



Annual Report 2007



الشركة الخليجية المغاربية القابضة
Gulf North Africa Holding Co.



H.H. Sheikh
Nawaf Al-Ahmad
Al-Jaber Al-Sabah

Crown Prince



H.H. Sheikh
Sabah Al-Ahmad
Al-Jaber Al-Sabah

The Amir

BOARD MEMBER



Ahmed Youssif Al-Sager
Chairman



Talal Jasem Al-Khorafi
Deputy Chairman



Dr. Foad Al-Omar
Head of Executive Committee
& Board Member



Abdulrahman Al-Nissf
Board Member



Jaafar Aweidah
Board Member



Emad Abdullah Al-Essa
Board Member



Mehran Jamshir Mirza Hussain
Mirza Ali
Board Member

EXECUTIVE MANAGEMENT



Waleed E. Al-Thaqeb
General Manager



Saad A. Al-Zaid
Head of Investment



Mohammed A. Al-Duhami
Head of Marketing

Our management team expertise provides the group with a unique and exceptional knowledge, experience and resources for considering investment in a wide variety of industries insight to bear on each opportunity.

Our team has high levels of ethical standards in both performance to their professional work and dedication to their personal lives.

CHAIRMANS' MESSAGES



Dear Shareholders,

I welcome you on the behalf of myself and the members of the board of directors, and I submit the 2nd yearly report of the Gulf North Africa Holding Co., for the financial year ended on 31 December 2007.

The company, this year, achieved net profit of KD 2.25 million in comparison with KD 1.12 million in 2006 and KD 1.65 million as expected according to the subscription memorandum, the assets value reached KD 20.66 million if compared with KD 18.30 million in comparison with KD 16.12 million in 2006.

The share profit reached 15.0 fils in comparison with 7.5 fils in 2006 and 11.0 fils as expected in the subscription memorandum.

The Gulf North Africa Holding Co. performed its activities through its subscription.

Libyan General Trading & Contracting Co. W.L.L.

Tunis Arabian General Trading & Contracting Co. W.L.L.

Algerian Mediterranean General Trading & Contracting Co. W.L.L.

Moroccan Mediterranean General Trading & Contracting Co. W.L.L.

North Africa Morocco Holding Co.

Al-Sham Gulf Co. Ltd.

Al-Sham Gulf Holding Co.

The organizational plan was followed and a marketing manager, qualified staff were appointed as project managers and many support jobs.

During the last year, the People's Democratic Republic of Algeria market were studied in details through separate economical and real estate studies made by international consultancy office, these studies found many investment opportunities in Algeria through Algeria Mediterranean General Trading Co. that is owned by Gulf North Africa Holding Co., the company is currently working on one of the biggest projects in Algeria.

In the last year, the company studied many investment and real estate projects in the North Africa region and Arab Republic of Syria from marketing, technical, financial and legal sides, the best investment opportunities will start in 2008.

The Gulf North Africa Holding Co., studied the Syrian market and participated in Casablanca project in the Arab Republic of Syria through Al-Sham Gulf Co. Ltd., which is owned by Gulf North Africa Holding Co., with a capital of US\$ 27 million. The Project was marketed in cooperation with Mina Real Estate Co., the project was marketed before the end of the year.

Due to the Company's achievements in the first operation year and the change in the laws of the Kuwait Stock Market. The board of directors distribute 7.5 fils as cash profits for each share provided that the remaining 7.5 fils must be kept for increasing rights of shareholders to 115% of the capital so that the company can start the proceeding of KSE listing before the end of 2009 according to the new rules of Kuwait Stock Market.

Finally, I thank the members of the board of directors, the executive management of the company and all workers of the company for their efforts in improving the company's performance.

Best Regards,

Ahmad Youssif Al-Sagar

Chairman

THE ISLAMIC LEGAL CONSULTANT REPORT

Peace and prayer be Upon Our Prophet Mohammad and His Companions

Re: The Islamic Legal Report of the Gulf North Africa Holding Co.

I have perused the used principles and contracts related to the transactions and applications suggested by the Gulf North Africa Holding Co. for the financial year ended in 31 December 2007, and I have undertaken the necessary review in order to give my opinion about whether the company's activities complied with the provisions and principles of the Islamic Sharia. A legal review has been done that included the review of the used contracts and the procedures taken on the basis of testing each kind of the operations.

The transactions made by the company until 31/12/2007 complied with the provisions and principles of the Islamic Sharia, and the consultations in which the company invested also comply with the provisions of the Islamic Sharia.

Being that it is not provided for by the company's Article of Association to set aside Alms (Zakat) of its shares, it is however imposed on the owners.

We would like to cease the opportunity to express our gratefulness and appreciation for the company's administration for observing the application of the appropriate legal dealing and for all the contributors and those who deal with the company, asking Allah to bless your efforts in serving the Islamic Economy and our country in a way that is for everybody's sake.

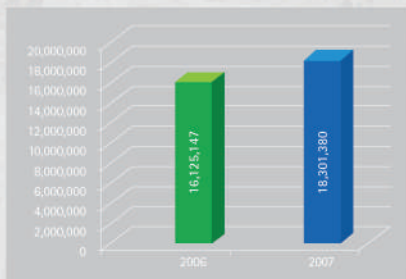
Allah's Peace and Mercy be upon you.

**A.D. Abdel Aziz Khalifa Al Kassar
Sharia Consultant of the
Gulf North Africa Holding Co.**

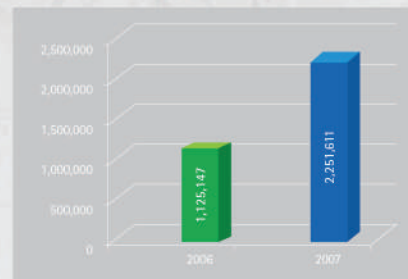
FINANCIAL HIGHLIGHTS

	2007	2006
Total Assets	KD 20.66 millions	KD 16.79 millions
Total Shareholder's Equity	KD 18.3 millions	KD 16.2 millions
Total Income	KD 3.27 millions	KD 1.45 millions
Net Profit for the year	KD 2.25 millions	KD 1.12 millions
Earning per share	15 fils	7.5 fils
Return on share capital	15 %	7.5 %
Return on total assets	10.9 %	6.7 %

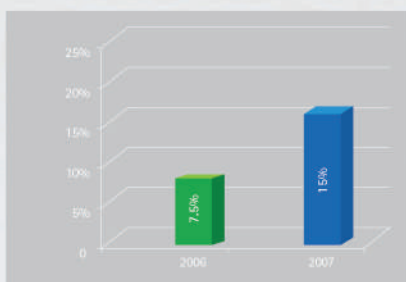
Total Shareholder's Equity



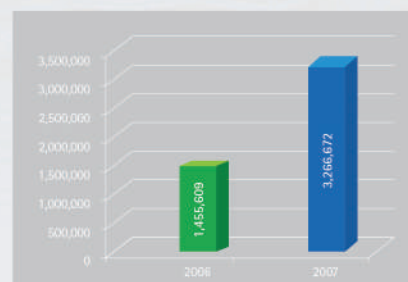
Net Profit for the Year



Earning per Share



Total Income



MESSAGE TO INVESTORS

GNAHC is involved in developing, promoting, acquiring and investing in real estate, financial, industrial, and services project in the North Africa & Other regions.

GNAHC is a company that complying with Islamic Shari'ah law.

MISSION STATEMENT

GNAHC Seeks to improve its operation by encouraging the adoption of global best practice in managing business.

GNAHC commits to its shareholders and partners honest communication and reliability.



BUSINESS STRATEGY

GNAHC Strategy is to develop, and invest in projects in Libya, Algeria, Morocco, Tunisia, Syria & Other Regions. The main investment sectors would be:

- Real Estate Development
- Financial, Banking and insurance
- Industrial and Manufacturing
- Services

GNAHC target is to have substantial ownership interest in a diversified portfolio of companies operating throughout the North Africa & other Regions.



OUR PRINCIPLES

GNAHC principles objective would be to own a range of investments in North Africa & Other Regions that comply with Islamic Shari`ah principals and will not invest in any entity or will be in.

- Operation of gambling casinos.
- The manufacture, packing or distribution or park, tobacco, alcohol or pornography.
- Conventional interest based financial institutions.
- Activity that does not meet the Shari`ah laws.

INVESTORS EXIT STRATEGY

The company intends to adopt an exit strategy by which it will enable shareholders to realize returns on their investment.

The board will recommend with in three years, and following fulfilling the listing requirements an initial public offering of the shares on Kuwait Stock Exchange or any other suitable stock exchange.

OUR COMPANY

GNAHC North Africa Holding Company (GNAHC) is a closed Kuwaiti shareholder Company. Established in December 2005 having equity of KD 15 million (approximately U.S \$15 million).

GNAHC is involved in developing, promoting, acquiring and investing in real estate, financial, industrial, and services project in the North Africa & Other regions.

GNAHC is a company that complying with Islamic Shari'ah law.
Among the main shareholders of the Company one:

- 1) Gulf Finance House
- 2) Mohammad Abdul Mohsen Al-Kharafi Company
- 3) Mena Real Estate Company
- 4) Alimtiiaz Investment Company
- 5) Akar for Real Estate Investments Company
- 6) The Securities House

OUR ACHEIVEMENTS

Gulf North Africa Holding Co., achieved a net profit of KD 2.25 million in the year 2007 in comparison with KD 1.65 million as expected according to the memorandum of subscription with a share profitability of fils 15.0 in comparison with fils 11.0 in the memorandum of subscription.

The direct investments value of Gulf North Africa Holding Co., reached KD 6.8 million until the end of 2007.

The most important achievements was developing and marketing Casablanca suburb project in the Arab Republic of Syria throughout Al-Sham Gulf Holding Co., with a capital of US\$ 27 million, the project was marketed before the end of 2007 in cooperation with Mina Real Estate Co.

The company is studying many projects and investment opportunities in the North Africa region, which is varying between the real estate, tourism, financial and servicing projects, the company started investment after finishing all studies and after evaluating the available opportunities of the financial marketing, technical and legal aspects.

During 2007, the markets of the People's Democratic Republic of Algeria and the Republic of Tunis, were studies in details throughout separate real estate and economical studies made by the international consultancy offices; it should be noted that the Gulf North Africa Holding Co., finished the economical and real estate studies of the Arab Republic of Libya in 2006 and will complete the studies of the rest of North Africa region.

The Gulf North Africa Holding Co., participated in the activities of the Kuwaiti Moroccan friendship week in Al-Ribbat. The Moroccan market has huge investment opportunities through which an open fair was made for the investors that look for pioneering business and development projects in Morocco. The total numbers of projects were 32 projects as motorways, dams and irrigation as well as organizing many meetings for the Moroccan professionals and Kuwaiti colleagues. The Kuwaiti Moroccan week was cared by the Prime Minister, the deputy Prime Minister as well as the state's minister for the Kuwaiti cabinet.

The company visited the North African states for studying the best real estate investment opportunities, many meetings were held with the senior governmental officials, businessmen, strategic companies, international and local banks in every state for knowing the legal, taxation and investment law sides.

OUR PROJECTS

That were invested in 2007

- North Star 2 - Bahrain
- Morocco Gateway - Morocco
- Barow Al-Khor - Qatar
- Energy City - India
- Casablana Project - Syria

PROJECTS

GNAHC is currently evaluate several opportunities in North Africa & Other regions as:

- ALGERIA
- LIBYA
- MOROCCO
- TUNISIA
- MURITANIA
- SYRIA

The below diagram shows the expected completion of projects in 2008 & 2009

Project Size	Project Duration	Project
US\$ 60 millions	2 years	Casablana Project - Syria
US\$ 40 millions	3 years	Al Janzour Project - Libiya
US\$ 100 millions	3 years	Tourism Project on Atlantic Ocean - Morocco
US\$ 2 billions	15 years	Tourism Real Estate Project - Algeria
US\$ 8 billions	50 years	Tourism Real Estate Project - Muritania



PROJECT CASABLANCA DISTRICT – SYRIA

The concept of Casablanca Project is to acquire a land area of approximately 175 Hectares located close to the Syrian-Lebanese boarder (approximately) 40 KM from Damascus city center) and create value in the land by developing high standard infrastructure and selling the land. The land will be allocated to create a certain mix of areas to be used for commercial, residential, tourist, public facilities and services areas. GNAHC will only develop the infrastructure and will leave the construction of the residence and other buildings and units to be done by its potential customers. GNAHC intends to benefit from the growing demand on real estate projects and the rising prices of real estate in Syria.

The Project's cost is 60 US Dollar and its equity is determined at 27 Million US out of which 75% will be raised through this Private Placement from potential investors and 25% will be retained by Gulf North Africa Holding Company which currently owns in full SHAM – GULF COMPANY LLC. (Syria).

The land on which the Project will be constructed is located on the Damascus – Beirut international Highway close to the Syria – Lebanese borders.

The concept of Casablanca project is to acquire a land area of approximately 175 Hectares and create value in the land by developing high standard infrastructure and selling the land.

The project will be carefully designed to provide a wide range of service facilities that will include public services such a police stations, post offices, banks, a municipality and a governmental compound that contains public services offered by different government ministries, a mosque, car parking lots and green areas, in addition to entertainment facilities such as restaurants offering different international Cuisines, malls and shopping centers, service shops, Mediterranean style plazas and gathering areas, hotels, bungalows and furnished apartments, coffee shops, health resorts and a specialized hospitals.

The mountainous nature of the area also makes it possible to have a park where many outdoor activities and facilitates can be established such as running tracks, family picnic areas, children playground, golf courses, tennis courts, basketball, volleyball and handboall playgrounds. On the mountainside, an artificial lake will be constructed, where restaurants and entertainment facilities will spread around its shores.

JANZOUR AL-RAQI PROJECT – LIBYA

The company is developing Janzour project in a distinguished location in the Libyan capital (Tripoli) on an area of 13.500 m² for building four residential and commercial buildings with a cost of US\$ 40 million; it is expected that the capital of the project will reach KD 5.5 million (US\$ 20 million), the project will take three years.

TOURISTIC PROJECT ON THE ATLANTIC OCEAN – MOROCCO

The project is located on the Atlantic Ocean near Casablanca city, the project is a touristic and residential complex on an area of 100.000 m² with a cost of US\$ 110 million, the project will start in 2008 and will finish by 2011.

TOURIST REAL-ESTATE DEVELOPMENT PROJECT – ALGERIA

The land is located in Algeria city (the capital), near the sea and the motorway connecting between east and west Algeria city, the location is attractive with a beautiful sea sight, the area is 2.8 million m² with a marine front of 3.5 km, the project includes Marina, gardens, clubs, hotels, residential flats, commercial centers, offices, services buildings, tourist flats, markets, villas, car parking with a cost of US\$ 2 billion.

TOURISTIC AND REAL ESTATE PROJECT – MURITANIA

The project is located on the Atlantic Ocean in Nuwakshut city (the capital), the project is developing an area of 1100 hectares with a cost of US\$ 8 billion, the project will take 50 years.

**Gulf North Africa Holding Co. K.S.C.(Closed)
and subsidiaries
Kuwait**

**CONSOLIDATED FINANCIAL STATEMENT AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2007**

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INDEPENDENT AUDITORS' REPORT

The Shareholders
Gulf North Africa Holding Co. K.S.C. (Closed)
Kuwait

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Gulf North Africa Holding Co. K.S.C. (Closed), Kuwait, ("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 income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Managements' 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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the 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 the 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 financial performance and its cash flows for the year then ended in accordance with the 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 account 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 have obtained all the information and explanations that we required for the purpose of our audit and the consolidated financial statements include the information required by the Kuwait Commercial Companies Law of 1960, as amended, and the Companies' Memorandum and Articles of Association, and an inventory was carried out in accordance with recognized procedures. To the best of our knowledge and belief, no violations of the Kuwait Commercial Companies Law of 1960, as amended nor of the Memorandum and Articles of Association of the Company 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 financial position.

Rebea Saad Al-Muhanna
Licence No. 152 A
Horwath Al-Muhanna & Co.

Kuwait
13 February 2008

Gulf North Africa Holding Co. K.S.C.(Closed)
and subsidiaries
Kuwait

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2007

		31 December 2007	31 December 2006 (Unconsolidated)
ASSETS	Note	KD	KD
Current assets			
Cash and cash equivalents	3	2,189,255	2,623,844
Murabaha investment	4	2,000,000	3,500,000
Investment carried at fair value through income statement	5	6,496,157	7,514,630
Accounts receivable and other debit balances	6	6,093,866	565,148
Total current assets		16,779,278	14,203,622
Non-current assets			
Property, plant and equipment	7	39,080	111,248
Investment in unconsolidated subsidiaries	8	1,447,051	600,000
Investments available for sale	9	2,391,015	1,880,188
Total non current assets		3,877,146	2,591,436
Total assets		20,656,424	16,795,058
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	10	15,000,000	15,000,000
Statutory reserve	11	346,535	115,252
Voluntay reserve	12	346,535	115,252
Retained earnings		2,683,688	894,643
Unrealised gain/(loss)		(75,378)	-
Total equity		18,301,380	16,125,147
Non-current liabilities			
Employees end of service benefits		20,087	7,418
Current liabilities			
Accounts payable and other credit balances	13	2,334,957	662,493
Total equity and liabilities		20,656,424	16,795,058

The accompanying notes form an integral part of these consolidated financial statements.

CHAIRMAN

VICE CHAIRMAN

Gulf North Africa Holding Co. K.S.C.(Closed)
and subsidiaries
Kuwait

CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2007

		31 December 2007	From inception (3 December 2005) to 31 December 2006 (Unconsolidated)
	Note	KD	KD
Murabaha income		347,878	538,177
Realised (loss)/gain on investment carried at fair value through income statement		(138,395)	833
Unrealised gain on investment carried at fair value through income statement		151,213	877,755
Realised profit on sale of investment property	15	2,127,024	-
Profit on sale of investments available for sale		240,985	-
Dividend income		530,000	-
Other income		7,967	28,844
Total income		3,266,672	1,445,609
Administrative expenses	14	(860,871)	(287,488)
Depreciation on property, plant and equipment		(7,237)	(5,601)
Impairment loss on property, plant and equipment		(85,736)	-
Profit before contribution to KFAS & Zakat		2,312,828	1,152,520
Contribution to KFAS		(20,815)	(10,373)
Zakat		(1,402)	-
Directors remuneration		(39,000)	(17,000)
Net profit for the year		2,251,611	1,125,147

The accompanying notes form an integral part of these consolidated financial statements

Gulf North Africa Holding Co. K.S.C.(Closed)
and subsidiaries
Kuwait

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2007

	Share Capital KD	Statutory reserve KD	Voluntary reserve KD	Retained earnings KD	Unrealised gain/(loss) KD	Total KD
Capital paid in	15,000,000	-	-	-	-	15,000,000
Net profit for the period	-	-	-	1,125,147	-	1,125,147
Transfer to reserve	-	115,252	115,252	(230,504)	-	-
Balance at 31.12.2006	15,000,000	115,252	115,252	894,643	-	16,125,147
Net profit for the year	-	-	-	2,251,611	-	2,251,611
Unrealised loss on investments available for sale	-	-	-	-	(75,378)	(75,378)
Transfer to reserve	-	231,283	231,283	(462,566)	-	-
Balance at 31.12.2007	15,000,000	346,535	346,535	2,683,688	(75,378)	18,301,380

The accompanying notes form an integral part of these consolidated financial statements

Gulf North Africa Holding Co. K.S.C.(Closed)
and subsidiaries
Kuwait

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2007

	31 December 2007	From inception (3 December 2005) to 31 December 2006 (Unconsolidated)
Note	KD	KD
Cash flows from operating activities		
Net profit for the year	2,251,611	1,125,147
Adjustments for:		
Depreciation on property, plant and equipment	7,237	5,601
Impairment loss on property, plant and equipment	85,736	-
Foreign exchange loss	80,803	-
Dividend Income	(530,000)	-
Unrealised loss/(gain) on investments carried at fair value	(151,213)	(877,755)
Realised loss/(gain) on investments carried at fair value	138,395	-
Employees end of service benefits	12,669	7,418
Operating profit before changes in working capital	1,895,238	260,411
Changes in working capital		
Increase in accounts receivable and other debit balances	(5,609,521)	(565,148)
Increase in accounts payable and other credit balances	1,672,464	662,493
Net cash used (from)/in operating activities	(2,041,819)	357,756
Cash flows from investing activities		
Murabaha investment	1,500,000	(3,500,000)
Investment in unconsolidated subsidiaries	(847,051)	(600,000)
Investments available for sale	(510,827)	(1,880,188)
Dividend Income	530,000	-
Proceeds from sale of investments carried at fair value	3,541,291	-
Purchase of Investment carried at fair value	(2,510,000)	(6,636,875)
Purchase of property, plant and equipment	(20,805)	(116,849)
Net cash used in/(from) investing activities	1,682,608	(12,733,912)
Cash flow from financing activities		
Unrealised loss on investments available for sale	(75,378)	-
Capital paid in	-	15,000,000
Net cash (from)/in financing activities	(75,378)	15,000,000
Net (decrease)/ increase in cash and cash equivalents	(434,589)	2,623,844
Cash and cash equivalents at beginning of the year	2,623,844	-
Cash and cash equivalents at end of the year	3 2,189,255	2,623,844

The accompanying notes form an integral part of these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

1 General

1.1 Establishment

Gulf North Africa Holding Co. K.S.C. (Closed) ("the Company") is a Kuwaiti shareholding company incorporated on 3 December 2005. The general assembly meeting for establishment of the Company was held at the Ministry of Commerce and Industry on 21 December 2005. The main activities of the Company are owning and investing in other companies, providing loans and advances to those companies, holding trademarks, licenses or other rights, owning necessary properties and other assets incidental to activities of the Company and investing in portfolios.

The Company is domiciled in Kuwait and the address of its registered office is P. O. Box 4425, Safat 13045, Kuwait.

The total number of employees at 31 December 2007 was 16 (2006 : 11).

The financial statements of the Company for the period ended 31 December 2007 were authorized for issue on 13 February 2008 by the Company's board of directors.

2 Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

2.1 Basis of preparation

The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards promulgated by the International Accounting Standards Board ("IASB"), and the interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB. The consolidated financial statements are prepared under the historical cost convention except for the revaluation of certain financial instruments as stated in the accounting policies mentioned below.

2.2 Basis of consolidation

The consolidated financial statements of the Company for the year 31 December 2007 comprise of the Company and its subsidiaries (together referred to as the "Group"), in which the Company has a 50 % or more shareholding. Subsidiaries are consolidated from the date on which control is transferred to the Group and no longer consolidated from the date that control ceases. All inter company transactions, balances and unrealised gain on transaction between group companies are eliminated; unrealised losses are also eliminated

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

unless cost cannot be recovered. The accounting policies have been consistently applied by the Company and its subsidiaries. The financial statements of the following subsidiaries are included in the consolidated financial statements :

<u>Company name</u>	<u>% of ownership</u>
Libya General Trading Company W.L.L., Kuwait	100%
Arab Tunisia General Trading W.L.L., Kuwait	100%
Algeria Mediterranean General Trading Company W.L.L., Kuwait	100%
Morocco Mediterranean General Trading Company W.L.L., Kuwait	100%

2.3 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Expenditure which enhances the future economic benefits of an asset are capitalized. Maintenance and repairs, replacements and improvements of a minor nature and value are charged to the statement of income for the year. Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with carrying amount. These are included in the statement of income.

Depreciation is charged to the statement of income on a straight line basis over the estimated useful lives of the assets as stated below:

	<u>Years</u>
Computers	2 - 5
Furniture & fixtures	5

2.4 Investment in subsidiary

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. Investment in unconsolidated subsidiaries are valued at cost.

2.5 Investments available for sale

Investments are initially recognized at cost, being the fair value of the considerations given, which is measured using settlement date, including all acquisition costs associated with investments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

After initial recognition, investments available for sale are measured at fair value. The fair value of investments traded in recognized financial markets is their quoted market price based on the last bid price. For investments where there is no quoted market price, a reasonable estimate of fair value is determined by reference to the current market value of another instrument that is substantially the same or is based on discounted cash flow analysis or option pricing models. Investments whose fair value cannot be reliably measured are carried at cost less impairment losses.

Any gain or loss from change in the fair value of investments available for sale is recognized in the shareholders' equity and when the investment available for sale is disposed of, any amount in shareholders' equity that relates to that investment is transferred to income statement for calculating the gain or loss. Amount in shareholders' equity are also transferred to income statement whenever investment is impaired. statements of income in the period in which it arises.

2.6 Cash and cash equivalents

Cash and cash equivalents are defined as cash and balances with banks and murabaha investments that are maturing within three months of the contract date with financial institutions that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

2.7 Murabaha investments

Investment in murabaha investments stated at fair value.

2.8 Investments at fair value through income statement

Investments are initially recognized at cost, being the fair value of the considerations given, which is measured using settlement date, including all acquisition costs associated with investments.

After initial recognition, investments at fair value through income statement are measured at fair value. The fair value of investments traded in recognized financial markets is their quoted market price based on the last bid price. For investments where there is no quoted market price, a reasonable estimate of fair value is determined by reference to the current market value of another instrument that is substantially the same or is based on discounted cash flow analysis or option pricing models.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

Investment are considered as investment at fair value through income statement if they are purchased for resale in the short run or so they are classified by the management. Any realized or unrealized gains or losses are recognized in the statement of income for the period in which it takes place.

2.9 Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at its fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment property are included in net profit or loss for the period in which they arise.

2.10 Impairment

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.

The recoverable amount is the higher of an asset's net selling price and its value in use. Recoverable amount is determined for each individual asset or if that is not determinable the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If an indication exists, that an impairment loss recognised for an asset in prior years may no longer exist or may have decreased, that loss is reversed and recognised as income in the statement of income. However, the increase in the carrying amount of the asset shall not exceed the carrying amount that would have been determined as if no impairment loss been recognised in prior years.

2.11 Accounts receivable

Accounts receivable are stated at fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

2.12 Payables

Creditors and other credit balances are stated at fair value.

2.13 Provisions

Provisions are recognized when the group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle that obligation.

2.14 Employees end of service indemnity

Provision is made for amounts payable to employees under the Kuwaiti Labour Law and employment contracts. 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.

2.15 Foreign currency translation

Foreign currency transactions are recorded in Kuwaiti Dinars at the rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Kuwaiti Dinars at the rate of exchange prevailing on the balance sheet date. Resulting gains or losses are recognized in the statement of income.

2.16 Revenue recognition

Revenue from Murabaha investment is recognized on a weighted time apportionment basis. Other income is accrued on a time basis, by reference to the principal outstanding and at the income rate applicable. Dividend income from investments is recognized when the shareholders rights to receive payment has been established.

3 Cash and cash equivalents

	2007	2006
	KD	KD
Cash in hand	818	1,292
Cash and balances with banks	2,188,437	122,552
Murabaha investments	-	2,500,000
	<u>2,189,255</u>	<u>2,623,844</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

4 Investment in Murabaha

It represents amounts managed by certain Islamic local financial institutions for the benefit of the Group to be invested in murabaha deals, which include purchasing goods and selling them through murabaha trading operation.

5 Investments at fair value through income statement

	2007 KD	2006 KD
Quoted fund	1,624,436	4,745,049
Unquoted securities	4,871,721	2,769,581
	<u>6,496,157</u>	<u>7,514,630</u>

6 Accounts receivable and other debit balances

	2007 KD	2006 KD
Due from subsidiary companies	18,296	-
Due from related parties	4,638,638	-
Advance paid for purchase of land	1,055,762	434,100
Other Receivable	326,050	19,355
Accrued revenue	49,627	109,362
Prepaid expenses	5,493	2,331
	<u>6,093,866</u>	<u>565,148</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

7 Property, plant and equipment

	Furniture & fixtures KD	Computers KD	Capital work in Progress KD	Total KD
Cost				
Cost at 31.12.2006	24,198	6,915	85,736	116,849
Assets acquired during the year	110	4,168	16,527	20,805
Cost at 31.12.2007	24,308	11,083	102,263	137,654
Accumulated depreciation				
Depreciation at 31.12.2006	(4,558)	(1,043)	-	(5,601)
Depreciation/impairment for the year	(4,860)	(2,377)	(85,736)	(92,973)
Accumulated depreciation at 31.12.2007	(9,418)	(3,420)	(85,736)	(98,574)
Net book value at 31.12.2007	14,890	7,663	16,527	39,080
Net book value at 31.12.2006	19,640	5,872	85,736	111,248

8 Investment in unconsolidated subsidiaries

It represents the cost of investment in unconsolidated subsidiaries wholly owned by the Company, which are as follows:

	Ownership Percentage (%)	2007 KD	2006 KD
Libya General Trading Company W.L.L.	100%	-	150,000
Arab Tunisia General Trading W.L.L.	100%	-	150,000
Algeria Mediterranean General Trading Co. W.L.L.	100%	-	150,000
Morocco Mediterranean General Trading Co. W.L.L.	100%	-	150,000
Morocco North Africa Holding Company Limited	100%	17,178	-
Al Sham Gulf Company Limited	100%	4,033	-
Al Sham Gulf Holding Company	100%	1,425,840	-
		1,447,051	600,000

The Company did not consolidate the financial statements of the subsidiaries, since there are no issued audited financial statements as of 31 December 2007. Since the subsidiaries are newly established, these investments are stated at cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

9 Investments available for sale

It represents investment in unquoted securities. The fair value of these unquoted securities which have no active market price could not be determined except for change in fair value due to change in foreign exchange rate.

10 Share capital

The Company's share capital comprises 150,000,000 authorized, issued and paid-up shares of 100 fils each.

11 Statutory reserve

In accordance with the Commercial Companies Law of 1960, as amended, and the Company's articles of association, 10% of the net profit for the year, before contribution to KFAS, is required to be transferred to the statutory reserve until the reserve totals 50% of the paid up share capital.

This reserve is not available for distribution except for payment of a dividend of 5% of paid up share capital in years when the profit is not sufficient for the payment of such dividend.

12 Voluntary 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 voluntary reserve. Such annual transfers can be discontinued by a resolution of the shareholders in the annual general assembly meeting upon recommendation by the board of directors. There are no restriction on the distribution of this reserve.

13 Accounts payable and other credit balances

	2007	2006
	KD	KD
Accounts payable	1,853,868	19,610
Due to subsidiary companies	-	598,011
Related party payables	249,416	6,500
Accrued expenses	184,803	18,446
Staff leave provision	26,302	9,553
Payable to KFAS	20,568	10,373
	<u>2,334,957</u>	<u>662,493</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

14 Administrative expenses

	2007	From inception (3 Dec 2005) to 31 Dec 2006
	KD	KD
Staff cost	348,688	208,716
Rent	14,400	10,800
Traveling expenses	39,984	31,363
Consultancy Expenses	79,130	-
Foreign exchange loss	80,803	-
Other expenses	297,866	36,609
	<u>860,871</u>	<u>287,488</u>

15 Profit on sale of investment property

During the year, the Company sold land in Syria, which was held on behalf of the Company by Al Sham Gulf Company limited (100% Subsidiary of the Company), to Casablanca Fund (a fund managed by the Company). The realized profit on sale of investment properties amounted to KD2,127,024.

16 Dividends

The board of directors have proposed a dividend of 7.50% over the paid-up capital(2006: Nil). The financial statements are not amended to reflect the proposed dividend as the board awaits for the approval of the shareholders at the general assembly meeting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

17 Related party transactions

These represent transactions with certain parties (shareholders and enterprises that are under common control) entered into by the Group in the ordinary course of business. Terms of these transactions are approved by the management.

Transactions with related parties included in the Statement of Income are as follows :-

	2007	From inception (3 Dec 2005) to 31 Dec 2006
	KD	KD
Administrative expenses	245,250	57,227

Balances of transactions with related parties included in the Balance Sheet are as follows:-

	2007	2006
	KD	KD
Current assets:		
Trade and other receivable	4,656,934	-
Current liabilities		
Trade and other payable	249,416	604,511

18 Fair Value of financial instruments

The fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction other than in a forced liquidation or sale. Fair values are obtained from quoted market prices, discounted cash flow models and other appropriate methods. At the balance sheet date, the fair value of financial instruments approximated their carrying amounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

19 Risk Management

Risk is inherent in the Group's activities but it is managed through a process of on going identification, measurement and monitoring, subject to risk limits and other controls. The Group is exposed to credit risk, liquidity risk and market risk.

The Group's risk management is carried out by the management and focuses on a actively securing the Group's short to medium term cash flows by minimizing the potential adverse effects on the Group's performance through internal risk reports which analyse by degree and magnitude of risks. Long term financial investments are managed to generate lasting returns.

20 Credit Risk

Credit risk is the risk that one party to a financial statement will fail to discharge an obligation and cause the other party to incur a financial loss. The Group's credit policy and exposure to credit risk is monitored on an ongoing basis. The Group seeks to avoid undue concentration of risks with individuals or Group's customers in specific locations or business through diversification of its activities. It also obtains security when appropriate. It is the Group's policy to deal only with creditworthy counterparties.

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

	2007 KD	2006 KD
Cash and bank balances	2,189,255	2,623,844
Murabaha investment	2,000,000	3,500,000
Accounts and other receivables	6,088,373	562,817
Total credit exposure	10,277,628	6,686,661

The Group considers all the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality.

In respect of trade and other receivables , the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit rating.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

21 Liquidity risk

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

The maturity profile of the assets, equity and liabilities at 31 December 2007

	Up to 1 Month KD	1-2 Months KD	3-12 Months KD	Over One year KD	Total KD
Assets					
Cash and bank balances	2,189,255	-	-	-	2,189,255
Murabaha investment	2,000,000	-	-	-	2,000,000
Trade and other receivables	55,120	326,050	5,712,696	-	6,093,866
Investment carried at fair value	-	-	6,496,157	-	6,496,157
Investment available for sale	-	-	-	2,391,015	2,391,015
Investment in unconsolidated subsidiaries	-	-	-	1,447,051	1,447,051
Property, plant and equipment	-	-	-	39,080	39,080
Total assets	4,244,375	326,050	12,208,853	3,877,146	20,656,424
Liabilities					
Provisions	-	-	-	20,087	20,087
Trade and other payables	1,853,868	205,371	275,718	-	2,334,957
Total liabilities	1,853,868	205,371	275,718	20,087	2,355,044

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

The maturity profile of the assets, equity and liabilities at 31 December 2006

	Up to 1 Month KD	1-2 Months KD	3-12 Months KD	Over One year KD	Total KD
Assets					
Cash and bank balances	2,623,844	-	-	-	2,623,844
Murabaha investment	3,500,000	-	-	-	3,500,000
Trade and other receivables	111,693	19,355	434,100	-	565,148
Investment carried at fair value	-	-	7,514,630	-	7,514,630
Investment available for sale	-	-	-	1,880,188	1,880,188
Investment in unconsolidated subsidiaries	-	-	-	600,000	600,000
Property, plant and equipment	-	-	-	111,248	111,248
Total assets	6,235,537	19,355	7,948,730	2,591,436	16,795,058
Liabilities					
Provisions	-	-	-	7,418	7,418
Trade and other payables	19,610	28,819	614,064	-	662,493
Total liabilities	19,610	28,819	614,064	7,418	669,911

22 Market risk

Market risk is the risk that the value of an asset will fluctuate as a result of changes in the market variables such as interest rates, foreign exchange rate, and equity price, whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all investments traded in the market.

Market risk is managed on the basis of pre-determined asset allocation across various asset categories, diversification of assets, a continuous appraisal of market conditions and trends and the management estimate of long term and short term changes in fair value.

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group had the following significant exposure denominated in foreign currencies, translated into Kuwaiti Dinar.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

	2007	2006
	KD	KD
US Dollar	2,828,912	2,539,329
Omani Riyal	91,458	-
Bahraini Dinar	481,357	202,939
Syrian Lira	17,178	-

Interest rate risk

Interest rate risk is the risk associated with holding fixed-rate instruments in a changing interest-rate environment. The Company and its subsidiary is not holding any fixed-rate instrument. Hence, not exposed to interest rate risk.

Equity price risk

Equity price risk arises from changes in the fair values of equity investments. Equity price risk is managed through diversification of investments in terms of industry concentration.

23 Previous year figures

Previous year's figures have been reclassified wherever necessary, to conform to the current year's presentation. Since current year financial statements are consolidated financial statements of the Company and its subsidiaries it is not comparable with that of the previous year financial statements.