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SOKOUK HOLDING COMPANY
KUWAITI SHAREHOLDING COMPANY (HOLDING)
AND SUBSIDIARIES
STATE OF KUWAIT

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
WITH
AUDITORS' REPORT

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STATE OF KUWAIT

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FOR THE YEAR ENDED DECEMBER 31, 2005
WITH
AUDITORS' REPORT

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Auditors' Report

The Shareholders
Sokouk Holding Company
Kuwaiti Shareholding Company (Holding)
State of Kuwait

We have audited the accompanying consolidated balance sheet of Sokouk Holding Company - Kuwaiti Shareholding Company (Holding) "the parent company" and subsidiaries "the group" as of December 31, 2005, and the related consolidated statements of income, changes in equity and cash flows for the year then ended. These consolidated financial statements are the responsibility of the parent company's management. Our responsibility is to express an opinion on these consolidated financial statements based on the audit.

The audit was conducted in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that the audit conducted provides a reasonable basis for our opinion on the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sokouk Holding Company - Kuwaiti Shareholding Company (Holding) and subsidiaries as of December 31, 2005, and the results of operations and cash flows for the year then ended in conformity with International Financial Reporting Standards.

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 Directors' Report is in agreement with the parent company's books. According to the information available to us, there were no contraventions during the year of either the Commercial Companies Law or of the Articles of Association which might have materially affected the group's financial position or results of its operations.

Q. H. Alotaibi Licence No. 73-A Member of the International Group of Accounting Firms	Dr. Shuaib A. Shuaib Licence No.- 33A Albazie & Co. Member of RSM International

State of Kuwait
February 8, 2006

EXHIBIT A

SOKOUK HOLDING COMPANY
KUWAITI SHAREHOLDING COMPANY (HOLDING)
AND SUBSIDIARIES
STATE OF KUWAIT
CONSOLIDATED BALANCE SHEET
December 31, 2005

ASSETS	Note	2005 KD	2004 KD
Cash and cash equivalents	3	**1,511,573**	1,735,051
Utilization rights	4	**33,839,447**	33,370,974
Accounts receivable and other debit balances	5	**30,226,339**	6,174,323
Murabaha Investments	6	-	8,350,000
Investments available for sale	7	**1,836,560**	1,150,000
Advance payment	8	**100,000**	-
Investment property	9	**480,000**	-
Project under construction	10	**9,889,653**	-
Fixed assets	11	**86,623**	70,724
Goodwill	1	**188,000**	-
Total assets		**78,158,195**	50,851,072
LIABILITIES AND EQUITY			
Liabilities:			
Accounts payable and other credit balances	12	**37,712,816**	19,964,529
End of service indemnity	13	**27,489**	6,497
Total liabilities		**37,740,305**	19,971,026
Equity:			
Capital	14	**30,000,000**	30,000,000
Statutory reserve	15	**692,398**	105,018
Voluntary reserve	16	**692,398**	105,018
Retained earnings		**5,283,084**	670,010
		36,667,880	30,880,046
Minority interest		**3,750,010**	-
Total equity		**40,417,890**	30,880,046
Total liabilities and equity		**78,158,195**	50,851,072

The accompanying notes are an integral part of the consolidated financial statements

Fawaz S. Al-Ahmed
Chairman

Fuad H. Al-Homoud
Vice Chairman

EXHIBIT B

SOKOUK HOLDING COMPANY
KUWAITI SHAREHOLDING COMPANY (HOLDING)
AND SUBSIDIARIES
STATE OF KUWAIT
CONSOLIDATED STATEMENT OF INCOME
For the year ended December 31, 2005

	Note	**2005 KD**	2004 KD
Operating revenue	17	**58,597,976**	6,090,612
Operating cost	17	**(53,725,023)**	(5,344,075)
Gross profit		**4,872,953**	746,537
Other operating income	18	**1,390,519**	111,164
Expenses and charges:			
Staff cost	19	**417,008**	95,589
General and administrative		**272,959**	27,208
Depreciation	11	**24,798**	2,770
		714,765	125,567
Operating profit		**5,548,707**	732,134
Murabaha income	6	**244,925**	92,776
Foreign currency exchange gain		**110,176**	11,447
Profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences and Board of Directors' remuneration		**5,903,808**	836,357
Contribution to Kuwait Foundation for the Advancement of Sciences	20	**(51,964)**	(7,527)
Board of Directors' remuneration		**(34,000)**	-
Net profit for the year		**5,817,844**	828,830
Attributable to :			
Equity holders of the parent company		**5,787,834**	828,830
Minority interest		**30,010**	-
Net profit for the year		**5,817,844**	828,830
Earnings per share attributable to equity holders of the parent company (fils)	22	**19.29**	9.33

The accompanying notes are an integral part of the consolidated financial statements

EXHIBIT C

SOKOUK HOLDING COMPANY
KUWAITI SHAREHOLDING COMPANY (HOLDING)
AND SUBSIDIARIES
STATE OF KUWAIT
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2005

	Attributable to equity holders of the parent company						
	Capital KD	Statutory reserve KD	Voluntary reserve KD	Retained earnings KD	Subtotal KD	Minority interest KD	Total KD
Balance at December 31, 2003	1,000,000	21,382	21,382	168,452	1,211,216	-	1,211,216
Net profit for the year	-	-	-	828,830	828,830	-	828,830
Total recognized income for the year	-	-	-	828,830	828,830	-	828,830
Increase in capital	29,000,000	-	-	-	29,000,000	-	29,000,000
Cash dividends (2003 – 16%)	-	-	-	(160,000)	(160,000)	-	(160,000)
Transfer to reserves	-	83,636	83,636	(167,272)	-	-	-
Balance at December 31, 2004	30,000,000	105,018	105,018	670,010	30,880,046	-	30,880,046
Net profit for the year	-	-	-	5,787,834	5,787,834	30,010	5,817,844
Total recognized income for the year	-	-	-	5,787,834	5,787,834	30,010	5,817,844
Transfer to reserves	-	587,380	587,380	(1,174,760)	-	-	-
Acquisition of consolidated subsidiaries	-	-	-	-	-	3,720,000	3,720,000
Balance at December 31, 2005	**30,000,000**	**692,398**	**692,398**	**5,283,084**	**36,667,880**	**3,750,010**	**40,417,890**

The accompanying notes are an integral part of the consolidated financial statements

EXHIBIT D

SOKOUK HOLDING COMPANY
KUWAITI SHAREHOLDING COMPANY (HOLDING)
AND SUBSIDIARIES
STATE OF KUWAIT
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended December 31, 2005

	2005 KD	2004 KD
Cash flows from operating activities		
Profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences and Board of Directors' remuneration	**5,903,808**	836,357
Adjustments for:		
Depreciation	**24,798**	2,770
Murabaha income	**(244,925)**	(92,776)
Gain on sale of investments available for sale	**(33,430)**	-
Provision for end of service indemnity	**28,543**	6,497
Operating profit before changes in working capital	**5,678,794**	752,848
Increase in utilization rights	**(468,473)**	(33,370,974)
Increase in accounts receivable and other debit balances	**(24,061,479)**	(6,094,929)
Increase in accounts payable and other credit balances	**16,917,221**	19,957,002
Cash used in operations	**(1,933,937)**	(18,756,053)
Paid for Kuwait Foundation for the Advancement of Sciences	**(7,527)**	-
End of service indemnity paid	**(7,551)**	-
Net cash used in operating activities	**(1,949,015)**	(18,756,053)
Cash flows from investing activities		
Paid for purchase of fixed assets	**(40,697)**	(73,494)
Paid for purchase of investments available for sale	**(1,836,560)**	(1,150,000)
Proceed from sale of investments available for sale	**1,183,430**	-
Proceeds from (paid for) Murabaha investments	**8,350,000**	(8,350,000)
Paid for acquisition of investment property	**(480,000)**	-
Increase in advance payment	**(100,000)**	-
Paid for project under development	**(9,889,653)**	-
Net paid for acquisition of consolidated subsidiary	**(188,000)**	-
Murabaha income received	**254,388**	39,545
Net cash used in investing activities	**(2,747,092)**	(9,533,949)
Cash flows from financing activities		
Increase in capital	-	30,000,000
Dividends paid	-	(160,000)
Murabaha payable received	**752,629**	-
Minority contribution in equity of consolidated subsidiary	**3,720,000**	-
Net cash generated from financing activities	**4,472,629**	29,840,000
Net (decrease) increase in cash and cash equivalents	**(223,478)**	1,549,998
Cash and cash equivalents at the beginning of the year	**1,735,051**	185,053
Cash and cash equivalents at the end of the year (Note 3)	**1,511,573**	1,735,051

The accompanying notes are an integral part of the consolidated financial statements

1. Incorporation and activities

Sokouk Holding Company - Kuwaiti Shareholding Company (Holding) "the parent company", (previously known as Sokouk Real Estate Development Company- Kuwaiti Shareholding Company Closed and prior before as Al-Wasta Real Estate Development Company – Kuwaiti Shareholding Company Closed), is registered in the State of Kuwait and was incorporated and authenticated on August 23, 1998 at the Ministry of Justice – Real Estate Registration and Authentication Department under Ref. No. 1909/Volume 1.

According to the memorandum issued by the Ministry of Commerce and Industry under Ref. No. 259/2005 dated August 29, 2005 and based on the extraordinary General Assembly held on August 28, 2005, it was approved and recorded in the commercial register the following:

1. Amending the 2nd item of the article of incorporation and the first item of the company's article of association to become as follows;

   The company's name is: Sokouk Holding Company – Kuwaiti Shareholding Company (Holding).

2. Amending the 5th item of the article of incorporation and the 4th item of article of association of the company to become:

   1. Ownership of shares of Kuwaiti or foreign shareholding companies or units in limited liability companies, or establishing, managing, financing and sponsoring such companies.

   2. Financing and sponsoring entities in which the Company has an ownership interest of not less than 20% of those entities.

   3. Owning industrial rights such as patents, industrial trademarks, sponsoring foreign companies or any other related industrial rights and leasing such rights for the benefit of companies inside or outside the State of Kuwait.

   4. Ownership of movable assets or real estate required to pursue the Company's activities within the limits acceptable by law.

   5. Utilizing available surplus funds by investing these funds in portfolios managed by specialized parties.

The Company shall have the right to have an interest or to take part in any manner with the authorities that practice similar operations, or that may help the Company to achieve its objectives inside and outside Kuwait. The Company shall also acquire these authorities or merge them with the Company. The objectives for which the Company was established shall be practiced according to Islamic Shari'a, and the Company shall not analyze the above objectives as it allows the Company directly or indirectly to deal in usury in the form of interest or any other form.

According to the latest amendments in the parent company's Article of Association and Articles of Incorporation, the parent company's activities do not permit certain current activities as at December 31, 2005.

The parent company's registered address is P.O. Box 29110 Safat – 13152 - State of Kuwait.

The parent company's shares were listed on Kuwait Stock Exchange on December 27, 2005 (Note 21).

The consolidated financial statements include the financial statements of Sokouk Holding Company - Kuwaiti Shareholding Company (Holding) " the parent company" and the following subsidiaries "the group":

Subsidiaries	Percentage of holding	
	2005	2004
Gulf Real Estate Development House Co. K.S.C.C. (previously known as Prince Real Estate Group K.S.C.C.)	**75%**	-
Joint venture	**33.56%**	-

During the year, the group acquired 25% interest in the equity of Gulf Real Estate Development House Co. K.S.C.C. equivalent to KD 250,000 for a consideration of KD 438,000 which includes a goodwill amounting to KD 188,000. Subsequently, the group increased its ownership in the subsidiary to 75% through increasing the subsidiary's authorized, issued and paid-up capital by KD 2,000,000 (from KD 1,000,000 to KD 3,000,000).

During the year, the group entered into a joint venture agreement with Mr. Abdullah Khaled Dalijan. The authorized capital for the joint venture is KD 12,000,000 distributed over 120,000,000 units of 100 fils each. As of the balance sheet date, the paid-up capital of the joint venture amounted to KD 4,470,000 and the group's share from this paid-up capital amounted to KD 1,500,000 resulting in the group's interest in the equity of this joint venture to be 33.56% as of the balance sheet date. Since the group has a direct power to govern the financial and the operating policies of the joint venture, therefore, the joint venture is considered a subsidiary of the group.

The consolidated financial statements were authorized for issue by the Board of Directors on February 8, 2006. The Shareholders' General Assembly has the power to amend these consolidated financial statements after issuance.

2. Significant 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 for available for sale investment and investment property that are stated at fair value. The accounting policies applied by the group are consistent with those used in the previous year. The revisions to certain Financial Reporting Standards that came into effect from January 1, 2005 do not have any effect on the accounting policies of the group.

b) Principles of consolidation

The consolidated financial statements incorporate the financial statements of Sokouk Holding Company - Kuwaiti Shareholding Company (Holding) and its subsidiaries identified in Note (1).

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.

c) Cash equivalents

Cash equivalents for the purpose of preparing the consolidated statement of cash flows, comprise murabaha investment with maturity date not exceeding three months from the date of deposit.

d) Utilization rights

Utilization rights represents Sokouk that are held by the parent company either for trading purposes or to keep as long term investment, and are stated at cost.

e) Receivables

Receivables are stated at face value, after provision for doubtful debts.

f) Murabaha

Murabaha is an Islamic transaction involving the purchase and immediate sale of an asset at cost plus an agreed profit. The amount due is settled on a deferred payment basis.

g) Investments

All of the group's investments are classified as available for sale financial assets. The classification depends on the purpose for which the investments were acquired and is determined at initial recognition by the management.

Available-for-sale financial assets are non-derivatives 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, available for sale financial assets are subsequently carried at fair value. The fair values of quoted investments are based on current bid prices. If the market for a financial asset 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.

Unrealized gains and losses arising from changes in the fair value of available-for-sale financial assets are recognized in cumulative changes in fair value in statement of changes in equity.

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

Investments are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

The group assesses at each balance sheet date whether there is 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 available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on available for sale equity instruments are not reversed through the income statement.

h) 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 profit or loss for the period in which they arise.

i) Project under construction

Project under construction is valued at cost, which comprises those costs incurred by the group which are directly attributable to the construction of the asset.

j) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses. When fixed 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.

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 the statement of 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.

Depreciation is computed on a straight-line method over the estimated useful lives of these assets as follows:

	Years
Furniture and fixtures	5
Computer equipment & software	3
Office equipment	5
Key Money	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 fixed assets.

k) Impairment of assets

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 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 profit or loss, 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.

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 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.

m) Payables

Accounts payable are stated at their cost.

n) End of service indemnity

Provision is made for amounts payable to employees under the Kuwaiti Labor Law in the private sector and employee 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.

o) Income recognition

Sokouk trading revenue is recognized on accrual basis when the significant risks and rewards of ownership are transferred from the seller to the buyer.

For Sokouk sold on credit in installments, revenue attributable to the sales price, exclusive of financing income, is recognised at the date of sale. The sale price is the present value of the consideration, determined by discounting the installments receivable at the imputed rate of income. The deferred income is recognised as revenue as it is earned, using the effective interest method.

Dividend is recognized when the group's right to receive payment is established.

p) 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.

q) Critical accounting estimates and judgments

The group makes estimates and assumptions concerning the future. The preparation of financial statements in conformity with IFRS requires management to make 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.

r) Foreign currencies

Foreign currency transactions are recorded in 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 to Kuwaiti Dinars at rates of exchange prevailing on that date. Exchange differences are reported as part of the results for the year.

s) Financial instruments

Financial assets and financial liabilities carried on the balance sheet include cash and cash equivalents, receivables, investments available for sale, 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 Company 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.

t) Contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

3. Cash and cash equivalents

	2005 **KD**	2004 KD
Cash on hand and at banks	**1,511,573**	47,190
Murabaha investment	**-**	1,687,861
	1,511,573	1,735,051

Murabaha investment represents deposit with a Kuwaiti Bank, which has experience in management of investment funds in the local and international market. This investment has a maturity date not exceeding three months from the date of deposit. This investment earns an average income at 5.5% per annum.

4. Utilization rights

Utilization rights represent the parent company's ownership of the Sokouk of the Zamzam Tower. Sokouk are a certificate or deed that entitles the holder the right to utilize a specific real estate property for a specific duration of time per year over a determined number of years. This right is wholly owned by the Sokouk investor who is entitled to sell, grant, inherit or invest the Sokouk. The utilization rights represents Sokouk that are held by the parent company either for trading purposes or to keep as a long term investment.

5. Accounts receivable and other debit balances

	2005 KD	2004 KD
Trade receivables	**28,673,172**	899,943
Due from related party	**1,208,592**	4,840,953
Other receivables	**344,575**	433,427
	30,226,339	6,174,323

The due from related party represent the amount due from Mas International for General Trading and Contracting Co, resulting from certain commercial transactions. Prices and terms of payment relating to these transactions are approved by the Executive Management.

6. Murabaha Investments

Murabaha investments represents deposit with a number of Kuwaiti financial institutions – related parties, which has experience in management of investment funds in the local and international markets. These investments earn an average income ranging from 5.5% to 10% per annum.

7. Investments available for sale

	2005 KD	2004 KD
Managed fund available-for-sale	**-**	1,150,000
Unquoted securities available-for-sale	**1,836,560**	-
	1,836,560	1,150,000

It was not possible to reliably measure the fair value of the available-for-sale investments for which no quoted market price in an active market is available, accordingly, the investments are stated at their original cost less impairment losses, if any.

8. Advance payment

Advance payment represent the paid-up capital of Gulf Money House Company W.L.L. (under incorporation). The legal process has not been finalized as of the balance sheet date.

9. <u>Investment property</u>

During the year, the group acquired an investment property at an amount of KD 480,000. The acquisition price approximates the fair value as of the balance sheet date. This property represents a building built on a land owned by the group.

10. <u>Project under construction</u>

The project under construction represents a hotel project being constructed by the group in the State of Kuwait.

11. Fixed assets

	Furniture and fixtures KD	Computer equipment & software KD	Office equipment KD	Key Money KD	Total KD
Cost:					
At December 31, 2004	26,089	13,460	3,945	30,000	73,494
Additions during the year	4,124	27,882	8,691	-	40,697
At December 31, 2005	**30,213**	**41,342**	**12,636**	**30,000**	**114,191**
Accumulated depreciation:					
At December 31, 2004	729	335	206	1,500	2,770
Charge for the year	5,446	9,787	3,565	6,000	24,798
At December 31, 2005	**6,175**	**10,122**	**3,771**	**7,500**	**27,568**
Net book value:					
At December 31, 2005	**24,038**	**31,220**	**8,865**	**22,500**	**86,623**
At December 31, 2004	25,360	13,125	3,739	28,500	70,724

12. Accounts payable and other credit balances

	2005 KD	2004 KD
Trade payables	**2,058,374**	9,660
Due to related party	**34,685,254**	19,937,809
Murabaha payable	**752,629**	-
Accrued expenses and leave pay	**164,595**	9,533
Kuwait Foundation for the Advancement of Sciences	**51,964**	7,527
	37,712,816	19,964,529

The due to related party represents the amount due to Munshaat Real Estate Projects Company K.S.C.C., resulting from certain commercial transactions relating to purchase of utilization rights. Prices and terms of payment relating to these transactions are approved by the Executive Management.

13. End of service indemnity

	2005 KD	2004 KD
Balance at beginning of the year	**6,497**	18,433
Charge for the year	**28,543**	6,497
Written-off	**-**	(18,433)
Paid for the year	**(7,551)**	-
Balance at end of the year	**27,489**	6,497

14. Capital

The ownership of the parent company was transferred to new shareholders' during year 2004, and according to the memorandum issued by the Ministry of Commerce and Industry under Ref. No. 778/2004 dated August 17, 2004 and based on the extraordinary General Assembly held on August 17, 2004, the authorized, issued and fully paid-up capital consist of 300,000,000 shares of 100 fils each (2004 - 300,000,000 shares of 100 fils each).

15. Statutory reserve

As required by the Commercial Companies Law and the parent company's Articles of Association, 10% of the profit for the year is transferred to statutory reserve. The parent company may resolve to discontinue such annual transfers when the reserve totals 50% of paid-up share capital. This reserve is not available for distribution except for cases stipulated by law and the parent company's Articles of Association.

16. Voluntary reserve

As required by the parent company's Articles of Association, 10% of the profit for the year is transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' General Assembly upon recommendation by the Board of Directors.

17. Operating revenue and cost

Operating revenue and cost consist mainly of revenue and cost from utilization rights that were bought and sold during the year.

18. Other operating income

	2005 KD	2004 KD
Gain on sale of properties held for trading	-	110,000
Gain from financing activities	**372,086**	1,164
Commission income on sale of utilization rights	**239,197**	-
Income from consulting services	**750,000**	-
Others	**29,236**	-
	1,390,519	111,164

Commission income on sale of utilization rights relates to Sokouk secured for third parties where the company acted as a broker.

19. Staff cost

	2005 KD	2004 KD
Salaries and other allowances	**352,237**	77,635
Social security expenses	**12,338**	3,174
End of service indemnity	**23,890**	6,497
Leave	**28,543**	8,283
	417,008	95,589

20. Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)

Contribution to Kuwait Foundation for the Advancement of Sciences is calculated at 1% of the net profit for the year attributable to equity of the parent company before Board of Directors' remuneration after deducting its share of income from shareholding subsidiaries and transfer to statutory reserve.

21. National Labor Support Tax

In accordance with the National Labor Support Law No. 19 for the year 2000 and the Ministerial resolution No. 26 for the year 2001, tax is provided at the rate of 2.5% on the annual net income of Kuwaiti companies that are listed on the Kuwait Stock Exchange. The parent company was listed in the Kuwait Stock Exchange on December 27, 2005. Accordingly, the parent company did not calculate any tax liability.

22. Earnings per share

Earnings per share is calculated by dividing net profit for the year attributable to equity holders of the parent company over the weighted average number of shares outstanding during the year as follows:

	2005 KD	2004 KD
Net profit for the year attributable to equity holders of the parent company	**5,787,834**	828,830
	Shares	Shares
Weighted average number of shares outstanding:		
Weighted average number of shares issued	**300,000,000**	88,808,219
	300,000,000	88,808,219
	Fils	Fils
Earnings per share attributable to equity holders of the parent company	**19.29**	9.33

23. Related party transactions

In the ordinary course of business, the group conducts commercial transactions with parties related to the shareholders. Prices and terms of payment relating to these transactions are approved by the Executive Management.

	2005 KD	2004 KD
Assets:		
Accounts receivable and other debit balances	**15,687**	50,269
Murabaha investment	**-**	8,250,000
Due from related party	**1,208,592**	4,840,953
	1,224,279	13,141,222
Liabilities:		
Due to related party	**34,685,254**	19,937,809
	34,685,254	19,937,809

	2005 KD	2004 KD
Statement of income:		
Operating revenue	**-**	4,000,000
Operating cost	**-**	3,600,000
Other operating income	**254,884**	50,269

	2005 KD	2004 KD
Key management compensation:		
Short term benefits and Board of Directors' remuneration	**191,400**	35,050
Terminal benefits	**10,605**	3,367
	202,005	38,417

24. Financial instruments

In the normal course of business, the group uses primary financial instruments such as cash and cash equivalents, receivables, investments available for sale 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.

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 are repriced or mature are indicated in the respective notes.

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 cash and cash equivalents at banks and financial institutions and accounts receivable. The group's cash is placed with high credit rating banks and financial institutions.

Foreign currency risk:

The group incurs foreign currency risk on transactions that are denominated in a currency other than the Kuwaiti Dinar. The 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.

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 invest in murabaha investments.

Cash flow risk:

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount. At present, the group has no significant exposure to such risk.

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. At December 31, the fair values of financial instruments approximate their carrying amounts except available for sale investments as mentioned in Note 7 and due from (to) related parties.

25. Capital commitments

As of December 31, 2005, the group had capital commitments of KD 226,459 (2004 - Nil) in respect of future capital expenditure related to the construction of a hotel.

26. Proposed dividend

The Board of Directors proposed not to make any distributions for the year ended December 31, 2005 (2004 - Nil). This proposal is subject to the approval of the shareholders' General Assembly.

27. Comparative figures

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