955,823	(348,805)	-	-	-	3,626,453
	-	13,262,320	-	-	-	-	470,089	13,732,409
	-	13,281,755	3,955,823	(348,805)	-	-	470,089	17,358,862
	-	(1,678,674)	-	-	-	-	-	(1,678,674)
	-	(3,590,027)	-	-	-	-	-	-
	1,383,942	(2,767,884)	-	-	-	-	-	-
	-	-	-	-	-	156,780	-	806,965
	-	-	-	-	-	-	-	(514,179)
	-	-	-	-	300,550	-	-	5,898,799
	5,853,912	19,458,235	5,871,321	(351,985)	2,035,686	753,743	2,416,937	64,610,898
	-	(10,004)	-	-	-	-	10,004	-
	5,853,912	19,448,231	5,871,321	(351,985)	2,035,686	753,743	2,426,941	64,610,898

Consolidated Statement of Cash Flows

For the period from 1 January 2007 to 31 December 2007

	Note	31 Dec 2007 (KD)	31 Dec 2006 (KD)
Cash flows from the operating activities			
Profit for the year		13,732,409	8,750,870
Adjustments:			
Interest income		(1,701,981)	(1,851,190)
Unrealised gains on investments at fair value through profit or loss		(3,920,491)	(1,147,385)
Gains on disposal of investments available for sale		(776,791)	(4,403,038)
Dividends		(527,683)	(426,113)
Share of loss from an associate		-	20,339
Gains from unconsolidated subsidiaries		(4,357)	(5,059)
Stock option expenses		156,780	589,153
Depreciation		361,495	304,882
Interest expense		2,399,229	1,777,641
Provision for impairment of loans and advances and other assets		26,826	16,946
Provision for impairment on an available for sale investment		140,594	14,964
Operating income before changes in operating assets and liabilities		9,886,030	3,642,010
Investments at fair value through profit or loss		(4,279,234)	(5,370,696)
Loans and advances		(3,285,170)	2,634,272
Interest income received		1,371,226	1,851,190
Other assets		8,734,185	(3,595,445)
Accounts payable and other liabilities		(1,950,572)	2,508,493
Net cash from operating activities		10,476,465	1,669,824
Cash flows from the investing activities			
Acquisition of investments available for sale		(11,616,367)	(9,815,279)
Proceeds from disposal of investments available for sale		2,063,282	11,055,416
Proceeds from disposal of investment in an associate		-	291,000
Capital contribution for unconsolidated subsidiaries		24,772	(8,091)
Acquisition of intangible asset		(77,766)	-
Investment in Associate		(8,774,244)	-
Fixed deposit with banks		50,000	600,000
Application money paid for acquisition of investments		-	(9,869,172)
Acquisition of equipment		(1,706,695)	(326,117)
Dividends received		527,683	426,113
Net cash used in investing activities		(19,509,335)	(7,646,130)
Cash flows from the financing activities			
Loans from banks and financial institutions		11,712,067	13,937,702
Interest expenses paid		(2,270,306)	(1,777,641)
Purchase of treasury shares		(514,179)	(3,164,443)
Proceeds from sale of treasury shares		5,898,799	6,038
Proceeds from employee share option plan		650,185	236,231
Dividends paid		(1,678,674)	(4,224,955)
Net cash from financing activities		13,797,892	5,012,932
Change in minority interest		-	1,750,000
Increase in cash and cash equivalents		4,765,022	786,626
Cash and cash equivalents at beginning of the year	3	3,636,620	2,849,994
Cash and cash equivalents at end of the year		8,401,642	3,636,620

The notes set out on pages 21 to 43 form an integral part of these consolidated financial statements

Notes to the Consolidated Financial Statements
For the period from 1 January 2007 to 31 December 2007

1- INCORPORATION AND PRINCIPAL ACTIVITIES

Kuwait and Middle East Financial Investment Company K.S.C. (Closed) (the 'Company') is a Kuwaiti Shareholding Company incorporated on 1 January 1984. The Company is engaged in carrying out investment and portfolio management activities for its own account and for clients.

The Company's registered office is at 15th floor, Burj Al Jassem Building, Al Sour Street, Kuwait.

The Company's shares are listed on the Kuwait Stock Exchange. The Company is a subsidiary of The Bank of Kuwait and the Middle East (the 'parent bank'), which is listed on the Kuwait Stock Exchange. The Bank of Kuwait and the Middle East is a subsidiary of Ahli United Bank B.S.C., a Bahraini bank (the 'ultimate parent bank'), listed on Bahrain and Kuwait Stock Exchanges.

The consolidated financial statements of the Company for the year ended 31 December 2007 comprise of the Company and its subsidiaries (together referred to as the "Group"). For details of the Group's subsidiaries, refer Notes 8 and 9.

Number of employees of the Group as of 31 December 2007 was 225 (31 December 2006: 197)

These consolidated financial statements were approved for issue by the Board of Directors on 10 February 2008 and will be submitted to the shareholders of the Company for approval at the forthcoming Annual General Assembly.

2- BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

a- Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted for use by the Government of Kuwait for financial services institutions regulated by the Central Bank of Kuwait. These regulations require adoption of all IFRSs except for the International Accounting Standard (IAS) 39: Financial Instruments: Recognition and Measurement requirement for collective provision, which has been replaced by the Central Bank of Kuwait's requirement for a minimum general provision as described under the accounting policy for impairment of financial assets (Refer Note 2(d)).

These consolidated financial statements are prepared under the historical cost convention as modified by revaluation of financial assets classified as 'at fair value through profit or loss' and 'available for sale'.

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

i- the significance of financial instruments for the Group's financial position and performance;
ii- the nature and extent of risks arising from financial instruments to which the Group's is exposed during the period and at the reporting date, and how the Group's manages those risks; and
iii- the Group's objectives, policies and processes for managing capital.

The following International Accounting Standard Board (IASB) and International Financial Reporting Interpretation Committee (IFRIC) have been issued but are not yet effective and have not been adopted by the Group:

- IAS 1: Presentation of Financial Statements - Revised
- IFRS 8: Operating Segments
- IFRIC 11: IFRS 2 – Group and Treasury Share Transactions
- IFRIC 14: IAS 19 – The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The application of these standards will be made in the consolidated financial statements when these standards and interpretations become effective and are not expected to have a material impact on the consolidated financial statements of the Group.

These consolidated financial statements are presented in Kuwaiti Dinars (KD), which is the Company's functional currency and the reporting currency for the consolidated financial statements.

Notes to the Consolidated Financial Statements Continued

For the period from 1 January 2007 to 31 December 2007

b- Consolidation

Subsidiaries are those entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries, other than those which are held with a view to disposal within twelve months are consolidated from the date control effectively commences until the date control effectively ceases.

The financial statements of subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies. Adjustments are made to subsidiaries' financial statements in the consolidation to align the accounting policies for any dissimilarity that may exist.

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. All intra-Group balances and transactions including unrealised gains and losses arising from intra-Group transactions are eliminated on consolidation.

Minority interest represents the share of results and net assets in consolidated subsidiaries not held by the Group. Minority interest is presented separately in the consolidated statement of income and within equity in the consolidated balance sheet.

c- Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, short-term deposits and investments in money market instruments with original maturities of three months or less.

d- Financial instruments – recognition and de-recognition, classification and measurement

Recognition and de-recognition

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

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

Classification and measurement

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

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

Investments at fair value through profit or loss

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

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

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

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

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

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

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

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

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

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

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

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

In addition, in accordance with Central Bank of Kuwait (CBK) instructions, a minimum general provision of 2% is made on all

Notes to the Consolidated Financial Statements Continued

For the period from 1 January 2007 to 31 December 2007

loans and advances as of 31 December 2006 (net of certain restricted categories of collateral) that are not provided for specifically. In March 2007, the CBK issued a circular amending the basis of making minimum general provisions on facilities changing the rate from 2% to 1% for cash facilities and 0.5% for non cash facilities. The required rates were to be applied effective from 1 January 2007 on the net increase in facilities, net of certain restricted categories of collateral during the reporting period. The minimum general provision in excess of the present 1% for cash facilities and 0.5% for non cash facilities would be retained as a general provision until further directive issued by the CBK.

e- Investment in associates

Associated companies are those entities in which the Group has significant influence but not control, generally accompanying a shareholding between 20% and 50% of the voting rights. Investment in associates is accounted for by using the equity method of accounting. Any impairment in value is recognised in consolidated statement of income.

f- Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over their useful economic lives, assessed and adjusted for impairment whenever there is an indication that an intangible asset may be impaired. Intangible assets with indefinite useful lives are not amortised but are tested annually for impairment. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

g- Equipment

Equipments are stated at cost less accumulated depreciation and impairment losses, if any. Equipment are impaired if the carrying amount of the asset or its cash generating unit exceeds its recoverable amount. The impairment losses are recognised in the consolidated statement of income.

Depreciation is calculated based on the estimated useful lives of the applicable assets using the straight-line method. The estimated useful lives of equipment are 4 to 7 years (refer to note 12).

h- Provisions

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

i- Employees' end of service indemnity

Provision is made for employees' end of service indemnity in accordance with the Kuwait Labour Law based on employees' salaries and accumulated periods of service or on the basis of employment contracts, where such contracts provide extra benefits. The provision, which is unfunded, is determined as the liability that would arise as a result of involuntary termination of staff at the balance sheet date. This basis is considered to be an approximation of the present value of final obligation.

j- Treasury shares

The cost of the Company>s own shares purchased, including directly attributable costs is recognised in equity. Gains or losses arising on sale are separately disclosed under equity and in accordance with the instructions of Central Bank of Kuwait; these amounts are not available for distribution. No cash dividend is paid on treasury shares held by the Company. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

k- Revenue recognition

Management fees and placement fees are accounted on an accrual basis as soon as the fees are earned. Commission incomes and performance fees are recognised when earned. Interest income and expenses are recognised using the effective interest method taking into account the principal outstanding and the rate applicable. Dividend incomes are recognised when the right to receive payment is established. Share of income from an associate is the Company's share of the post acquisition total recognized gains and losses of an associate. Realised gains or losses from dealing in securities represent differences between sale proceeds and cost of securities on a weighted average basis.

l- Foreign currency translation
Foreign currency transactions are recorded at rates of exchange ruling at the date of transactions. Monetary assets and liabilities denominated in foreign currencies, outstanding at the year end are translated into Kuwaiti Dinars at rates of exchange ruling at the balance sheet date. Any resultant gains or losses are taken to the consolidated statement of income. Translation difference on non-monetary assets classified as 'fair value through profit or loss' are reported as part of the fair value gain or loss in the consolidated statement of income and 'available for sale' assets are included in the cumulative changes in fair value, in equity.

Foreign subsidiaries are treated as independent foreign units. The balance sheets of foreign subsidiaries are translated at the year end exchange rate and their profit and loss accounts are translated at the rates of exchange prevailing at the date of transaction. The exchange differences are recognised in foreign currency translation reserve in equity. When the foreign subsidiary is disposed off, in part or in full, the relevant amount in the foreign currency translation reserve is transferred to the consolidated statement of income.

m- Fiduciary assets
Third party assets managed by the Group and assets held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly are not included in these consolidated financial statements.

n- Share-based payments
The share option programme allows employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest during the period.

o- Segment reporting
A segment is a distinguishable component of the Group that is engaged in providing services (business segment), or in providing services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segment reporting is based on business segments. Segment results include revenue and expenses directly attributable to a segment and an allocation of cost of funds to segments based on the daily weighted average balance of segment assets.

3- CASH AND CASH EQUIVALENTS

	2007 (KD)	2006 **(KD)**
Cash and bank balances	5,523,789	1,330,881
Fixed deposits	2,877,853	2,355,739
	8,401,642	3,686,620
Less: Fixed deposits maturing after 3 months	-	(50,000)
Cash and cash equivalent in cash flow	8,401,642	3,636,620

Notes to the Consolidated Financial Statements Continued

For the period from 1 January 2007 to 31 December 2007

4- INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2007 (KD)	2006 (KD)
Quoted equities	725,605	888,963
Quoted funds	29,398,238	21,035,155
	30,123,843	21,924,118
Net gain arising from investments at fair value through profit and loss:		
Realized gain/(loss)	379,770	(395,107)
Un-realized gain	3,920,491	1,147,385
	4,300,261	752,278

5- INVESTMENTS AVAILABLE FOR SALE

	2007 (KD)	2006 (KD)
Quoted equities	11,228,403	4,060,319
Unquoted equity and fund investments	19,024,367	12,255,557
Less: impairment	(649,072)	(508,478)
	29,603,698	15,807,398
Dividend Income	527,683	426,113

Investments available for sale include unquoted equity investments with original cost of KD 2,613,570 (2006: KD 2,820,473) carried at cost less impairment losses. The fair value of these investments cannot be reliably determined as there is no active market for these investments and there have not been any recent transactions that provide evidence of the current fair value.

The Group will dispose the unquoted equity investments when an interested buyer places a bid for the investment through an arranged deal, through an Over The Counter transaction or when the investment is listed in any regulated market.

6- LOANS AND ADVANCES

	2007 (KD)	2006 (KD)
Loans to customers	13,885,549	10,277,032
Loans to staff	76,051	58,269
	13,961,600	10,335,301
General provision (see note 2(d))	(242,969)	(206,706)
	13,718,631	10,128,595

7- INVESTMENT IN AN ASSOCIATE

During the year ended 31 December 2006, the Company purchased 30% shares in Middle East Financial Investment Co. - an investment company with a capital of SAR 400 million incorporated in the Kingdom of Saudi Arabia. The company commenced operations during the fourth quarter of 2007.

7- CONSOLIDATED SUBSIDIARIES

The following are the consolidated subsidiaries of the Company.

Name of the Subsidiaries	Country of incorporation	Activity	Capital	Percentage of holding
Online Soft Computer Systems Company (K.S.C.C.)	Kuwait	Online brokerage	KD 500,000	100%
Al Awsat First Holding Company (K.S.C.C.)	Kuwait	Holding company	KD 1,000,000	100%
Middle East Financial Brokerage Company L.L.C.	U.A.E.	Brokerage	AED 30,000,000	100%
Middle East Brokerage Company L.L.C.	Oman	Brokerage	OMR 2,000,000	100%
Egypt & Middle East Brokerage Co.	Egypt	Brokerage	EGP 5,000,000	100%
Kuwait & Middle East Financial Investment Company, Jordan	Jordan	Brokerage	JOD 4,980,000	100%
Future E-Trade Company (K.S.C.C.)	Kuwait	Electronic trade	KD 150,000	60%
Middle East Financial Brokerage Company (K.S.C.)	Kuwait	Brokerage	KD 17,500,000	90%

Egypt & Middle East Brokerage Co. and Kuwait & Middle East Financial Investment Company, Jordan are two new subsidiaries incorporated during the year.

9- INVESTMENT IN UNCONSOLIDATED SUBSIDIARIES

				Carrying Value	
	Country of incorporation	Percentage of holding	Year of incorporation	2007 (KD)	2006 (KD)
Safat Limited	Antigua & Barbuda	100%	1986	6,830	30,116
KME Fund Managers Limited	Guernsey	100%	1988	13,812	10,576
KME Cayman Limited	Cayman Islands	100%	2005	6,863	7,228
				27,505	47,920

The Group has not consolidated these subsidiaries since they are not material to the consolidated financial statements.

10- OTHER ASSETS

	2007 (KD)	2006 (KD)
Application money for investments	254,415	9,869,172
Due from unsettled trades	2,567,164	3,847,868
Accrued management fee	1,776,979	560,863
Prepaid Expenses	493,225	526,675
Others	2,076,466	1,079,359
	7,168,249	15,883,937

Notes to the Consolidated Financial Statements Continued

For the period from 1 January 2007 to 31 December 2007

11- INTANGIBLE ASSETS

Intangible assets represent brokerage licences acquired from Kuwait Stock Exchange for KD 12,500,000; Jordan Stock Exchange for KD 77,766 (Jordanian Dinar 200,000) and Muscat Securities Market for KD 113,766 (Omani Riyals 150,000). The management believes that these licences have infinite useful lives.

12- EQUIPMENT

	Furniture and Equipment (KD)	Computers (KD)	Software (KD)	Total (KD)
Cost				
At 1 January 2007	860,940	821,773	636,181	2,318,894
Additions	1,277,606	330,049	99,040	1,706,695
Disposals	(27,291)	(14,534)	(37,549)	(79,374)
At 31 December 2007	2,111,255	1,137,288	697,672	3,946,215
Accumulated depreciation				
At 1 January 2007	622,402	407,226	275,301	1,304,929
Depreciation	87,619	156,385	117,491	361,495
Disposals	(27,291)	(14,534)	(37,549)	(79,374)
At 31 December 2007	682,730	549,077	355,243	1,587,050
Net book value				
At 31 December 2007	1,428,525	588,211	342,429	2,359,165
At 31 December 2006	238,538	414,547	360,880	1,013,965
Depreciation rates	20%-25%	25%	14.34%	

13- LOANS FROM BANKS AND FINANCIAL INSTITUTIONS

	2007 (KD)	2006 (KD)
Unsecured bank loans	42,231,527	29,401,210
Secured bank loans	1,018,440	2,007,767
	43,249,967	31,408,977

Secured loans amounting to KD 1.018 million (US$ 3.66 million) (2006: KD 2 million (US$ 6.84 million)) represent margin loans from foreign banks mortgaged against the Company's investment. These loans have indefinite maturity period. Unsecured loans represent money market loans and revolving loans taken from local and foreign banks.

14- ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2007 (KD)	2006 (KD)
Staff payables	2,710,653	2,270,493
Provision for contribution to KFAS and NLST tax	479,097	301,798
Loan interest payable	128,923	157,871
Brokerage payables	243,651	3,830,729
Others	1,445,320	397,326
	5,007,644	6,958,217

15- EQUITY

a- Share capital

The authorised, issued and paid capital of the Company are as follows:

	2007 (KD)	2006 (KD)
Authorised: 217,606,862 shares of 100 fils each (31 December 2006: 179,501,356 shares of 100 fils each)	21,760,686	17,950,136
Issued and fully paid up: 215,401,627 shares of 100 fils each (31 December 2006: 176,518,980 shares of 100 fils each)	21,540,163	17,651,898

The issued and fully paid up capital includes 12,793,756 shares (2006: 9,811,380 shares) on account of share option plan for employees (see note 19).

b- Share premium

The share premium represents premiums collected upon issuing new shares to employees under Employee Stock Option Plan. These amounts are not available for distribution.

c- Statutory reserve

In accordance with the Kuwait Commercial Company Law and the Company's Articles of Association, 10% of the net profit for the year is required to be transferred to the statutory reserve until the reserve reaches a minimum of 50% of share capital. Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of up to 5% of share capital in years when retained earnings are not sufficient for payment of dividend.

d- General reserve

In accordance with the Company's Articles of Association, 10% of the net profit for the year is required to be transferred to the general reserve. The transfer to this reserve can be discontinued by a resolution adopted by the Board of Directors. The general reserve includes dividends received on the treasury shares prior to Central Bank of Kuwait circular no. 2/RS/75/99 dated 14 December 1999, amounting to KD 36,500 (2006: KD 36,500) which is not distributable.

e- Treasury shares

	2007	2006
Number of own shares	-	8,338,438
Percentages of issued shares	-	4.72%
Market value (KD)	-	5,503,369

f- Treasury shares reserve is not available for distribution.

16- NET FEES AND COMMISSION INCOME

	2007 (KD)	2006 (KD)
Portfolio and fund management fees	6,174,580	4,341,202
Performance fees	2,595,353	74,307
Commission income	8,996,502	6,145,257
Placement fees	30,246	160,868
Net fees and commission income	17,796,681	10,721,634

Notes to the Consolidated Financial Statements Continued

For the period from 1 January 2007 to 31 December 2007

17- INTEREST INCOME AND INTEREST EXPENSE

	2007 (KD)	2006 **(KD)**
Interest income:		
Term deposits & bank balances	237,614	183,215
Loans and advances	1,464,367	1,654,097
Others	-	13,878
Total interest income	1,701,981	1,851,190
Interest expenses:		
Bank borrowings	2,399,229	1,418,597
Others	-	359,044
Total interest expense	2,399,299	1,777,641

18- EARNINGS PER SHARE

	2007	2006
Net profit (KD)	13,262,320	8,610,202
Weighted average number of issued shares	176,518,980	176,518,980
Issue of bonus shares for the year	35,900,271	35,303,796
Weighted average number of Company's treasury shares	(3,258,888)	(6,664,205)
Weighted average number of shares issued – employee share option plan	2,511,204	465,221
Adjusted weighted average number of shares	211,671,567	205,623,792
Earnings per share (Fils)	62.66	41.87
Diluted earnings per share (Fils)	62.37	41.56

19- EMPLOYEE SHARE OPTION PLAN

2006 Plan:

a- The annual general assembly meeting of the shareholders held on 20 March 2006 approved a second share option plan for employees (2006 Plan). In accordance with the plan, the Board of Directors of the Company were authorised to grant up to 3,773,880 shares as first tranche of stock options to the employees.

b- The annual general assembly meeting held on 20 March 2007 the shareholders approved the second tranche of the employee share option plan (2006 plan) to issue 2,205,235 shares as stock options to the employees.

Employees can exercise the options till June 2011.

The options vest as follows:
First tranche - 100% of the grant vest immediately after the grant date;

Second tranche - 100% of the grant vest immediately after the grant date;

The first tranche option price was fixed at 287 fils per share and was determined based on the average market price for the three months from 1 March 2005 till 31 May 2005, less a discount of 30%. The second tranche was fixed at 380 fils per share and was determined based on the average market price for the three months from 1 March 2005 till 31 May 2005, less a discount of 7.32%. The option holders are eligible for any bonus shares issued by the Company after 31 May 2005.

As of 31 December 2007, 2,994,264 stock options were not exercised (31 December 2006: 2,982,376)
The Company accounted for option expenses in the year ended 31 December 2007 for stock options amounting to KD 156,780 (2006: KD 589,153). These amounts have been recognised in the consolidated statement of income with a corresponding credit to stock options reserve in equity.

The fair value of options granted to employees has been determined on the date of the respective grant using the Chicago Board of Exchange option-pricing model by applying European Option Style.

The Board of Directors are authorised to allocate unvested share options relating to employees who resign or are terminated from services, to new employees of the Company, based on the same terms.

	Options Outstanding (Number)	Weighted exercise Price (KD)	Weighted average share Price (KD)
Issued options for the 2006 Plan	5,979,115		
Options exercised for the 2006 plan	2,984,851	0.239	0.683
Outstanding Options as at 31 December 2007	2,994,264		

20- PROPOSED DIVIDEND AND BONUS SHARES

The Board of Directors have proposed a cash dividend of 30% amounting to 30 fils per share (2006: 10% amounting to 10 fils per share).

The Board of Directors have also proposed an issue of 10 bonus shares for every 100 shares held (2006: 20 bonus shares for every 100 shares held). The consolidated financial statements have not been adjusted to reflect the dividend or the issue of bonus shares as they are subject to the approval of the shareholders in the Annual General Assembly meeting.

Notes to the Consolidated Financial Statements Continued

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21- RELATED PARTY TRANSACTIONS

Related parties primarily comprise subsidiaries, associates, significant shareholders, directors and key management personnel of the Group, their families and entities of which they are principal owners. All related party transactions are carried at terms approved by the Group's management.

The year-end balances included in the consolidated financial statements are as follows:

Amounts due to/from related parties	**Number of directors and Executive officers**		**Amount (KD)**	
	2007	2006	2007	2006
Directors				
Loans and advances	1	1	19,015	12,230
Key Management Personnel				
Loans and advances	1	1	480,858	386,337

Other related party balances

	2007 (KD)	2006 **(KD)**
Deposits placed with parent banks	1,646,893	1,356,656
Loan from parent banks	30,677,430	24,401,210
Receivable from parent banks	40,003	101,486
Investments and funds managed in a fiduciary capacity	138,049,070	82,582,284
Commitments and contingent liabilities	3,992,295	7,335,133
Foreign exchange contracts	243,765	9,269,160

Transactions with related parties are as follows:

	2007 (KD)	2006 **(KD)**
Directors and key management personnel:		
Directors' fees	98,000	70,000
Salaries and other short term benefits	559,285	466,319
Share based payments	44,989	169,944
	702,274	706,263

Other related party transactions

	2007 (KD)	2006 **(KD)**
Management fees earned	524,918	544,114
Interest income	50,487	154,243
Interest expenses	1,120,957	1,082,285
	1,696,362	1,780,642

22- COMMITMENTS AND CONTINGENCIES

	2007 (KD)	2006 (KD)
Bank guarantees	3,992,295	7,335,133
Uncalled capital contributions relating to investments	214,178	368,691
Outstanding foreign exchange commitments	4,554,498	20,087,345

23- FIDUCIARY ASSETS

Fiduciary assets comprise investments and funds managed by the Company on behalf of clients. These are not assets of the Company and accordingly are not included in the consolidated financial statements. As at the balance sheet date total fiduciary assets managed by the Company amounted to KD 1,686 million equivalent to US$ 6,150 million (2006: KD 1,362 million equivalent to US$ 4,709 million).

24- FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

Financial assets carried a fair value are based on quoted market price except for certain unquoted instruments classified as investments available for sale. Their fair value is determined using valuation techniques where all the model inputs are observable in the market. The value of such investments, amounts to KD 15,902,319 (2006: KD 8,926,606).

25- FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group in the normal course of business uses various types of financial instruments. Due to this the Group is exposed to variety of financial risks which are: credit risk, interest rate risk, liquidity risk and market risk. The Group's risk management team focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk Management

Risk management is carried out by senior management under the policies that are approved by the Board of Directors. The senior management is responsible for the independent review of risk management and the control environment.

The use of financial instruments also brings with it associated inherent risks. The Group recognises the relationship between returns and risks associated with the use of financial instruments and the management of risks forms an integral part of the Group's strategic objectives.

The strategy of the Group is to maintain a strong risk management culture and manage the risk/reward relationship within and across each of the Group's major risk-based lines of business. The Group's risk management policies are designed to identify and analyse these risks, to set appropriate controls and to monitor risks by means of reliable and up to date information system. The Group continuously reviews its risk management policies and practices to ensure that it is not subject to large asset valuation volatility or earnings volatility.

Information on financial risks and fair value of these financial instruments is set out below.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge a obligation and cause the other party to incur a financial loss. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties.

Credit risk arises from cash and cash equivalents, deposits with banks, investments, loans and advances to clients and other outstanding receivables. Margin loans are provided to the clients to trade on Kuwait Stock Exchange. The Group's maximum exposure to credit risk is equal to the carrying amount of the above assets disclosed in the consolidated balance sheet. Loans given for any other purpose is categorised under commercial loans.

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Credit risk inherent in outstanding foreign exchange commitments, if the counterparty is unable to settle, is limited to the difference between the contracted value of the transaction and the cost of completing it with another party.

Concentration of credit risk arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

The Group seeks to manage its credit risk exposure through diversification of lending activities, to avoid undue concentrations of risks with individuals or Groups of customers in specific industries or business. It also obtains security when appropriate. All the loans are granted after assessing the credit quality of customers and taking into account their portfolio position, in case of margin loans, and in case of commercial loans the collateral which will be the shares traded on Kuwait Stock Exchange. All these collaterals are constantly monitored by the respective departments.

In accordance with the instructions of the Central Bank of Kuwait dated 18 December 1996, setting out the rules and regulations regarding the classification of credit facilities, the Group has internal credit committees which are composed of competent professional staff and which have as their purpose the study and evaluation of the existing credit facilities of each customer of the Group. These committees are required to identify any abnormal situations and difficulties associated with a customer's position, which might cause the debt to be classified as irregular and to determine an appropriate provisioning level.

Geographical Concentration of assets and contingent liabilities and commitments

The geographical concentration of asset and contingent liabilities as at 31 December 2007 as follows:

	Assets		Contingent Liabilities & Commitments	
	2007 (KD)	2006 **(KD)**	2007 (KD)	2006 **(KD)**
Geographic region:				
Kuwait	17,789,678	12,228,445	4,012,498	11,068,184
Other Middle East	9,014,643	6,184,027	4,534,295	16,354,294
U.S.A. and Canada	385,345	76,555	-	-
Rest of the World	1,827,595	1,449,594	214,178	368,691
	29,017,261	19,938,621	8,760,971	27,791,169
Industry sector:				
Banks and financial institutions	8,384,796	3,684,817	8,546,793	27,422,478
Other	20,632,465	16,253,804	214,178	368,691
Total	29,017,261	19,938,621	8,760,971	27,791,169

The table below shows the maximum exposure to credit risk for the components of the balance sheet, including derivatives without taking account of any collateral and other credit enhancements.

	Gross maximum exposure 2007 (KD)	**Gross maximum Exposure** 2006 **(KD)**
Balances with banks	8,384,796	3,684,817
Loans and advances	13,718,631	10,128,595
Other assets	6,913,834	6,125,209
Total credit risk exposure	29,017,261	19,938,621

The maximum credit exposure to any client or counterparty as of 31 December 2007 was KD 2,037,123 (2006: KD 1,390,631) before taking account of collateral or other credit enhancements and KD Nil (2006: KD Nil) net of such protection.

The credit quality of the portfolio of loans and advances that were neither past due nor impaired is classified as high grade. The Group has no assets that were neither past due nor impaired. The Group has not renegotiated any financial asset that would otherwise be past due or impaired.

Liquidity Risk

Liquidity risk is the risk that the Group will be unable to meet its net funding requirements. Liquidity risk can also be caused by market disruptions or credit downgrades which may cause certain sources of funding to become unavailable.

To guard against this risk, management has diversified funding sources and assets are managed with liquidity in mind, maintaining an adequate balance of cash, cash equivalents, and readily marketable securities. Due to the dynamic nature of business, the Group treasury department maintains flexibility in funding by maintaining availability under various credit lines. Management monitors rolling forecasts of the Group's liquidity reserves on the basis of expected cash flows. The Group measures liquidity risk by preparing and monitoring the maturity profile of its assets and liabilities as disclosed in note number 28.

Market Risk

a- Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from the possibility that changes in interest rates will affect the value of the underlying financial instruments. The Group is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities that mature or reprise in a given period. Financial instruments, which potentially subject the Group to interest rate risk, consist principally of cash equivalents, loans and advances and loans from banks and financial institutions. The majority of the Group's assets and liabilities reprise within one year. Accordingly there is a limited exposure to interest rate risk.

The effective interest rate (effective yield) of a monetary financial instrument is the rate that, when used in a present value calculation, results in the carrying amount of the instrument. The rate is a historical rate for a fixed rate instrument carried at amortised cost and a current market rate for a floating rate instrument or an instrument carried at fair value.

The sensitivity analysis of the consolidated statement of income is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate non-trading financial assets and financial liabilities held at 31 December 2007. The sensitivity analysis of interest rate risk is given in note number 29.

b- Equity price risk

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

To manage the market price risk arising from investments in securities and funds, the Group diversifies its portfolio. Diversification is done by using different financial instruments such as securities, funds; by markets such as GCC market, US market, European Market and Asian Markets; by industry such as mainly financial services, technology, real estate, telecom. Diversification of the portfolio is done keeping in mind the Company's policies and the legal requirements of State of Kuwait.

The effect of equity (as a result of a change in the fair value of the equity instruments held as either investments available for sale or investment at fair value through profit and loss account) as at 31 December 2007 due to a reasonable possible change in the equity indices, with all other variables held as constant, is as follows:

Notes to the Consolidated Financial Statements Continued

For the period from 1 January 2007 to 31 December 2007

	2007			2006		
	Changes in equity price	Effect on equity	Effect on profit or loss	Changes in equity price	Effect on equity	Effect on profit or loss
Market indices	%	(KD)	(KD)	%	(KD)	(KD)
MSCI World	-10%	-	- 864,633	-10%	-	- 786,191
KSE indices	-10%	-1,236,086	- 2,147,751	-10%	-473,212	- 1,406,220

c- Foreign Exchange Risk

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group operates regionally and internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar, UAE Dirham, Omani Riyal, Bahraini Dinar and Saudi Riyal. The Group has invested in subsidiaries and associate in the region which exposes the Group to currency translation risk.

Currency exposure arising from this is managed primarily through borrowings in the relevant foreign currencies. Otherwise the exposure is managed through hedging in forward market. The Group's exposure to currency risk is equal to the carrying amount of net assets denominated in foreign currencies.

Assets denominated in foreign currencies

As at the balance sheet date the Group had the following significant net asset exposures denominated in foreign currencies:

	2007 (KD)	2006 (KD)
US Dollars	733,600	76,620
GCC Currencies	2,089,953	5,545,843
Other	655,224	143,091
	3,478,777	5,765,554

	2007		2006	
Currency	Change in currency rate in %	Effect on profit before tax (KD)	Change in currency rate in %	Effect on profit before tax (KD)
US Dollar	-10%	(30,098)	-10%	39,791
AED	-10%	(4,199)	-10%	(20,355)

26- ESTIMATES AND JUDGEMENT

The preparation of financial statements requires management to make estimates and judgements that affect the reported amounts of financial assets and liabilities and disclosure of contingent liabilities. These estimates and judgements also affect the revenues and expenses and the resultant provisions as well as the fair value changes reported in the equity.

Estimation uncertainty

Provision for loan losses

Considerable judgement by management is required in estimation of the amount and timing of future cash flows when determining the level of provisions required for non-performing credit facilities. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgement and uncertainty and actual results may differ resulting in future changes in such provisions.

Unquoted investment securities

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

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

Judgements

Classification of financial instruments

Management has to decide on acquisition of a financial instrument whether it should be classified as carried at fair value through profit or loss, available for sale or as loans and advances. In making the judgement the 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 changes in fair value of instruments are reported in the consolidated statement of income or directly in equity.

Evidence of impairment in investments

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

27- CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

From time to time the Group purchases its own shares on the market; the timing of these purchases depends on market prices. Primarily the shares are intended to be used for issuing shares under the Group's share option programme. Significant buy and sell decisions are made on a specific transaction basis by the investment committee; the Group does not have a defined share buy-back plan.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities.

There were no changes in the Group's objectives, policies and procedure to manage capital during the year.

The Central Bank of Kuwait and the Kuwait Stock Exchange specifies the minimum amount of capital that must be held by the Company. The required minimum capital must be maintained at all times throughout the year. The Company has embedded in its regulatory compliance framework the necessary test to ensure the continuous and full compliance with such regulations.

The table below summarised the capital, held by the Company, which was in compliance with the minimum regulatory capital.

	2007 (KD)	2006 (KD)
Share capital	21,540,163	17,651,898
Minimum regulatory capital	15,000,000	15,000,000

Notes to the Consolidated Financial Statements Continued

For the period from 1 January 2007 to 31 December 2007

28- LIQUIDITY RISK

The maturity profile of the assets and liabilities at 31 December 2007 are as follows:

	Upto 1 Month	
	2007 (KD)	2006 (KD)
Assets		
Cash and bank balances	8,340,419	3,636,620
Investments at fair value through profit or loss	11,659,931	6,515,939
Investments available for sale	11,087,809	4,060,319
Loans and receivables	2,312,783	351,104
Investment in an associate	-	-
Investments in unconsolidated subsidiaries	-	-
Other assets	7,168,249	6,632,309
Intangible assets	-	-
Equipment	-	-
	40,569,191	21,196,291
Liabilities		
Loans from banks and financial institutions	37,631,232	24,401,210
Accounts payable and other liabilities	815,762	3,644,555
	38,446,994	28,045,765
Net liquidity gap	2,122,197	(6,849,474)

Analysis of financial liabilities by remaining contractual maturities as at 31 December 2007 are as follows:

Financial Liabilities	Upto 1 Month	
	2007 (KD)	2006 (KD)
Loans from banks and financial institutions	37,841,589	24,427,630
Accounts payable and other liabilities	815,762	3,644,555
Total undiscounted financial liabilities	38,657,351	28,072,185

Financial Liabilities	Upto 1 Month	
	2007 (KD)	2006 (KD)
Contingent liabilities and commitments	-	-
Total	-	-

1 to 3 Months		3 to 12 Months		Over one year		Total	
2007 (KD)	2006 (KD)	2007 (KD)	2006 (KD)	2007 (KD)	2006 (KD)	2007 (KD)	2006 (KD)
-	-	61,223	50,000	-	-	8,401,642	3,686,620
18,463,912	15,408,179	-	-	-	-	30,123,843	21,924,118
-	-	-	-	18,515,889	11,747,079	29,603,698	15,807,398
2,510,345	880,568	8,895,503	8,896,923	-	-	13,718,631	10,128,595
-	-	-	-	8,774,244	-	8,774,244	-
-	-	-	-	27,505	47,920	27,505	47,920
-	9,251,628	-	-	-	-	7,168,249	15,883,937
-	-	-	-	12,691,532	12,613,766	12,691,532	12,613,766
-	-	-	-	2,359,165	1,013,965	2,359,165	1,013,965
20,974,257	25,540,375	8,956,726	8,946,923	42,368,335	25,422,730	112,868,509	81,106,319
4,290,031	5,000,000	1,328,704	2,007,767	-	-	43,249,967	31,408,977
-	-	3,238,186	2,316,722	953,696	996,940	5,007,644	6,958,217
4,290,031	5,000,000	4,566,890	4,324,489	953,696	996,940	48,257,611	38,367,194
16,684,226	20,540,375	4,389,836	4,622,434	41,414,639	24,425,790	64,610,898	42,739,125

1 to 3 Months		3 to 12 Months		Over one year		Total	
2007 (KD)	2006 (KD)	2007 (KD)	2006 (KD)	2007 (KD)	2006 (KD)	2007 (KD)	2006 (KD)
4,348,610	5,086,301	1,364,996	2,067,982	-	-	43,555,195	31,581,913
-	-	3,238,186	2,316,722	1,049,066	1,096,634	5,103,014	7,057,911
4,348,610	5,086,301	4,603,182	4,384,704	1,049,066	1,096,634	48,658,209	38,639,824

1 to 3 Months		3 to 12 Months		Over one year		Total	
2007 (KD)	2006 (KD)	2007 (KD)	2006 (KD)	2007 (KD)	2006 (KD)	2007 (KD)	2006 (KD)
-	-	8,546,793	27,422,478	214,178	368,691	8,760,971	27,791,169
-	-	8,546,793	27,422,478	214,178	368,691	8,760,971	27,791,169

Notes to the Consolidated Financial Statements Continued

For the period from 1 January 2007 to 31 December 2007

29- INTEREST RATE RISK

The assets and liabilities that are exposed to interest rate fluctuation as at 31 December 2007 are as folows:

	Upto 1 Month	
	2007 (KD)	2006 (KD)
Assets		
Cash and bank balances	8,340,419	3,636,620
Investments at fair value through profit or loss	11,659,931	6,515,939
Investments available for sale	-	-
Loans and receivables	2,312,783	10,071,491
Investments in an associate	-	-
Investments in unconsolidated subsidiaries	-	-
Other assets	-	-
Intangible assets	-	-
Equipment	-	-
	22,313,133	20,224,050
Liabilities		
Loans from banks and financial institutions	37,631,232	26,408,977
Accounts payable and other liabilities	-	-
	37,631,232	26,408,977
On-balance sheet interest rate sensitivity gap	(15,318,099)	(6,184,927)

a- Sensitivity analysis on interest rate risk considering increase of 25 bps in interest rates as at 31 December 2007 are as follows:

Currency	**Interest Income**	
	2007 (KD)	2006 (KD)
US Dollar	276,331	122,925
Kuwaiti Dinar	1,129,272	1,668,255
Other Currencies	296,378	60,010
	1,701,981	1,851,190

b- Sensitivity analysis on interest rate risk considering decrease of 25 bps in interest rates as at 31 December 2007 are as follows:

Currency	**Interest Income**	
	2007 (KD)	2006 (KD)
US Dollar	276,331	122,925
Kuwaiti Dinar	1,129,272	1,668,255
Other Currencies	296,378	60,010
	1,701,981	1,851,190

1 to 3 Months		3 to 12 Months		Non-interest sensitive		Total	
2007 (KD)	2006 (KD)	2007 (KD)	2006 (KD)	2007 (KD)	2006 (KD)	2007 (KD)	2006 (KD)
-	-	61,223	50,000	-	-	8,401,642	3,686,620
-	-	-	-	18,463,912	15,408,179	30,123,843	21,924,118
-	-	-	-	29,603,698	15,807,398	29,603,698	15,807,398
2,510,345	-	8,895,503	57,104	-	-	13,718,631	10,128,595
-	-	-	-	8,774,244	-	8,774,244	-
-	-	-	-	27,505	47,920	27,505	47,920
-	-	-	-	7,168,249	15,883,937	7,168,249	15,883,937
-	-	-	-	12,691,532	12,613,766	12,691,532	12,613,766
-	-	-	-	2,359,165	1,013,965	2,359,165	1,013,965
2,510,345	-	8,956,726	107,104	79,088,305	60,775,165	112,868,509	81,106,319
4,290,031	5,000,000	1,328,704	-	-	-	43,249,967	31,408,977
-	-	-	-	5,007,644	6,958,217	5,007,644	6,958,217
4,290,031	5,000,000	1,328,704	0	5,007,644	6,958,217	48,257,611	38,367,194
(1,779,686)	(5,000,000)	7,628,022	107,104	74,080,661	53,816,948	64,610,898	42,739,125

Sensitivity On Interest Income		Interest Expenses		Sensitivity on Interest Expenses		Sensitivity on Net Interest Income	
2007 (KD)	2006 (KD)	2007 (KD)	2006 (KD)	2007 (KD)	2006 (KD)	2007 (KD)	2006 (KD)
284,516	126,566	631,225	140,389	664,033	147,686	(24,623)	(3,656)
1,161,797	1,716,304	1,117,144	1,637,252	1,158,520	1,697,891	(8,851)	(12,590)
296,378	60,010	650,860	-	650,860	-	-	-
1,742,691	1,902,880	2,399,229	1,777,641	2,473,413	1,845,577	(33,474)	(16,246)

Sensitivity On Interest Income		Interest Expenses		Sensitivity on Interest Expenses		Sensitivity on Net Interest Income	
2007 (KD)	2006 (KD)	2007 (KD)	2006 (KD)	2007 (KD)	2006 (KD)	2007 (KD)	2006 (KD)
268,146	119,284	631,225	140,389	598,417	133,092	24,623	3,656
1,096,747	1,620,206	1,117,144	1,637,252	1,075,768	1,576,613	8,851	12,590
296,378	60,010	650,860	-	650,860	-	-	-
1,661,271	1,799,500	2,399,229	1,777,641	2,325,045	1,709,705	33,474	16,246

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For the period from 1 January 2007 to 31 December 2007

30- SEGMENT REPORTING

Business segments

The Group operates in the following distinguishable business segments. These business segments form the basis on which the Company reports its primary segmental information.

- International Investments, which is engaged in carrying out investment activities for own account and for clients, in international markets;
- GCC Market Investments, which is engaged in carrying out investment activities for own account and for clients, in the Kuwaiti and GCC markets; and
- Broking, which is engaged in broking and on-line trading for own account and for clients in International and Local market.

Financial information about business segments for year ended 31 December 2007 and 31 December 2006 are set out below:

	International Investments	
	2007 (KD)	2006 (KD)
Segment revenue	1,768,074	1,239,811
Segment expenses	(1,209,388)	(778,408)
Segment result	558,686	461,403
Unallocated Revenues		
Unallocated Expenses		
Profit for the period		
Segment assets	18,200,124	15,185,586
Unallocated assets		
Total assets		
Segment liabilities	-	-
Unallocated liabilities		
Total liabilities		
Capital expenditure	-	-
Unallocated capital expenditure		
Total capital expenditure		
Depreciation	1,027	-
Unallocated depreciation		
Total depreciation		
Impairment loss recognised in statement of income	140,594	14,964
Loss from unconsolidated subsidiaries	4,357	5,059

Geographical Segments

Apart from its main operations in Kuwait, the Group also operates through its foreign subsidiaries in UAE, Oman, Jordan and Egypt. The Group's assets relate to different geographical areas of the world.

31- COMPARATIVES

Certain comparative figures have been regrouped to conform to current year classification. Such re-classification has not affected the previously reported profit or equity.

	GCC Markets		Brokerage		Total	
	2007 (KD)	2006 (KD)	2007 (KD)	2006 (KD)	2007 (KD)	2006 (KD)
	11,008,760	8,698,923	8,552,861	5,941,661	21,329,695	15,880,395
	(2,726,620)	(1,891,510)	(4,189,339)	(4,285,534)	(8,125,347)	(6,955,452)
	8,282,140	6,807,413	4,363,522	1,656,127	13,204,348	8,924,943
					4,462,675	2,430,046
					(4,404,703)	(2,744,787)
					13,262,320	8,610,202
	46,660,333	30,812,790	25,515,701	16,342,700	90,376,158	62,341,076
					22,492,351	18,765,243
					112,868,509	81,106,319
	-	-	2,005,878	-	2,005,878	-
					46,251,733	38,367,194
					48,257,611	38,367,194
	-	-	31,233	8,905	31,233	8,905
					1,675,462	317,212
					1,706,695	326,117
	6,032	-	258,504	130,035	265,563	130,035
					95,932	174,847
					361,495	304,882
	-	-	-	-	140,594	14,964
	-	-	-	-	4,357	5,059