AERATED CONCRETE INDUSTRIES CO. K.S.C. (CLOSED)
AND ITS SUBSIDIARIES
STATE OF KUWAIT

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
WITH
INDEPENDENT AUDITORS' REPORT

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Independent Auditors' report

The Shareholders
Aerated Concrete Industries Co. K.S.C. (Closed)
State of Kuwait

Report on the financial statements

We have audited the accompanying consolidated financial statements of Aerated Concrete Industries Co. K.S.C. (Closed) (the Parent Company) and its subsidiaries (the Group) which comprise the consolidated balance sheet as at December 31, 2007 and the consolidated statement of income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

We did not audit the financial statements of the subsidiary, Ghassan Ahmed Sauod Al-Khaled & Co. – W.L.L. and its subsidiaries, whose total assets and revenue constitute 6.30% and 35.95% of the respective consolidated totals. The financial statements of the above mentioned subsidiary for the year ended December 31, 2007 were audited by other auditor, whose unqualified report dated March 15, 2008 was provided to us and our opinion in so far as it relates to the amounts included in the consolidated financial statements related to for this subsidiary, is based solely on the report of the other auditor.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the 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.

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We believe that the audit evidence we have obtained and the report of the other auditor are sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and based on the report of the other auditor, the consolidated financial statements present fairly ,in all material respects, the financial position of Aerated Concrete Industries Co. K.S.C. (Closed) as of December 31, 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other Legal and Regulatory Requirements

Also in our opinion, the consolidated financial statements include the disclosures required by the Commercial Companies Law and the Parent Company's Articles of Association, and we obtained the information we required to perform our audit. In addition, proper books of account have been kept, physical stocktaking was carried out in accordance with recognized practice, and the accounting information given in the Director's Report is in agreement with the Parent Company's books. According to the information available to us, there were no contraventions during the year ended December 31, 2007 of either the Commercial Companies Law or the Parent Company's Articles of Association which might have materially affected the Group's financial position or results of its operations.

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Abdul Rahman Mubarak Al-Qaoud
Licence No. 25-A
Abdul Rahman Al-Qaoud & Partners
Public Accountants

Dr. Shuaib A. Shuaib
Licence No. 33-A
Al-Bazie & Co.
Member of RSM International

State of Kuwait
March 25, 2008

AERATED CONCRETE INDUSTRIES CO. K.S.C. (CLOSED) AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2007
(All amounts are in Kuwaiti Dinars)

ASSETS	Note	**2007**	2006
Current assets:			
Cash and cash equivalents	3	**31,364,480**	3,168,622
Investments at fair value through income statement	4	**-**	3,008,512
Accounts receivable and other debit balances	5	**15,733,320**	8,636,996
Gross amount due from customers for contract work	6	**2,464,759**	4,267,921
Due from related parties	7	**2,616,072**	8,037,322
Inventories	8	**3,504,196**	2,507,071
Lands under development	9	**164,420**	164,420
Total current assets		**55,847,247**	29,790,864
Investment available for sale	10	**6,156,803**	-
Investment in associates	11	**8,872,958**	644,658
Investment in unconsolidated subsidiaries	12	**-**	1,175,334
Investment properties	13	**34,710,615**	11,626,347
Right of utilization of leasehold	14	**837,976**	895,438
Projects under construction	15	**59,315,822**	48,215,882
Fixed assets	16	**19,455,304**	14,415,272
Goodwill	17	**2,250,506**	2,250,506
Total assets		**187,447,231**	109,014,301
LIABILITIES AND EQUITY			
Current liabilities:			
Due to banks	18	**7,779,593**	3,411,542
Accounts payable and other credit balances	19	**12,581,610**	5,901,592
Due to related parties	7	**400,587**	877,459
Loans current portion	20	**59,575,307**	13,911,805
Dividends payable to shareholders		**353,680**	205,347
Total current liabilities		**80,690,777**	24,307,745
Provision for employees' end of service indemnity	21	**871,586**	722,510
Loans non-current portion	20	**29,582,594**	17,267,948
Due to shareholders of a company under liquidation	22	**-**	12,061,787
Equity:			
Share capital	23	**19,493,213**	14,684,371
Share premium	24	**24,426,446**	16,245,253
Statutory reserve	25	**7,001,050**	4,705,127
Treasury shares	26	**(415,881)**	(605,684)
Treasury shares reserve		**2,583,763**	2,479,912
Cumulative changes in fair value		**9,197**	-
Foreign currency translation adjustments		**(2,556,530)**	(50,544)
Retained earnings		**25,570,512**	15,967,691
Total equity attributable to parent company's shareholders		**76,111,770**	53,426,126
Minority interest		**190,504**	1,228,185
Total equity		**76,302,274**	54,654,311
Total liabilities and equity		**187,447,231**	109,014,301

The accompanying notes (1) to (40) form an integral part of the consolidated financial statements.

Ghassan Ahmed Al-Khaled
Chairman

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AERATED CONCRETE INDUSTRIES CO. K.S.C. (CLOSED) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2007
(All amounts are in Kuwaiti Dinars)

	Note	**2007**	2006
Operating income	27	**42,684,785**	54,491,602
Operating costs	27	**(35,530,860)**	(43,738,769)
Gross profit from operations		**7,153,925**	10,752,833
General and administrative expenses	28	**(4,750,148)**	(2,292,938)
Selling expenses		**(848,061)**	(660,190)
Depreciation	17	**(430,866)**	(360,966)
Amortization	14	**(57,462)**	(100,598)
Income from operations		**1,067,388**	7,338,141
Gain on sale of investment property	13	**1,211,275**	-
Gain on sale of projects under construction		**-**	5,023,116
Changes in fair value of investment properties	13	**18,652,601**	3,106,545
Group's share of results from associates	11	**1,037,738**	-
Investment income	29	**115,339**	226,364
Rental income		**369,621**	338,189
Interest income		**568,100**	63,321
Provisions no longer required		**284,294**	-
Other income	30	**243,466**	493,124
Finance charges		**(1,694,004)**	(1,823,861)
Provision for doubtful debts		**(157,075)**	(4,767)
Provision for slow moving inventory		**(50,000)**	(82,679)
Foreign currency exchange gain (loss)		**1,232,020**	(21,046)
Profit for the year before contribution to Kuwait Foundation for Advancement of Sciences, National Labor Support Tax, Contribution to Zakat and Board of Directors' remuneration		**22,880,763**	14,656,447
Contribution to Kuwait Foundation for the Advancement of Sciences	31	**(195,722)**	(125,221)
National Labor Support Tax	32	**(573,981)**	(347,837)
Contribution to Zakat	33	**(14,117)**	-
Board of Directors' remuneration	34	**(95,000)**	(95,000)
Net profit for the year		**22,001,943**	14,088,389
Attributable to:			
Parent company's shareholders		**22,080,409**	13,345,415
Minority interest		**(78,466)**	742,974
Net profit for the year		**22,001,943**	14,088,389
		Fils	Fils
Earnings per share	35	**114.58**	86.81

The accompanying notes (1) to (40) form an integral part of the consolidated financial statements.

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AERATED CONCRETE INDUSTRIES CO. K.S.C. (CLOSED) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2007
(All amounts are in Kuwaiti Dinars)

	Attributable to parent company's shareholders'										
	Share capital	Share premuim	Statutory reserve	Treasury shares	Treasury Shares reserve	Cumulative changes in fair value	Foreign currency translation adjustments	Retained earnings	Total equity attributable to parent company's shareholders	Minority Interest	Total equity
Balance as of December 31, 2005	12,497,337	11,558,752	3,313,780	(96,169)	2,458,046	460,598	-	12,029,084	42,221,428	959,312	43,180,740
Change in fair value of investment available for sale	-	-	-	-	-	(404,534)	-	-	(404,534)	-	(404,534)
Effect of sale of available for sale investment	-	-	-	-	-	(56,064)	-	-	(56,064)	-	(56,064)
Foreign currency translation adjustments	-	-	-	-	-	-	(50,544)	-	(50,544)	-	(50,544)
Gain on sale of treasury shares	-	-	-	-	21,866	-	-	-	21,866	-	21,866
Net income (loss) recognized directly in equity	-	-	-	-	21,866	(460,598)	(50,544)	-	(489,276)	-	(489,276)
Net profit for the year	-	-	-	-	-	-	-	13,345,415	13,345,415	742,974	14,088,389
Total (loss) icome recognized for the year	-	-	-	-	21,866	(460,598)	(50,544)	13,345,415	12,856,139	742,974	13,599,113
Cash dividend –(50%)	-	-	-	-	-	-	-	(6,219,086)	(6,219,086)	-	(6,219,086)
Bonus shares– (5%)	624,867	-	-	-	-	-	-	(624,867)	-	-	-
Cash dividend (subsidiary)	-	-	-	-	-	-	-	-	-	(468,524)	(468,524)
Right shares issued – 12.5%	1,562,167	4,686,501	-	-	-	-	-	-	6,248,668	-	6,248,668
Due to a company under liquidation (Note 12)	-	-	-	-	-	-	-	(1,171,508)	(1,171,508)	-	(1,171,508)
Purchase of treasury shares	-	-	-	(725,177)	-	-	-	-	(725,177)	-	(725,177)
Sale of treasury shares	-	-	-	215,662	-	-	-	-	215,662	-	215,662
Transfer to statutory reserve	-	-	1,391,347	-	-	-	-	(1,391,347)	-	-	-
Effect of sale of a subsidiary	-	-	-	-	-	-	-	-	-	(5,577)	(5,577)
Balance as of December 31, 2006	14,684,371	16,245,253	4,705,127	(605,684)	2,479,912	-	(50,544)	15,967,691	53,426,126	1,228,185	54,654,311
Change in fair value of investment available for sale	-	-	-	-	-	9,197	-	-	9,197	-	9,197
Foreign currency translation adjustments	-	-	-	-	-	-	(2,505,986)	-	(2,505,986)	(49,683)	(2,555,669)
Gain on sale of treasury shares	-	-	-	-	103,851	-	-	-	103,851	-	103,851
Net income (loss) recognized directly in equity	-	-	-	-	103,851	9,197	(2,505,986)	-	(2,392,938)	(49,683)	(2,442,621)
Net profit for the year	-	-	-	-	-	-	-	22,175,409	22,175,409	(78,466)	22,096,943
Total (loss) icome recognized for the year	-	-	-	-	-	9,197	(2,505,986)	22,175,409	22,288,457	(128,149)	22,160,308
Cash dividend –(50%)	-	-	-	-	-	-	-	(9,253,417)	(9,253,417)	-	(9,253,417)
Bonus shares– (5%)	928,248	-	-	-	-	-	-	(928,248)	-	-	-
Capital increase–(26.43%)	3,880,594	8,181,193	-	-	-	-	-	-	12,061,787	-	12,061,787
Minority share in subsidiary capital increase	-	-	-	-	-	-	-	-	-	250,000	250,000
Cash dividend (subsidiary)	-	-	-	-	-	-	-	-	-	(1,178,152)	(1,178,152)
Effect of consolidation of a new subsidiary	-	-	-	-	-	-	-	-	-	18,620	18,620
Purchase of treasury shares	-	-	-	(591,922)	-	-	-	-	(591,922)	-	(591,922)
Sale of treasury shares	-	-	-	781,725	-	-	-	-	781,725	-	781,725
Transfer to statutory reserve	-	-	2,295,923	-	-	-	-	(2,295,923)	-	-	-
Balance as of December 31, 2007	**19,493,213**	**24,426,446**	**7,001,050**	**(415,881)**	**2,583,763**	**9,197**	**(2,556,530)**	**25,665,512**	**76,206,770**	**190,504**	**76,397,274**

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The accompanying notes (1) to (40) form an integral part of the consolidated financial statements.

AERATED CONCRETE INDUSTRIES CO. K.S.C. (CLOSED) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2007
(All amounts are in Kuwaiti Dinars)

	2007	2006
Cash flows from operating activities:		
Profit for the year before Kuwait Foundation for the Advancement of Sciences, National Labor Support Tax, Contribution to Zakat and Board of Directors' remuneration	**22,880,763**	14,656,447
Adjustments:		
Depreciation	**1,699,578**	1,534,114
Amortization	**57,462**	100,598
Group's share of results from associates	**(1,037,738)**	-
Finance charges	**1,694,004**	1,823,861
Rental income	**(369,621)**	(338,189)
Interest income	**(568,100)**	(63,321)
Provision for employees' end of services indemnity	**269,343**	235,227
Fixed assets written off - Net	**-**	532,192
Gain on sale of fixed assets	**(48,680)**	(31,426)
Gain on sale of investment property	**(1,211,275)**	-
Gain on sale of projects under construction	**-**	(5,023,116)
Dividend income	**(53,966)**	(164,800)
Change in fair value of investment property	**(18,652,601)**	(3,106,545)
Gain on sale of lands under development	**-**	(717,702)
Foreign currency translation adjustments	**1,344,718**	27,094
Gain on sale of investment available for sale	**(61,373)**	(61,564)
Provision for doubtful debts	**157,075**	4,767
Provision for slow moving inventory	**50,000**	82,679
Operating profit before changes in working capital	**6,149,589**	9,490,316
Accounts receivable and other debit balances	**(7,253,399)**	(1,086,001)
Due from customers for contract work	**1,803,162**	(605,783)
Due from related parties	**5,596,594**	(4,236,489)
Inventories	**(1,047,125)**	39,420
Paid for purchase of lands under development	**-**	(3,750,265)
Proceed from sale of lands under development	**-**	13,715,670
Accounts payable and other credit balances	**6,665,581**	(1,484,240)
Due to related parties	**(478,275)**	(353,623)
Payment for employees' end of service indemnity	**(116,244)**	(60,637)
Payment for Kuwait Foundation for Advancement of Sciences	**(74,231)**	(17,536)
Payment for National Labor Support Tax	**(695,152)**	(18,768)
Payment for Board of Directors' remuneration	**(95,000)**	(85,000)
Net cash generated from operating activities	**11,455,500**	11,547,064

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	2007	2006
Cash flows from investing activities:		
Paid for purchase of Investments at fair value through income statement	**-**	(1,444,428)
Paid for purchase of investments available for sale	**(5,215,809)**	(207,296)
Paid for purchase of investment properties	**(739,677)**	(2,202,347)
Proceeds from sale of investments at fair value through income statement	**-**	16,500
Proceeds from sale of investments available for sale	**2,118,791**	
Paid for purchase investment in associates	**(6,190,562)**	-
Proceeds from sale of investment properties	**10,410,835**	-
Proceeds from sale of projects under construction	**-**	10,371,007
Disposal of right of utilization of leasehold	**-**	578,038
Disposal of goodwill	**-**	908,155
Paid for purchase of fixed assets	**(2,165,850)**	(930,085)
Proceeds from sale of fixed assets	**155,219**	129,797
Paid for projects under construction	**(32,555,509)**	(18,421,347)
Paid for purchase of investments in unconsolidated subsidiaries	**-**	(1,175,344)
Rental income received	**369,621**	338,189
Dividend income received	**53,966**	164,800
Interest income received	**568,100**	43,538
Net cash used in investing activities	**(33,190,875)**	(11,830,823)
Cash flows from financing activities:		
Proceeds (Paid to) from due to banks	**4,368,051**	(5,131,909)
Net proceeds from term loans	**57,978,148**	7,681,872
Finance charges paid	**(1,694,004)**	(1,823,861)
Payment of cash dividends to shareholders	**(9,105,084)**	(6,239,295)
Minority interest (subsidiary)	**268,620**	(5,577)
Cash dividend (subsidiary)	**(1,178,152)**	(468,524)
Proceeds from increase in capital	**-**	1,562,167
Proceeds from share premium	**-**	4,686,501
Purchase of treasury shares	**(591,922)**	(533,075)
Proceeds from sale of treasury shares	**885,576**	237,528
Net cash generated from (used in) financing activities	**50,931,233**	(34,173)
Net increase (decrease) in cash and cash equivalents	**28,195,858**	(317,932)
Cash and cash equivalents attributable to a company under liquidation	**-**	2,988,503
Cash and cash equivalents at the beginning of the year (Note 3)	**3,168,622**	498,051
Cash and cash equivalents at the end of the year (Note 3)	**31,364,480**	3,168,622

The accompanying notes (1) to (40) form an integral part of the consolidated financial statements.

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1. Incorporation and activities

Aerated Concrete Industries Co. K.S.C. (Closed) was incorporated authenticated at the Ministry of Justice – Real Estate Registration and Authentication Department under Ref. No. 16540 on June 23, 1990 and registered on Commercial register under Ref. No. 41903 dated July 17, 1991.

The main objectives of the Company include the establishment of a factory for the production of all types and sizes of aerated concrete and non-concrete and all its construction requirements, import and export of all building materials. The Company is considered the sole agent in the Middle East for manufacturing 'Hebel' international products.

The Company's objectives also include owning, buying and selling real estates, land and lands for development for the benefit of the Company either inside or outside Kuwait, dealing in industrial companies' shares and bonds relating to the main objective of the Company for the benefit of the Company only either inside or outside Kuwait, preparing and submitting the studies and consultancy and also organizing the industrial exhibitions for the Company's projects.

The Company may have interests or participate in any aspect in other firms conducting similar activities or which may assist the Company in achieving its objectives in Kuwait or abroad. The Company may also acquire such firms or participate in their equity.

The parent Company's number of employees is 300 as at December 31, 2007 (2006 - 300).

The address of the Company is Sharq – Ahmed Al-Jaber Street – Raed Center, 5th floor, P.O. Box 24079, Safat, 13101 - State of Kuwait.

The financial statements were authorized for issue by the Board of Directors on March 25, 2008. The Shareholders' General Assembly has the power to amend these financial statements after issuance.

2. Accounting policies

The accompanying consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board (IASB). Significant accounting policies are summarized as follows:

a) Basis of preparation

The consolidated financial statements are presented in Kuwaiti Dinars and are prepared under the historical cost convention except investments at fair value through income statement, available for sale investments and investment properties are stated at their fair value. The accounting policies applied by the Group are consistent with those used in the previous year.

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions in the process of applying the Group's accounting policies. Significant accounting judgments, estimates and assumptions are disclosed in Note 2(z).

Standard and amendments to standard effective in 2007

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The Group has adopted IFRS 7 "Financial Instruments: Disclosure" and the complementary amendment to IAS 1 "Presentation of Financial Statements" introducing amended and additional disclosures relating to financial instruments and associated risks and capital disclosures respectively.

Standards and Interpretations issued but not effective

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

IFRS 8 "Operating Segments"
The application of IFRS 8, which will be effective for the annual periods beginning on or after 1 January 2009, will result in disclosure of information to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.

IAS 1 "Presentation of Financial Statements" (Revised)
The application of IAS 1 (Revised), which will be effective for the annual periods beginning on or after 1 January 2009, will impact the presentation of financial statements to enhance the usefulness of the information presented.

IAS 23 "Borrowing Cost" (Revised)
The application of IAS 23 (Revised), which will be effective for the annual periods beginning on or after 1 January 2009, will require an entity to capitalize borrowing costs attributable to the acquisition, construction or production of a qualifying asset as a part of the cost of that asset and removing an option of expensing these borrowing costs in the consolidated statement of income.

IFRIC Interpretation 11 "IFRS 2 - Group and Treasury Share Transactions"
The application of IFRIC Interpretation 11, which will be effective for annual periods beginning on or after 1 March 2007, provides guidance as to whether certain share options given to employees should be accounted as a equity-settled or cash-settled transaction.

b) Basis of consolidation

The consolidated financial statements include the financial statements of Aerated Concrete Industries Company - K.S.C. (Closed) and the following subsidiaries:

Name of Subsidiary	Country of incorporation	Percentage of ownership 2007	Percentage of ownership 2006
Ghassan Ahmed Sauod Al-Khaled & Co. – W.L.L. and its subsidiary	Kuwait	**75 %**	75 %
ACICO International Contracting – L.L.C.	UAE	**75 %**	-

During the year,the Group consolidated ACICO International Contracting – L.L.C. Accordingly the comparative figures for 2006 do not include such information :

Balance sheet :

	2007
Assets:	
Cash on hand and at banks	**192,429**
Accounts receivable and other debit balances	**6,087,070**
Fixed assets	**768,231**

Liabilities:

Due to banks	**93,901**
Accounts payable and other credit balances	**2,844,040**
Provision for end of service indemnity	**17,783**

Income statement:

	2007
Opertating income	**1,536,967**
Operating costs	**1,330,090**
General and administrative expenses	**504,659**
Dereciation expense	**64,810**
Other income	**33,127**

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Inter-company balances and transactions, including inter-company profits and unrealized profits and losses are eliminated on consolidation. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

c) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

d) Investments

The Group classifies its investments in the following categories: Investments at fair value through income statement, loans and available for sale investments. The classification depends on the purpose for which the investments were acquired and is determined at initial recognition by the management.

(i) Investments at fair value through income statement

This category has two sub-categories: investments held for trading, and those designated at fair value through statement of income at inception.

An investment is classified as held for trading if acquired principally for the purpose of selling in the short term or if it forms part of an identified portfolio of investments that are managed together and has a recent actual pattern of short-term profit making or it is a derivative that is not designated and effective as a hedging instrument.

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An investment is designated by the management on initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise or; 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.

Investments in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months of the balance sheet date.

(ii) Investments available for sale

Investments available for sale are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognized on settlement date – the date on which an asset is delivered to or by the Group. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through income statement.

After initial recognition, investments at fair value through income statement and investments available for sale are subsequently carried at fair value. The fair values of quoted investments are based on current bid prices. If the market for an investment is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

Realized and unrealized gains and losses from investments at fair value through income statement are included in the income statement. Unrealized gains and losses arising from changes in the fair value of investments available for sale are recognized in cumulative changes in fair value in consolidated statement of changes in shareholders' equity.

Where investments available for sale could not be measured reliably, these are stated at cost less impairment losses, if any.

When an investment available for sale is disposed off or impaired, any prior fair value earlier reported in equity is transferred to the consolidated statement of income.

An investment (in whole or in part) is derecognized either when: the contractual rights to receive the cash flows from the investment have expired; or the Group has transferred its rights to receive cash flows from the investment and either (a) has transferred substantially all the risks and rewards of ownership of the investment, or (b) has neither transferred nor retained substantially all the risks and rewards of the investment, but has transferred control of the investment. Where the Group has retained control, it shall continue to recognize the investment to the extent of its continuing involvement in the investment.

The Group assesses at each balance sheet date whether there is an objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for investments available for sale, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss – is removed

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from equity and recognized in the consolidated statement of income. Impairment losses recognized in the consolidated statement of income on available for sale equity instruments are not reversed through the consolidated statement of income.

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e) Receivables

Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than 120 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated statement of income with in general and administration expense. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the consolidated statement of income.

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f) Due from (to) customers for contract work

The gross amount due from (to) customers for contract work represents the net amount of costs incurred plus recognized profits, less the sum of recognized losses and progress billings for all contracts in progress. Cost comprises direct materials, direct labor and an appropriate allocation of overheads. For contracts where progress billings exceed costs incurred plus recognized profit (less recognized losses), the excess is included under liabilities.

g) Inventories

Inventories are valued at the lower of cost or net realizable value after providing allowances for any obsolete or slow-moving items. Cost comprises direct materials and direct labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is determined on a weighted average basis.

Net realizable value is the estimated selling price in the ordinary course of business less the costs of completion and selling expenses.

h) Lands under development

Lands under development are valued at the actual cost, while land and real estate that are ready for sale are valued at the lower of cost or net realizable value. Any resulting differences are included in the statement of income.

i) Investment in associate

Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policy decisions. The consolidated financial statements include the Group's share of the results and assets and liabilities of associates under the equity method of accounting from the date that significant influence effectively commences until the date that significant influence effectively ceases, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes

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in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate which includes any long-term interests that, in substance, form part of the Group's net investment in the associate are not recognized.

Gains or losses arising from transactions with associates are eliminated against the investment in the associate to the extent of the Group's interest in the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment in associates and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in consolidated profit or loss.

j) Investment property

Investment properties, which are properties, held to earn rentals and/or for capital appreciation, are stated at their fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment properties are included in the consolidated statement of income for the period in which they arise. Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party or completion of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains or losses arising on the retirement or disposal of an investment property are recognized in the consolidated statement of income.

k) Rights of utilization

Rights of utilization are stated at historical cost. Rights of utilization have a definite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of rights of utilization over their estimated useful lives (17 years).

l) Goodwill

Goodwill arising on an acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of the acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities as at the date of the acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount

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of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described under 'Investment in associates' in note 2(i).

Where there is an excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost, the Group is required to reassess the identification and measurement of the net identifiable assets and measurement of the cost of the acquisition and recognize immediately in the consolidated statement of income any excess remaining after that remeasurement.

m) Projects under construction

All project costs are included in the projects under construction item till the date of its completion and preparation to be ready for use. At this date, it is reclassified as property and equipment or investment properties according to the intention of the Group's management.

n) Fixed assets

The initial cost of fixed assets comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of fixed assets beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of fixed assets.

Fixed assets are stated at cost less accumulated depreciation and impairment losses. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the statement of income.
Land is not depreciated. Depreciation is computed on a straight-line basis over the estimated useful lives of other fixed assets as follows:

	Useful life years
Buildings	20
Machinery and equipment	3 - 20
Motor vehicles	3
Tools and equipment	3
Furniture and fixtures	3 - 5

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

o) Impairment of tangible and intangible assets excluding goodwill

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At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statement of income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

p) Payables

Accounts payable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

q) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of income over the period of the borrowings using the effective interest method.

r) Provision for employees' end of service indemnity

Provision is made for amounts payable to employees under the Kuwaiti Labor Law. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination on the balance sheet date, and approximates the present value of the final obligation.

s) Share capital

Ordinary shares are classified as equity.

t) Treasury shares

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Treasury shares consist of the Company's own shares that have been issued, subsequently reacquired by the Company and not yet reissued or canceled. The treasury shares are accounted for using the cost method. Under the cost method, the weighted average cost of the shares reacquired is charged to a contra equity account. When the treasury shares are reissued, gains are credited to a separate account in equity (gain on sale of treasury shares) which is not distributable. Any realized losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then reserves.

Gains realized subsequently on the sale of treasury shares are first used to offset any recorded losses in the order of reserves, retained earnings and the gain on sale of treasury shares account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

u) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of returns, rebates and discounts and after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sale of goods

Sales represent the total invoiced value of goods sold during the year. Revenue from sale of goods is recognized when significant risks and rewards of ownership of goods are transferred to the buyer.

Construction contracts

Revenue from construction contracts is recognized in accordance with the percentage of completion method of accounting measured by reference to the percentage that actual costs incurred to date bear to total estimated costs for each contract. Profit is only recognized when the contract reaches a point where the ultimate profit can be estimated with reasonable certainty. Claims, variation orders and incentive payments are included in the determination of contract profit when approved by contract owners. Anticipated losses on contracts are recognized in full as soon as they become apparent.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognized as expenses in the period in which they are incurred.

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Revenue on sale of apartments and villas

Revenue on sale of apartments and villas is recognized on the basis of percentage completion based on internal surveys of work performed as and when all the following conditions are met:

- The buyer's investment, to the date of the financial statements, is adequate to demonstrate a commitment to pay for the property;
- Construction is beyond a preliminary stage. The engineering, design work, construction contract execution, site clearance and building foundation are finished;
- The buyer is committed. The buyer is unable to require a refund except for non-delivery of the unit and, in certain cases, in the event of the non-enactment of pending legislation regarding freehold title and immigration visas. Management believes that the likelihood of the Company being unable to fulfill its contractual obligations for these reasons is remote; and
- The aggregate sales proceeds and costs can be reasonably estimated.

Cost of revenue

Cost of revenue includes the cost of land and development costs. Development costs include the cost of infrastructure and construction

Sale of lands under development

Revenue is recognized when significant risks and rewards of ownership are transferred to the buyer.

Interest income

Interest income is recognized on a time-proportion basis using the effective interest method.

Dividend income

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

Rent

Rental income is recognized, when earned, on a time apportionment basis.

Gain on sale of investments

Gain on sale of investments is measured by the difference between the sale proceeds and the carrying amount of the investment at the date of disposal, and is recognized at the time of the sale.

v) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in net profit or loss in the period in which they are incurred.

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w) Provisions

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required

to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation

x) Foreign currency

Foreign currency transactions are translated into Kuwaiti Dinars at rates of exchange prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currency at the balance sheet date are translated into Kuwaiti Dinars at rates of exchange prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlements of monetary items or on the retranslation of monetary items are included in income statement for the period. Translation differences on non-monetary items such as equity investments which are classified as investments at fair value through income statement are reported as part of the fair value gain or loss. Translation differences on non-monetary items such as equity investments classified as available for sale financial assets are included in "cumulative changes in fair value" in the consolidated statement of changes in equity.

The assets and liabilities of the foreign subsidiary are translated into Kuwaiti Dinars at rates of exchange prevailing at the balance sheet date. The results of the subsidiary are translated into Kuwaiti Dinars at rates approximating the exchange rates prevailing at the dates of the transactions. Foreign exchange differences arising on translation are recognized directly in the consolidated statement of changes in equity. Such translation differences are recognized in profit or loss in the period in which the foreign operation is disposed off.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

y) Contingencies

Contingent liabilities are not recognized but disclosed in the consolidated financial statements except when the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

z) Financial instruments

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Financial assets and financial liabilities carried on the balance sheet include cash and cash equivalents, receivables, investments, bank borrowings and payables. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies found in this Note.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains, and losses relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

aa) Critical accounting estimates and judgments

The Group makes judgments, estimates and assumptions concerning the future. The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from the estimates.

a) Judgments

In the process of applying the Group's accounting policies which are described in note 2, management has made the following judgments that have the most significant effect on the amounts recognized in the consolidated financial statements.

(i) Revenue Recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The determination of whether the revenue recognition criteria as specified under IAS 18 are met requires significant judgment.

(ii) Determination of contract cost

Determination of costs which are directly related to the specific contract or attributable to the contract activity in general requires significant judgment. The determination of contract cost has a significant impact upon revenue recognition in respect of long term contracts. The Group follows guidance of IAS 11 for determination of contract cost and revenue recognition.

(iii) Provision for doubtful debts and inventory

The determination of the recoverability of the amount due from customers and the marketability of the inventory and the factors determining the impairment of the receivable and inventory involve significant judgment.

(iv) Classification of investments

On acquisition of an investment, the Group decides whether it should be classified as "at fair value through statement of income", "available for sale" or "held to maturity". The Group follows the guidance of IAS 39 on classifying its investments.

The Group classifies investments as "at fair value through statement of income" if they are acquired primarily for the purpose of short term profit making or if they are designated at fair value through

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statement of income at inception, provided their fair values can be reliably estimated.. All other investments are classified as "available for sale".

(v) Impairment of investments

The Group treats investments "available for sale" as impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is "significant" or "prolonged" requires significant judgment.

b) Estimates and assumptions

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

(i) Fair value of unquoted equity investments

If the market for a financial asset is not active or not available, the Group establishes fair value by using valuation techniques which include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances. This valuation requires the Group to make estimates about expected future cash flows and discount rates that are subject to uncertainty.

(ii) Impairment of Goodwill

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

(iii) Long term contracts

Revenue from long term contracts is recognized in accordance with the percentage of completion method of accounting measured by reference to the percentage that actual costs incurred to date bear to total estimated costs for each contract. The revenue recognition as per the above criteria should correspond to the actual work completed. The determination of estimated costs and the application of percentage of completion method involve estimation. Further, the budgeted cost and revenue should consider the claims and variations pertaining to the contract.

(iv) Provision for doubtful debts and inventory

The extent of provision for doubtful debts and inventories involves estimation process. Provision for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified. The carrying cost of inventories is written down to their net realizable value when the inventories are damaged or become wholly or partly obsolete or their selling prices have declined. The benchmarks for determining the amount of provision or write-down include ageing analysis, technical assessment and subsequent events. The provisions and write-down of accounts receivable and inventory are subject to management approval.

bb) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products and services within a particular economic

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environment (geographical segment), which is subject to risks and returns that are different from those of other segments.

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3. Cash and cash equivalents

	2007	2006
Cash on hand and at banks	**811,771**	907,198
Fixed deposits	**30,552,709**	2,261,424
	31,364,480	3,168,622

The effective interest rate on the short term bank deposit ranged from 6% to 7.25% per annum (2006 – 3.25% to 4.78%), these deposits have an average maturity of 90 days.
A fixed deposit amounting to KD 16,250,000 is pledged against short term loan (Note 20).

4. Investments at fair value through income statement

	2007	2006
Held for trading	**-**	344,720
Designated at fair value through income statement	**-**	2,663,792
	-	3,008,512

5. Accounts receivable and other debit balances

	2007	2006
Trade receivables	**7,100,169**	5,204,015
Provision for doubtful debts	**(533,242)**	(383,457)
	6,566,927	4,820,558
Letters of credit	**369,394**	532,389
Prepaid expenses	**820,487**	754,023
Accrued interest income	**317,431**	-
Advance payments for subcontractors	**6,676,036**	2,190,663
Retention held with others	**141,729**	-
Refundable deposits	**748,993**	182,384
Others debit balances	**92,323**	156,979
	15,733,320	8,636,996

Trade receivables that are less than 6 months past due are not considered impaired. As of December 31, 2007, trade receivables amounting to KD 533,242 (2006: KD 383,457) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of trade receivables is as follows:

	2007	2006
From 60 to 90 days	**3,976,212**	3,076,233
From 90 to 120 days	**2,283,104**	1,358,669
Over 120 days	**840,853**	769,113
	6,294,428	5,204,015

The movement of provision for doubtful debts was as follows

	2007
Balance at the beginning of the year	**383,457**
Charge during the year	**157,075**
Utilized during the year	**(7,290)**
Balance at the end of the year	**533,242**

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The fair values of accounts receivable and other debit balances approximated their carrying values as at December 31, 2007.

6. Gross amount due from customers for contract work

	2007	2006
Contract cost incurred to date plus recognized profits less recognized losses	**13,836,404**	16,407,041
Less: Progress billings	**(11,371,645)**	(12,139,120)
	2,464,759	4,267,921

7. Related party transactions

The Group has entered into various transactions with related parties, i.e. shareholders, key management personnel, associates and other related parties in the normal course of its business concerning financing and other related services. Prices and terms of payment are approved by the Group's management. Significant related party transactions and balances are as follows:

Balance sheet:	Associate	Other related parties	**2007**	2006
Due from related parties	2,153,866	462,206	**2,616,072**	8,037,322
Investments available for sale	-	214,939	**214,939**	-
Due to related parties	-	400,587	**400,587**	877,459
Accounts receivable and other debit balances	-	-	**-**	542,874
Accounts payable and other credit balances	-	-	**-**	2,286,719
Income statement:				
Operating income	1,137,222	28,950,822	**30,880,044**	7,687,143
Operating costs	610,418	27,475,515	**28,085,933**	7,241,433
Dividend income	-	20,000	**20,000**	-
Realized gain from available for sale investments	-	61,373	**61,373**	56,064
Gain on sale of lands under development	-			207,375
Other income	-	2,912	**2,912**	119,915

Due from (to) related parties mainly represent loans granted to related parties and sales between them.

Compensation to key management personnel:	**2007**	2006
Short term benefits	**104,670**	90,000
Termination benefits	**8,000**	3,204
	112,670	93,204

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8. Inventories

	2007	2006
Raw materials	**2,024,498**	628,645
Finished goods	**934,007**	1,172,242
Spare parts	**715,691**	856,313
	3,674,196	2,657,200
Provision for slow-moving inventory	**(170,000)**	(150,129)
	3,504,196	5,166,277

9. Lands under development

	2007	2006
Balance at the beginning of the year	**164,420**	9,394,807
Additions	**-**	3,750,265
Disposals	**-**	(12,980,652)
Balance at the end of the year	**164,420**	164,420

Lands under development are not registered in the name of the Company. However, the Company has the right to sell and dispose the land according to the authorization from the owner of the land.

10. Investments available for sale

Investments available for sale includes the following

	2007	2006
Investment in real estate fund	**214,939**	-
Investment in unquoted shares	**5,941,864**	-
	6,156,803	-

Investments available for sale are denominated in the following currencies

	2007	2006
Kuwaiti dinar	**4,934,660**	-
Bahraini dinar	**707,649**	-
AED dirham	**514,494**	-
	6,156,803	-

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11. Investment in associates

The investment in associates consists of the following:

	Country of Incorporation	Percentage of ownership	**2007**	2006
Aerated Concrete Industries Company - Saudi Arabia W.L.L.	Saudi Arabia	45%	**375,208**	483,910
Aerated Concrete Industries Company - Qatar W.L.L.	Qatar	49%	**406,631**	160,748
Al-Masaken International for Real Estate Development - K.S.C(Closed)	Kuwait	35%	**8,091,119**	-
			8,872,958	644,658

The Group accounted its share of results from Aerated Concrete Industries Company – Qatar - W.L.L and Aerated Concrete Industries Company – Saudi Arabai - W.L.L based on management accounts as at December 31, 2007.

The movement of investments in associates during the year was as follows:

	2007	2006
Balance at the beginning of the year	**644,658**	644,658
Acquisition of associate	**6,190,562**	-
Group's share of results from associates	**1,037,738**	-
Transferred from investment in unconsolidated subsidiary	**1,000,000**	-
Balance at the end of the year	**8,872,958**	644,658

During the year the parent company subscribed in portion of the capital increase of its unconsolidated subsidiary Al - Masaken International for Real Estate Development - K.S.C. (Closed), which resulted in decreasing the parent company's interest in the equity of the unconsolidated subsidiary to 35%. Accordingly it was accounted as investment in associate.

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The Group's interests in its associates as of December 31 were as follows:

	Assets		Liabilities		Net Assets	
Name of associate	**2007**	2006	**2007**	2006	**2007**	2006
Al-Masaken International for Real Rstate Development K.S.C (Closed)	**8,512,740**	-	**421,621**	-	**8,091,119**	-
Aerated Concrete Industries Company - Saudi Arabia W.L.L.	**2,566,131**	-	**2,190,923**	-	**375,208**	-
Aerated Concrete Industries Company - Qatar W.L.L.	**1,277,212**	-	**870,581**		**406,631**	
	12,356,083	-	**3,483,125**	-	**8,872,958**	-

	Revenues		Results	
	2007	2006	**2007**	2006
Al-Masaken International for Real Rstate Development K.S.C (Closed)	**5,326,042**	-	**1,091,119**	-
Aerated Concrete Industries Company - Saudi Arabia W.L.L.	**-**	-	**(108,702)**	-
Aerated Concrete Industries Company - Qatar W.L.L.	**890,594**	-	**55,321**	-
	6,216,636	-	**1,037,738**	-

12. Investment in unconsolidated subsidiaries

	Country of Incorporation	Percentage of ownership	**2007**	2006
ACICO International Contracting – L.L.C.	UAE	75%	**-**	175,334
Al-Masaken International for Real Estate Development W.L.L.	Kuwait	100%	**-**	1,000,000
			-	1,175,334

The movement in investment in unconsolidated subsidiaries was as follows

	2007	2006
Balance at the beginning of the year	**1,175,334**	11,215,260
Additions	**-**	1,175,334
Disposals	**-**	(10,043,752)
Gain on sale of land to unconsolidated subsidiary	**-**	(1,171,508)
Transferred to investment in associates	**(1,000,000)**	-
Consolidated during the year	**(175,334)**	-
Balance at the end of the year	**-**	1,175,334

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13. Investment properties

	2007	2006
Balance at the beginning of the year	**11,626,347**	4,000,000
Transferred from a company under liquidation	**-**	2,317,455
Additions	**739,677**	2,202,347
Transfer from projects under construction	**13,993,102**	-
Disposals	**(9,199,560)**	-
Changes in fair value of investment properties	**18,652,601**	3,106,545
Foreign currency translation adjustment	**(1,101,552)**	-
Balance at the end of the year	**34,710,615**	11,626,347

Investment property amounting to KD 29,792,000 is registered in the name of a major shareholder. How ever, there is an assignment letter for the benefit of the parent company.

During the year the Company sold investment property resulting in a gain of KD 1,211,275. For this investment property the Company has recognized changes in fair value of KD 1,916,575.

14. Right of utilization of leasehold

	Right of utilization of leasehold
Cost as of December 31, 2006	1,149,225
Cost as of December 31, 2007	**1,149,225**
Accumulated amortization as of December 31, 2006	(253,787)
Charge for the year	(57,462)
Accumulated amortization as of December 31, 2007	**(311,249)**
Balance as of December 31, 2007	**837,976**
Balance as of December 31, 2006	895,438

This land was leased from the government for 20 years ending on June 15, 2017, which is amortized over the lease contract period.

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15. Projects under construction

	2007	2006
Balance at the beginning of the year	**48,215,882**	14,138,870
Transferred from a company under liquidation	**-**	20,895,603
Additions	**32,555,509**	18,421,347
Disposals	**-**	(5,347,891)
Transfer to investments property	**(13,993,102)**	-
Transfer from fixed assets	**-**	145,546
Transfer to fixed assets	**(4,887,500)**	
Foreign currency translation adjustment	**(2,574,967)**	(37,593)
Balance at the end of the year	**59,315,822**	48,215,882

Interest expense amounting to KD 2,238,044 has been capitalized on projects under construction (2006-265,925).

Project under construction amounting to KD 22,807,848 with its future rental income is pledged against a term loan. Project under construction amounting to KD 11,341,521 is pledged against term loan (Note 20).

Projects under construction amounting to KD 34,149,369 are registered in the name of a major shareholder. However, there are assignment letters for the benefit of the parent company.

Projects under construction represent different projects in the GCC countries.

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16. Fixed assets

	Land & buildings	Machinery	Motor vehicles	Tools and equipment	Furniture and fixtures	Total
Cost:						
As of December 31, 2006	3,730,116	15,524,719	2,821,171	201,165	1,874,797	24,151,968
Reclassification	206,948	(205,849)	-	(1,825)	726	-
Additions	1,629	838,424	884,149	239,869	201,779	2,165,850
Disposals	-	(68,311)	(469,341)	(645)	(731)	(539,028)
Transferred from projects under construction	2,312,796	2,508,060	65,046	-	1,598	4,887,500
Foreign currency translation adjustments	(71,327)	(157,613)	(5,063)	(2,969)	(6,429)	(243,400)
As of December 31, 2007	**6,180,162**	**18,439,430**	**3,295,962**	**435,594**	**2,071,740**	**30,422,889**
Accumulated depreciation:						
As of December 31, 2006	1,112,297	4,958,339	1,846,438	158,490	1,661,132	9,736,696
Reclassification	65,734	(65,703)	-	-	(31)	-
Charge for the year	220,254	794,992	510,442	46,056	127,834	1,699,578
Relating to disposals	-	(68,311)	(363,558)	(405)	(215)	(432,489)
Foreign currency translation adjustments	(8,004)	(18,624)	(4,890)	(2,156)	(2,521)	(36,195)
As of December 31, 2007	**1,390,281**	**5,600,694**	**1,988,427**	**201,985**	**1,786,199**	**10,967,586**
Net book value:						
As of December 31, 2007	**4,789,881**	**12,838,736**	**1,307,535**	**233,610**	**285,542**	**19,455,304**
As of December 31, 2006	2,617,819	10,566,380	974,733	42,675	213,665	14,415,272

Cost of sales include depreciation charge for the year amounting to KD 1,268,712 (2006 – KD 1,173,148)

The Company's factory buildings are erected on land leased from the Government for 25 years ending on June 30, 2017 and is renewable.

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17. Goodwill

	2007	2006
Balance at the beginning of the year	**2,250,506**	3,158,661
Disposal due to a subsidiary's subsidiary	**-**	(908,155)
Balance at the end of the year	**2,250,506**	2,250,506

18. Due to banks

Annual interest rate on bank overdrafts varies from 1% to 2% over the Central Bank of Kuwait discount rate.

Due to banks is guaranteed by notes payable.

19. Accounts payable and other credit balances

	2007	2006
Trade payable	**9,416,735**	3,038,848
Advances from customers	**764,415**	809,242
Subcontractors' retention payable	**444,121**	-
Accrued staff leave	**253,896**	119,264
Payable to Kuwait Foundation for Advancement of Sciences	**320,943**	199,452
National Labor Support Tax payable	**623,981**	745,152
Payable to Zakat	**14,117**	-
Provision for maintenance	**116,481**	436,535
Board of Directors' remuneration payable	**95,000**	95,000
Accrued expenses and others	**531,921**	458,099
	12,581,609	5,901,592

There is no material difference between the fair value and the book value of accounts payable and other credit balances.

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20. Loans

	2007	2006
Current portion		
Loan guaranteed by note payable (promissory note) bearing annual interest 1.25 % over the CBK discount rate payable on May 25, 2008	**14,200,000**	3,798,210
Loan guaranteed by note payable (promissory note) bearing annual interest 1% over the CBK discount rate payable on February 28, 2008	**3,000,000**	-
Loan guaranteed by note payable (promissory note) bearing annual interest 7.5 % payable on September 25, 2008	**10,000,000**	-
Loan guaranteed by note payable (promissory note) bearing annual interest 1.25 % over the CBK discount rate payable on September 30, 2008	**3,000,000**	-
Loan guaranteed by note payable (promissory note) bearing annual interest 1% over the CBK discount rate payable on March 30, 2008	**2,000,000**	-
Loan in USD guaranteed by note payable (promissory note) bearing annual interest 1.5 % over the LIBOR payable on April 30, 2012	**535,474**	-
Loan in USD guaranteed by note payable (promissory note) and a fixed deposit bearing annual interest 2.5 % over LIBOR payable on March 31, 2008	**14,769,000**	-
Loan in USD guaranteed by note payable (promissory note) and bearing annual interest 6.65 % payable on June 14, 2011	**1,494,209**	-
Loan guaranteed by note payable (promissory note) bearing annual interest 7.75 % payable on September 1, 2009	**3,000,000**	-
Loan guaranteed by note payable (promissory note) bearing annual interest 1% over the CBK discount rate payable on February 28, 2009	**1,800,000**	3,233,334
Loan in USD guaranteed by note payable (promissory note) and a project under construction bearing annual interest 2.75 % over a local bank funding cost payable on December 5, 2015	**1,542,540**	-
Loan in UAE Dirham guaranteed by project under construction bearing annual interest ranging from 1% to 2.5 % over DIBOR payable on May 1, 2015	**733,560**	4,514,911
Loan in UAE Dirham guaranteed by project investment property bearing annual interest 2 % over DIBOR payable on October 31, 2006	**-**	2,365,350
Loan guaranteed by a note payable (promissory note) bearing annual interest ranging from 1.75% to 2.5 % over the CBK discount rate payable on July 2008	**500,000**	-
Loan guaranteed by a note payable (promissory note) bearing annual interest ranging from 1.75% to 2.5 % over the CBK discount rate payable on November 2008	**500,000**	-
Loan guaranteed by a note payable (promissory note) bearing annual interest ranging from 1.75% to 2.5 % over the CBK discount rate payable on June 2009	**1,300,524**	-
Loan guaranteed by a note payable (promissory note) bearing annual interest ranging from 1.75% to 2.5 % over the CBK discount rate payable on November 2009	**1,200,000**	-
	59,575,307	13,911,805

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Non current portion

Loan in USD guaranteed by note payable (promissory note) and a project under construction bearing annual interest 2.75 % over a local bank funding cost payable on December 5, 2015	**8,850,460**	3,925,520
Loan guaranteed by note payable (promissory note) bearing annual interest 1% over the CBK discount rate payable on February 28, 2009	**7,000,000**	10,720,832
Loan in USD guaranteed by note payable (promissory note) bearing annual interest 6.65 % payable on June 14, 2011	**3,611,125**	-
Loan guaranteed by note payable (promissory note) bearing annual interest 7.75 % payable on September 1, 2009	**2,000,000**	-
Loan in USD guaranteed by note payable (promissory note) bearing annual interest 1.5 % over the LIBOR payable on April 30, 2012	**2,008,076**	-
Loan in UAE Dirham guaranteed by project under construction bearing annual interest ranging from 1% to 2.5 % over DIBOR payable on May 1, 2015	**4,645,878**	2,621,596
Loan guaranteed by a note payable (promissory note) bearing annual interest ranging from 1.75% to 2.5 % over the CBK discount rate payable on June 2009	**1,367,055**	-
Loan guaranteed by a note payable (promissory note) bearing annual interest ranging from 1.75% to 2.5 % over the CBK discount rate payable on November 2009	**100,000**	-
	29,582,594	17,267,948

21. Provision for employees' end of services indemnity

	2007	2006
Balance at the beginning of the year	**722,510**	547,920
Charge for the year	**269,343**	235,227
Paid during the year	**(116,244)**	(60,637)
Transferred to a related party	**(1,403)**	-
Foreign currency translation adjustments	**(2,620)**	-
Balance at the end of the year	**871,586**	722,510

22. Due to shareholders of a company under liquidation

During the year ended December 31, 2006 the extraordinary General Assembly meeting of ACICO International for Real Estate Development - K.S.C. (Closed) – an unconsolidated subsidiary of Aerated Concrete Industries – K.S.C. (Closed) with percentage of ownership 53.43% decided to voluntarily dissolve and liquidate the company voluntarily.

The Company's net assets as a result of the liquidation amounted to KD 23,552,539. The extraordinary General Assembly meeting of Aerated Concrete Industries – K.S.C. (Closed) held on December 23, 2006 approved the purchase of the Company's net assets based on the liquidation value through acquiring the other shareholders' share in the Company amounting to 46.57% with an amount of KD 12,061,787 by issuing 38,805,939 shares with a nominal value of 100 fils and share premium of 211 fils per share. The parent company's shareholders waived their right in the subscription to the new shareholders.

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During the year ended December 31, 2007 subscription in share capital increase and share premium was as follows:

	Before subscription	Subscription	After subscription
Share capital	14,684,371	3,880,594	18,564,965
Share premium	16,245,253	8,181,193	24,426,446

23 Share capital

Authorized issued and paid up capital consist of 194,932,138 shares (2006 – 146,843,716 shares) of 100 fils each.

The shareholders' General Assembly meeting held on April 7, 2007 increased the share capital from 146,843,716 shares to 194,932,138 shares with an increase of 48,088,422 shares representing 5% bonus shares (2006 – 5%) and 26.43% cash capital increase (2006 – 12.5% rights issue).

	Shares	Nominal value KD
Balance at December 31, 2006	146,843,716	14,684,371
Bonus shares – 5%	9,282,483	928,248
Capital increase – 26.43%	38,805,939	3,880,594
Balance at December 31, 2007	**194,932,138**	19,493,213

24. Share premium

This represents cash received in excess of the par value of the shares issued. The share premium is not available for distribution except in cases stipulated by law.

25. Statutory reserve

As required by the Commercial Companies Law and the Parent Company's Articles of Association, 10% of net profit for the year attributable to equity holders of the Parent Company before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST), contribution to Zakat and board of directors' remuneration is transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve equals 50% of the capital. This reserve is not available for distribution except in cases stipulated by Law and the Parent Company's Articles of Association.

26. Treasury shares

	December 31, 2007	December 31, 2006
Number of shares	**802,062**	1,750,518
Percentage of issued shares	**0.41%**	1.19%
Market value (KD)	**441,134**	544,291
Cost	**415,881**	605,684

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27. Segment reporting

Following are the segment information for the main activities of the Company:

	December 31, 2007					
	Aerated Concrete	**Housing Development**	**Contracting**	**Total**	**Minority / entries to eliminate inter-company transaction**	**Total**
Operating income	**13,291,929**	**442,034**	**63,048,969**	**76,782,932**	**(34,098,147)**	**42,684,785**
Operating costs	**7,662,561**	**392,784**	**56,452,689**	**64,508,034**	**(28,977,174)**	**35,530,860**
Net income for the year	**22,461,606**	**106,133**	**(313,864)**	**22,253,875**	**(78,466)**	**22,175,409**
Finance charges	**1,544,629**	**-**	**149,375**	**1,694,004**	**-**	**1,694,004**
Depreciation	**102,522**	**-**	**328,344**	**430,866**	**-**	**430,866**
Total assets	**253,142,441**	**780,854**	**23,311,925**	**277,235,220**	**(89,787,989)**	**187,447,231**
Total liabilities	**176,859,340**	**664,025**	**19,242,139**	**196,765,504**	**(85,715,547)**	**111,049,957**

	December 31, 2006					
	Aerated Concrete	Housing Development	Contracting	Total	Minority / entries to eliminate inter-company transaction	Total
Operating income	13,222,267	14,425,697	48,588,456	76,236,420	(21,744,818)	54,491,602
Operating costs	7,627,788	13,635,613	42,201,696	63,465,097	(19,726,328)	43,738,769
Net income for the year	10,458,821	806,554	2,823,014	14,088,389	(742,974)	13,345,415
Finance charges	1,498,334	117,177	208,350	1,823,861	-	1,823,861
Depreciation	58,769	12,385	289,812	360,966	-	360,966
Total assets	131,301,549	2,593,917	16,426,930	150,308,709	(41,308,095)	109,014,301
Total liabilities	80,227,045	1,761,051	9,786,110	91,774,206	(37,414,216)	54,359,990

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28. General and administrative expenses

	2007	2006
Staff cost	**1,339,795**	772,770
Preopening hotel expenses	**1,227,368**	-
Rent expenses	**198,187**	168,168
Donations	**78,350**	-
Insurance	**52,121**	49,601
Legal and professional fees	**150,812**	116,228
Bank charges	**147,317**	72,180
Miscellaneous	**1,556,198**	1,113,991
	4,750,148	2,292,938

29. Investment income

	2007	2006
Dividend income	**53,966**	164,800
Gain on sale of investment available for sale	**61,373**	61,564
	115,339	226,364

30. Other income

	2007	2006
Gain on sale of fixed assets	**48,680**	31,426
Management fees	**2,912**	119,915
Miscellaneous	**191,874**	341,783
	243,466	493,124

31. Contribution to Kuwait Foundation for Advancement of Sciences

Contribution to Kuwait Foundation for Advancement of Sciences is calculated at 1% of the profit of the Parent Company after deducting its share of income from shareholding subsidiaries and associates and transfer to statutory reserve:

	2007
Profit for the year before contribution to KFAS, National Labor Support Tax, contribution to Zakat and Board of Directors' remuneration	**22,959,229**
Income from associate subject to KFAS –Al-Masaken International for Real Esate development K.S.C(Closed)	**(1,091,119)**
Statutory reserve	**(2,295,923)**
	19,572,187
Kuwait Foundation for the Advancement of Sciences share	**1%**
	195,722

32. National Labor Support Tax

National Labor Support Tax is calculated at 2.5% of the profit of the Parent Company and after deducting its share of income from listed shareholding subsidiaries and associates, dividends from Kuwaiti listed shareholding companies and compensation claim from UNCC.

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33. Contribution to Zakat

Contribution to Zakat is calculated at 1% of the profit of the Parent Company after deducting its share of income from shareholding subsidiaries and associates in accordance with Ministry of Finance resolution No. 58/2007 effective December 10, 2007.

34. Board of Directors' remuneration

The proposed Board of Directors remuneration is subject to the approval of the shareholder's General Assembly.

35. Earnings per share

Earnings per share are calculated based on net profit for the year attributable to parent company's shareholders and the weighted average number of shares outstanding. There are no potential dilutive shares. The required information to calculate earnings per share is as follows:

	2007	2006 (Restated)
Net profit for the year attributable to parent company's shareholders	**22,080,409**	13,345,415
	Shares	Shares
Number of shares outstanding:		
Number of issued shares at beginning of the year	**184,267,526**	145,345,470
Bonus shares 5%	**9,282,483**	9,282,483
Weighted average of treasury shares	**(846,467)**	(905,215)
Weighted average number of shares outstanding at end of the year	**192,703,542**	153,722,738
	Fils	Fils
Earnings per share attributable to parent company's shareholders	**114.58**	86.81

Earnings per share attributable to parent company's shareholders for the year ended December 31, 2006 was 92.36 fils before retroactive adjustment relating to the issue of bonus shares.

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36. Proposed dividends and bonus shares

Cash Dividends

The Board of Directors proposed a cash dividend of 55 fils per share (2006 – 50 fils). This proposal is subject to the approval of the shareholders' annual General Assembly.

Bonus Shares

The Board of Directors proposed bonus shares of 5 shares for every 100 shares held. This proposal is subject to the approval of the shareholders' annual General Assembly.

Shareholders' annual General Assembly meeting held on April 4, 2007 approved the cash dividends of 50 fils per share and 5% bonus shares for every 100 shares held for the year ended December 31, 2006.

37. Financial Risk Management

In the normal course of business, the Group uses primary financial instruments such as cash, receivables, investments, bank facilities and payables and as a result, is exposed to the risks indicated below. The Group currently does not use derivative financial instruments to manage its exposure to these risks.

a) Interest rate risk

Financial instruments are subject to the risk of changes in value due to changes in the level of interest. The effective interest rates and the periods in which interest bearing financial assets and liabilities are reprised or mature are indicated in the respective notes.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit (through the impact on floating rate borrowings). There is no impact on Group's equity.

Year	Increase / (Decrease) in interest rate	Loan Balance on December 31 (KD)	Effect on profit (KD)
2007			
Loans	**± 50 basis points**	**89,157,901**	**± 445,790**
Due to banks	**± 50 basis points**	**7,779,593**	**± 38,898**
2006			
Loans	± 50 basis points	31,179,753	± 155,899
Due to banks	± 50 basis points	3,411,542	± 17,058

b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets which potentially subject the Group to credit risk consist principally of fixed and short notice bank deposits. The Group's fixed and short notice bank deposits are placed with high credit rating financial institutions. Receivables are presented net of allowance for doubtful debts. Credit risk with respect to receivables is limited due to the large number of customers and their dispersion across different industries.

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The Group's maximum exposure arising from default of the counter-party is limited to the carrying amount of cash at banks, short-term deposits, receivables and due from related parties.

c) Foreign currency risk

The Group incurs foreign currency risk on transactions that are denominated in a currency other than the Kuwaiti Dinar. Group may reduce its exposure to fluctuations in foreign exchange rates through the use of derivative financial instruments. The Group ensures that the net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the Kuwaiti Dinar.

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange between AED and Kuwaiti Dinar.

Year	Increase / (Decrease) against KD	Effect on profit	Effect on equity
2007	**± 5.00%**	**±486,020**	**± 5,038,323**

Year	Increase / (Decrease) against KD	Effect on profit	Effect on equity
2006	**± 5.00%**	**± 202,514**	**± 412,153**

d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk, the Group periodically assesses the financial viability of customers and invests in bank deposits or other investments that are readily realizable.

Maturity Table for financial liabilities

2007

Financial liabilities	1 month	1-3 months	3-12 months	Over 1 year	Total
Accounts payable	**959,041**	**1,990,890**	**9,536,679**	**-**	**12,486,610**
Due to banks	**-**	**-**	**7,779,593**	**-**	**7,779,593**
Term loans	**-**	**19,769,000**	**39,806,000**	**29,582,287**	**89,157,901**
Due to related parties	**-**	**-**	**400,587**	**-**	**400,587**
Total	**959,041**	**21,759,890**	**57,406,377**	**29,582,287**	**109,707,902**

2006

Financial liabilities	1 month	1-3 months	3-12 months	Over 1 year	Total
Accounts payable	1,276,687	454,408	4,170,497	-	5,901,592
Due to banks	-	-	3,411,542	-	3,411,542
Term loans	-	-	13,911,805	17,267,948	31,179,753
Due to related parties	-	-	877,459	-	877,459

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Total	1,276,687	454,408	22,371,303	17,267,948	41,370,346

e) Equity price risk

Equity price risk is the risk that fair values of equities decrease as the result of changes in level of equity indices and the value of individual stocks. The equity price risk exposure arises from the Group's investment in equity securities classified as fair value through profit or loss and available for sale.

The following table demonstrates the sensitivity to a reasonably possible change in the equity indices as a result of change in the fair value of these investments, to which the Group had significant exposure at December 31:

	2007		2006	
Market Indices	**Change in equity price %**	**Effect on equity**	Change in equity price %	Effect on equity
Funds	±5%	10,747	±5%	-

Fair value of financial instruments

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and other models as appropriate. At December 31, the fair values of financial instruments approximate their carrying amounts.

38. Capital Risk Management

The Group's objectives when managing capital resources 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 resources structure to reduce the cost of capital.

In order to maintain or adjust the capital resources structure, the Group may adjust the amount of dividends paid to shareholders, return paid up capital to shareholders, issue new shares, sell assets to reduce debt, repay loans or obtain additional loans.

For the purpose of capital risk management, the total capital resources consist of the following components:

	2007	2006
Due to banks	**7,779,593**	3,411,542
Term loans	**89,157,901**	31,179,753
Less: cash and cash equivalents	**(31,364,480)**	(3,168,622)
Net debt	**65,573,014**	31,422,673
Total equity	**76,206,770**	53,426,126
Total capital resources	**141,779,784**	84,848,799

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39. Contingent liabilities

	2007	2006
Letters of guarantee	**2,983,079**	1,241,700
Letters of credit	**334,917**	1,056,246
	3,317,996	2,297,946

According to Supreme Court verdict dated December 12, 2007, the court nullified a proxy letter by which the old owner of the subsidiary Ghassan Ahmed Al-Khalid – W.L.L. sold to himself units of others and then sold it to the parent company. According to the parent company's legal consultant there is no effect on the financial statements of the group, and also there is a confirmation from Mr. Ghassan Al-Khalid indicating that in case of any effects on the parent company's units of the subsidiary, he will compensate the parent company from his own units.

40. Comparative figures

Certain prior year amounts have been reclassified to conform to the current year presentation.

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