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

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
WITH
INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

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AL-WAHA
AUDITING OFFICE
ALI OWAID RUKHAEYES

Member of The International Group of Accounting Firms

P.O. Box 27387 Safat
13134 – State of Kuwait
Telephone: (965) 2423415
Facsimile : (965) 2423417

Albazie & Co.
Member of RSM International
Public Accountants
Kuwait Airways Building, 7th Floor
Shuhada Street, P.O. Box 2115 Safat
13022 – State of Kuwait
T + 965 2410010
F + 965 2412761
www.albazie.com

INDEPENDENT AUDITORS' REPORT

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

Report on the financial statements

We have audited the accompanying consolidated financial statements of Sokouk Holding Company - Kuwaiti Shareholding Company (Holding) (the Parent Company) and subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2006, 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.

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.

Auditor's 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion of the consolidated financial statements.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sokouk Holding Company - Kuwaiti Shareholding Company (Holding) as of December 31, 2006, 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, the group holds proper books of account, 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, 2006 of either the Commercial Companies Law or of the Parent Company's Articles of Association which might have materially affected the Group's financial position or results of its operations.

Ali Owaid Rukheyes
Licence No. 72-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 18, 2007

SOKOUK HOLDING COMPANY - KUWAITI SHAREHOLDING COMPANY (HOLDING) AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2006
(All amounts are in Kuwaiti Dinars)

ASSETS	Note	2006	2005
Cash on hand and at banks		**3,465,760**	1,511,573
Accounts receivable and other debit balances	3	**14,304,364**	29,017,747
Sokouk utilization rights	4	**31,650,632**	33,839,447
Due from related parties	5	**3,675,399**	1,208,592
Investment in Murabaha	6	**2,095,250**	-
Investment in Wakala	7	**219,267**	-
Investment in an associate	8	**3,371,330**	-
Investment in joint ventures	9	**15,711,905**	-
Investments available for sale	10	**4,080,126**	1,836,560
Advance payment for purchase of investments	11	**492,998**	100,000
Investment properties	12	**2,005,888**	-
Project under construction	13	**1,335,000**	10,369,653
Property and equipment	14	**104,773**	86,623
Goodwill	15	**188,000**	188,000
Total assets		**82,700,692**	78,158,195
LIABILITIES AND EQUITY			
Liabilities:			
Accounts payable and other credit balances	16	**857,101**	2,274,933
Due to related parties	5	**16,239,394**	34,685,254
Murabaha payable	17	**19,511,358**	752,629
Provision for employees' end of service indemnity	18	**39,828**	27,489
Total liabilities		**36,647,681**	37,740,305
Equity:			
Capital	19	**30,000,000**	30,000,000
Statutory reserve	20	**1,593,017**	692,398
Voluntary reserve	21	**1,593,017**	692,398
Retained earnings		**12,011,104**	5,283,084
Total equity attributable to parent company's shareholders		**45,197,138**	36,667,880
Minority interest		**855,873**	3,750,010
Total equity		**46,053,011**	40,417,890
Total liabilities and equity		**82,700,692**	78,158,195

The accompanying notes (1) to (32) form an integral part of the consolidated financial statements

Fawaz S. Al-Ahmed
Chairman

Fuad H. Al-Homoud
Vice Chairman

SOKOUK HOLDING COMPANY - KUWAITI SHAREHOLDING COMPANY (HOLDING) AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2006
(All amounts are in Kuwaiti Dinars)

	Note	2006	2005
Operating revenue	22	**65,960,561**	58,597,976
Operating cost	22	**(62,454,737)**	(53,725,023)
Gross profit		**3,505,824**	4,872,953
Other operating income	23	**4,330,873**	1,390,519
Expenses and charges:			
General and administrative	24	**2,085,515**	689,967
Depreciation	14	**35,187**	24,798
		2,120,702	714,765
Operating profit		**5,715,995**	5,548,707
Gain from investment in Murabaha		**48,209**	244,925
Gain on sale of investment in subsidiary	1	**1,887,089**	-
Realized gain on sale of investments available for sale		**519,053**	-
Share of results from an associate	8	**371,330**	-
Share of result from joint ventures	9	**578,292**	-
Foreign currency exchange (loss) gain		**(43,204)**	110,176
Profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) and National Labor Support Tax and Board of Directors' remuneration		**9,076,764**	5,903,808
Contribution to Kuwait Foundation for the Advancement of Sciences	25	**(61,017)**	(51,964)
National Labor Support Tax	26	**(355,917)**	-
Board of Directors' remuneration	27	**(60,000)**	(34,000)
Net profit for the year		**8,599,830**	5,817,844
Attributable to :			
Parent company's shareholders		**8,529,258**	5,787,834
Minority interest		**70,572**	30,010
Net profit for the year		**8,599,830**	5,817,844
Earnings per share attributable to the parent company's shareholders (fils)	28	**28.43**	19.29

The accompanying notes (1) to (32) form an integral part of the consolidated financial statements

SOKOUK HOLDING COMPANY - KUWAITI SHAREHOLDING COMPANY (HOLDING) AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2006
(All amounts are in Kuwaiti Dinars)

	Attributable to the parent company's shareholders						
	Capital	Statutory reserve	Voluntary reserve	Retained earnings	Total equity attributable to the parent company's shareholders	Minority interest	Total
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)	-	-	-
Due to acquisition of a consolidated subsidiary	-	-	-	-	-	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
Net profit for the year	-	-	-	8,529,258	8,529,258	70,572	8,599,830
Total recognized income for the year	-	-	-	8,529,258	8,529,258	70,572	8,599,830
Transfer to reserves	-	900,619	900,619	(1,801,238)	-	-	-
Due to disposal of a consolidated subsidiary (Note 2)	-	-	-	-	-	(2,964,709)	(2,964,709)
Balance at December 31, 2006	**30,000,000**	**1,593,017**	**1,593,017**	**12,011,104**	**45,197,138**	**855,873**	**46,053,011**

The accompanying notes (1) to (32) form an integral part of the consolidated financial statements

SOKOUK HOLDING COMPANY - KUWAITI SHAREHOLDING COMPANY (HOLDING) AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2006
(All amounts are in Kuwaiti Dinars)

	2006	2005
Cash flows from operating activities:		
Profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences and National Labor Support Tax and Board of Directors' remuneration	**9,076,764**	5,903,808
Adjustments for:		
Depreciation	**35,187**	24,798
Gain on sale of investment in subsidiary	**(1,887,089)**	-
Realized gain on sale of investments available for sale	**(519,053)**	(33,430)
Share of results from an associate	**(371,330)**	-
Share of results from joint ventures	**(578,292)**	-
Gain from investment in Murabaha	**(48,209)**	(244,925)
Provision for employees' end of service indemnity	**38,114**	28,543
Operating income before changes in working capital	**5,746,092**	5,678,794
Decrease (increase) in Sokouk utilization rights	**12,944,615**	(468,473)
Decrease (increase) in accounts receivable and other debit balances	**19,371,283**	(27,693,840)
(Increase) decrease in due from related parties	**(2,466,807)**	3,632,361
Increase in accounts payable and other credit balances	**114,960**	2,169,776
(Decrease) increase in due to related parties	**(34,599,523)**	14,747,445
Cash generated from (used in) operations	**1,110,620**	(1,933,937)
Paid for Kuwait Foundation for the Advancement of Sciences	**(51,964)**	(7,527)
Paid for National Labor Support Tax	**(130,762)**	-
Payment for employees' end of service indemnity	**(25,775)**	(7,551)
Net cash generated from (used in) operating activities	**902,119**	(1,949,015)
Cash flows from investing activities:		
Paid for purchase of property and equipment	**(53,337)**	(40,697)
Gain from investment in Muarabaha received	**46,754**	254,388
Paid for purchase of investments available for sale	**(5,175,951)**	(1,836,560)
Proceeds from sale of investments available for sale	**3,451,438**	1,183,430
Paid for purchase of investment in an associate	**(3,000,000)**	-
Paid for purchase of investment in joint venture	**(15,150,600)**	-
Paid for purchase of investment in subsidiary	**(2,600,000)**	(188,000)
Proceeds from sale of investment in subsidiary	**7,500,000**	-
(Paid for) proceeds from Murabaha investments	**(2,095,250)**	8,350,000
Paid from investment in Wakala	**(219,267)**	-
Paid for acquisition of investment properties	**(1,164,500)**	-
Increase in advance payment	**(392,998)**	(100,000)
Paid for project under construction	**(17,950)**	(10,369,653)
Proceeds from sale of project under construction	**1,165,000**	-
Net cash used in investing activities	**(17,706,661)**	(2,747,092)

	2006	2005
Cash flows from financing activities:		
Murabaha payable received	**18,758,729**	752,629
Minority contribution in paid up capital of consolidated subsidiary	**-**	3,720,000
Net cash generated from financing activities	**18,758,729**	4,472,629
Net increase (decrease) in cash on hand and at banks	**1,954,187**	(223,478)
Cash on hand and at banks at the beginning of the year	**1,511,573**	1,735,051
Cash on hand and at banks at the end of the year	**3,465,760**	1,511,573

The accompanying notes (1) to (32) form 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 at the Ministry of Justice – Real Estate Registration and Authentication Department under Ref. No. 1909/Volume 1 on August 23, 1998 and registered on commercial register under Ref. No. 74323 dated August 29, 1998.

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 attributable to main activity 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.

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

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

The consolidated financial statements were authorized for issue by the Board of Director's on February 18, 2007. The shareholders' annual General Assembly has the power to amend the 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, certain investments available for sale and investment properties which 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(t).

b) Principles of consolidation

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

Subsidiaries	Country of incorporation	Percentage of holding	
		2006 %	2005 %
Gulf Real Estate Development House Co. K.S.C.C. (previously known as Prince Real Estate Group K.S.C.C.)	Kuwait	**75**	75
Joint venture – Salmiya Hotel Project	Kuwait	**-**	33.56
Sokouk Investment Advisory Co.	Cayman Island	**100**	-
Sokouk Real Estate Co. – K.S.C.C.	Kuwait	**100**	-
Gulf Money House for Money Collection - W.L.L.	Kuwait	**100**	-

The accompanying consolidated balance sheet of the group as of December 31, 2006 and the related consolidated statement of income for the year then ended include the following financial information relating to Sokouk Investment Advisory Co. (Cayman Island), Sokouk Real Estate Co. K.S.C.C. and Gulf Money House for Money Collection W.L.L. while the comparative figures relating to the year ended December 31, 2005 do not include such information:

Balance sheet:	**KD**
Cash on hand and at banks	**1,353,057**
Sokouk utilization rights	**7,284,200**
Accounts receivable and other debit balances	**8,983,730**
Due from related parties	**1,483,591**
Investment properties	**1,423,638**
Property & equipment	**31,576**
Accounts payable and other credit balances	**326,740**
Due to related parties	**7,594,053**
Provision for employees' end of service indemnity	**26,588**

Income statement:	**KD**
Operating revenue	**10,330,209**
Operating cost	**(8,175,610)**
Other operating income	**462,839**
General and administrative expenses	**(395,123)**
Depreciation	**(4,047)**

During the year ended December 31, 2005, the group entered into a joint venture "Salmiya Hotel Project." The authorized capital for the joint venture is KD 12,000,000 distributed over 120,000,000 units of 100 fils each. On June 26, 2006 the group increased its interest in the equity of this joint venture to be 66.89% from paid up capital and subsequently during the year on June 27, 2006 the group sold all its interest in the equity of this joint venture with retaining its right to subscribe in the unpaid share capital that amounted to KD 3,000,000 of the sale date. Accordingly, the group paid an amount of KD 3,000,000 against its remaining share in the unpaid capital of the joint venture on August 9, 2006 which resulted in increasing the group's interest in the equity of the joint venture to 25% as of December 31, 2006 (2005 - 33.56%). As of December 31, 2006, the paid-up capital of the joint venture amounted to KD 12,000,000 (2005 - KD 4,470,000) and the group's share from this paid-up capital as of December 31, 2006 amounted to KD 3,000,000 (2005 - KD 1,500,000). Since the group had direct power to govern the financial and the operating policies of the joint venture, the joint venture was classified as investment in subsidiary as of December 31, 2005. As of December 31, 2006, this was classified as investment in joint venture since there is another party who had the power to govern the financial and operating policies of the joint venture. The consolidated financial statements for the year ended December 31, 2005 include the following information for the joint venture Salmiya Hotel Project as a subsidiary.

Balance sheet:	KD
Cash on hand and at banks	(98,815)
Accounts receivable and other debit balances	26,162
Project under construction	8,009,478
Accounts payable and other credit balances	1,827,000

The net asset value of the joint venture as of June 27, 2006, the date of sale amounted to KD 5,612,911 and this joint venture was sold against a consideration amounting to KD 7,500,000 which resulted in a gain of KD 1,887,089. The above transaction is summarized as follows:

	KD
Proceeds from sale of the subsidiary	7,500,000
Net assets value for the subsidiary as of the selling date	(5,612,911)
Gain on sale of investment in subsidiary	1,887,089

Subsidiaries are those enterprises controlled by the Parent Company. Control exists when the Parent 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 major 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) IASB standard issued but not yet effective

At the date of authorization of these financial statements, the following IASB Standard have been issued but is not yet effective:

IFRS 7 Financial Instruments: Disclosures

The application of IFRS 7, which will be effective for the year ending 31 December 2007 will result in amended and additional disclosures relating to financial instruments and associated risks.

d) Sokouk utilization rights

Sokouk utilization rights represent Sokouks that are held by the parent company either for trading purposes or to keep as long term investment, and are stated at cost. less impairment loss in value (if any).

e) Receivables

Receivables are stated at face value, after impairment losses or 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) Wakala

Wakala is an Islamic transaction, including one of the parties is authorized in investments on behalf of the group in accordance with specific terms against particular fees. Wakala is recorded by amortization cost using effective interest method.

h) 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 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 except to the extent that the Group has an obligation or has made payments on behalf of the associate.

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 the consolidated statement of income.

On disposal of an associate, the attributable amount of goodwill is included in the determination of the net profit or loss on disposal.

i) Investment in joint venture

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control that is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

Where a Group undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognized in the Group's financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognized when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group reports its interests in jointly controlled entities using the equity method of accounting, 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 joint ventures are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the joint venture, less any impairment in the value of individual investments.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of an associate.

Where the Group transacts with its jointly controlled entities, unrealized profits and losses are eliminated to the extent of the Group's interest in the joint venture.

j) Investments

All of the Group's investments are classified as 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.

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 available for sale is 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.

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.

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.

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

k) <u>Investment property</u>

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.

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.

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.

l) 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.

m) Property and equipment

The initial cost of property and equipment 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 property and equipment 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 property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Property and equipment are stated at cost less accumulated depreciation and impairment losses. When property and equipment 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.

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 property and equipment.

n) 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 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 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.

o) Goodwill

Goodwill arising on an acquisition of a subsidiary or a jointly controlled entity or associate 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.

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

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.

p) <u>Payables</u>

Accounts payable are stated at their cost.

q) <u>Provision for employees' end of service indemnity</u>

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.

r) <u>Revenue recognition</u>

Revenue comprises the fair value of the consideration received or receivable for the sale of Sokouk 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 Sokouk
Sales represent the total invoiced value of Sokouks sold during the year. Revenue from sale of Sokouks is recognized on accrual basis when the significant risks and rewards of ownership are transferred to the buyer.

For Sokouk sold on credit in installments, revenue attributable to the sales price, exclusive of credit sales income, is recognized 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 recognized as revenue as it is earned, using the effective profit margin 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.

s) 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.

t) 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) Provision for doubtful debts

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

(iii) Classification of investments

On acquisition of an investment, the Group decides whether it should be classified as "investment available for sale". The Group follows the guidance of IAS 39 on classifying its investments.

The Group classifies all investments as "available for sale".

(iv) 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 estimation uncertainty at the consolidated 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.

u) Foreign currencies

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 retranslated 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 settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Translation differences on non-monetary items such as equity investments classified as investments available for sale 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.

v) Financial instruments

Financial assets and financial liabilities carried on the consolidated balance sheet include cash on hand and at banks, 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 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.

w) 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.

3. Accounts receivable and other debit balances

	2006	2005
Trade receivables	**14,087,342**	28,673,172
Other receivables	**217,022**	344,575
	14,304,364	29,017,747

4. Sokouk utilization rights

Sokouk utilization rights represent the subsidiaries company's ownership of the Sokouk of the Zamzam and Al Qiblah Towers. 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.

5. 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:

	2006	2005
Assets:		
Accounts receivable and other debit balances	**120,303**	15,687
Due from related parties	**3,675,399**	1,208,592
Investment in Murabaha	**2,095,250**	-
Investment in Wakala	**219,267**	-
Liabilities:		
Accounts payable and other credit balances	**296,196**	-
Due to related parties	**16,239,394**	34,685,254
Murabaha payable	**12,855,019**	-

Due to related parties mainly resulting from purchasing Sokouk utilization rights

	2006	2005
Statement of income:		
Operating revenue	**53,387,775**	-
Operating cost	**(52,302,900)**	-
General and administrative expenses	**(666,338)**	-
Realized gain on sale of investments available for sale	**502,956**	-
Gain on sale of investment in subsidiary	**1,887,089**	-
Other operating income	**813,586**	254,884

	2006	2005
Key management compensation:		
Short term benefits and Board of Directors' remuneration	**197,560**	191,400
Terminal benefits	**31,455**	10,605

6. Investment in Murabaha

Murabaha investment represents deposits held with a Kuwaiti financial institution – related party, which has experience in fund investment management in local and international market matured in January 10, 2007. These investments earn an average annual rate of return of 5%.

7. Investment in Wakala

Investments in Wakala represent a Wakala investment contract with a Kuwaiti Financial Institution – related party matured on March 28, 2007. The investment earns an average variable rate of return with a minimum percentage of 4% per annum.

8. Investment in an associate

The investment in associate consists of the following:

Name of the associate	Country of Incorporation	Ownership Percentage	**2006**
MAS International Company for General Trading and Contracting – W.L.L.	Kuwait	40%	**1,916,773**
Goodwill			**1,454,557**
			3,371,330

The movement during the year was as follows:

	2006
Balance at the beginning of the year	-
Acquisition of associate	**3,000,000**
Share of results from an associate	**371,330**
Balance at the end of the year	**3,371,330**

The Group's interests in its associates as at December 31, 2006 were as follows:

	Assets		Liabilities		Net Assets	
Name of the associate	**2006**	2005	**2006**	2005	**2006**	2005
MAS International Company for General Trading and Contracting – W.L.L.	**4,471,947**	-	**2,555,174**	-	**1,916,773**	-
	4,471,947	-	**2,555,174**	-	**1,916,773**	-

	Revenues		Results	
Name of the associate	**2006**	2005	**2006**	2005
MAS International Company for General Trading and Contracting – W.L.L.	**916,546**	-	**371,330**	-
	916,546	-	**371,330**	-

The group's share of results was based on the associate's management accounts for the year ended December 31, 2006.

9. Investment in Joint Ventures

The investment in joint venture consists of the following:

Name of the joint venture	Country of Incorporation	Ownership Percentage	2006
Joint Venture – Zamzam Tower	Kuwait	28.88%	**12,710,181**
Joint Venture – Al-Salmiya Hotel Project	Kuwait	25.00%	**3,001,724**
			15,711,905

The movement during the year was as follows:

	2006
Balance at the beginning of the year	**-**
Acquisition of joint venture	**15,150,600**
Share of results from joint ventures	**578,292**
Other equity movements	**(16,987)**
Balance at the beginning of the year	**15,711,905**

The Group's interests in its joint venture as at December 31, 2006 were as follows:

	Assets		Liabilities		Net Assets	
Name of the joint venture	**2006**	2005	**2006**	2005	**2006**	2005
Joint Venture – Zamzam Tower	**29,419,275**	-	**16,847,924**	-	**12,571,351**	-
Joint Venture – Al-Salmiya Hotel Project	**3,230,579**	-	**228,855**	-	**3,001,724**	-
	32,649,854	-	**17,076,779**	-	**15,573,075**	-

	Revenues		Results	
Name of the joint venture	**2006**	2005	**2006**	2005
Joint Venture – Zamzam Tower	**5,223,771**	-	**576,568**	-
Joint Venture – Al-Salmiya Hotel Project	**30,894**	-	**1,724**	-
	5,254,665	-	**578,292**	-

During the year, the group entered into a joint venture agreement with a related party "Joint Venture – Zamzam Tower" , and its principal activities is to purchase, invest and operate utilization rights of Zamzam Tower through hotel operations or through reselling either all or part of the utilization rights. The authorized capital for the Joint Venture – Zamzam Tower is USD 293,000,000. As of December 31, 2006, the paid-up capital of the Joint Venture – Zamzam Tower amounted to USD 207,447,722 equivalent to KD 42,078,026 (September 30, 2006 – KD 24,301,200) and the group's share from this paid-up capital amounted to USD 42,000,000 equivalent to KD 12,150,600 (September 30,2006 – KD 12,150,600) resulting in the group's interest in the equity of the Joint Venture – Zamzam Tower to be 28.88% as of December 31, 2006. The company is subject to joint control by the partners.

During the year, the parent company subscribed its unpaid share of the joint venture – Salmiya Project amounting to KD 3,000,000 which resulted in the parent company's interest in the equity of joint venture to 25% as of December 31, 2006 (Note 2).

10. Investments available for sale

	2006	2005
Unquoted:		
Investments in unquoted shares	**1,406,124**	1,836,560
Investments in funds & portfolios	**2,674,002**	-
	4,080,126	1,836,560

The movement during the year is as follows:

	2006	2005
Balance at the beginning of the year	**1,836,560**	1,150,000
Additions	**5,175,951**	1,836,560
Disposals	**(2,932,385)**	(1,150,000)
Balance at the end of the year	**4,080,126**	1,836,560

It was not possible to reliably measure the fair value of unquoted investments amounting to KD 4,080,126 (2005 – KD 1,836,560). due to non availability of a reliable method that could be used to determine the fair value of such investments. Accordingly, they were stated at their cost less impairment losses, if any.

11. Advance payment for purchase of investments

Advance payment for purchase of investments represents amount paid for investment in a company which is under incorporation, for which the legal procedures have not yet been completed as of the balance sheet date. The details are as follows:

	2006	2005
Sokouk Al Tadawol (under establishment)	**492,998**	-
Gulf Money House for Money Collection – W.L.L.. (under establishment)	-	100,000
	492,998	100,000

12. Investment properties

	2006
Balance at the beginning of the year	-
Additions during the year	**2,005,888**
Balance at the end of the year	**2,005,888**

Land amounting to KD 841,388 is registered in the name of other party and there is a written waiver in favor of the Group.

The fair value of investment properties approximate their carrying value since these properties were acquired during the fourth quarter in 2006.

13. Project under construction

	2006	2005
Balance at the beginning of the year	**10,369,653**	-
Additions during the year	**17,950**	10,369,653
Disposals during the year	**(1,165,000)**	-
Relating to disposal of subsidiary	**(7,887,603)**	-
Balance at the end of the year	**1,335,000**	10,369,653

14. Property and equipment

	Furniture and fixtures	Computer equipment & software	Office equipment	Key Money	Total
Cost:					
At December 31, 2005	30,213	41,342	12,636	30,000	114,191
Additions during the year	35,026	13,913	4,398	-	53,337
At December 31, 2006	**65,239**	**55,255**	**17,034**	**30,000**	**167,528**
Accumulated depreciation:					
At December 31, 2005	6,175	10,122	3,771	7,500	27,568
Charge for the year	9,080	15,803	4,304	6,000	35,187
At December 31, 2006	**15,255**	**25,925**	**8,075**	**13,500**	**62,755**
Net book value:					
At December 31, 2006	**49,984**	**29,330**	**8,959**	**16,500**	**104,773**
At December 31, 2005	24,038	31,220	8,865	22,500	86,623

15. Goodwill

	2006	2005
Balance at beginning of the year	**188,000**	-
Additions: relating to acquisition of a subsidiary	**-**	188,000
Balance at end of the year	**188,000**	188,000

16. Accounts payable and other credit balances

	2006	2005
Trade payables	**38,333**	2,058,374
Accrued staff expenses and leave	**472,596**	130,595
Payable to Kuwait Foundation for the Advancement of Sciences	**61,017**	51,964
National Labor Support Tax payable	**225,155**	-
Board of Directors remuneration	**60,000**	34,000
	857,101	2,274,933

17. Murabaha payable

The balance of Murabaha payable represent payment received from Islamic Financing Company. Murabaha carrying an annual average charge from 5.02% to 8.5%. The Murabaha is guaranteed against notes payable.

18. Provision for employees' end of service indemnity

	2006	2005
Balance at beginning of the year	**27,489**	6,497
Charge for the year	**38,114**	28,543
Paid during the year	**(25,775)**	(7,551)
Balance at end of the year	**39,828**	27,489

19. Capital

Authorized, issued and fully paid-up capital consist of 300,000,000 shares of 100 fils each (2005 - 300,000,000 shares of 100 fils each).

20. Statutory reserve

As required by the Commercial Companies Law and the Parent Company's Articles of Association, 10% of the 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) 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.

21. Voluntary reserve

As required by the Parent Company's Articles of Association, 10% of the profit for the year attributable to equity holders of the Parent Company before contribution to KFAS, NLST and Board of Directors' remuneration 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.

22. 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.

23. Other operating income

	2006	2005
Gain from financing activities	**814,223**	372,086
Commission income on sale of utilization rights	-	239,197
Income from consulting services	**2,842,500**	750,000
Investment structure revenue	**572,725**	-
Others	**101,425**	29,236
	4,330,873	1,390,519

Commission income on sale of utilization rights relates to Sokouk secured for third parties.

24. General and administrative expenses

	2006	2005
Salaries and wages	**325,510**	257,519
Bonus	**145,231**	89,535
Other employee benefits and allowances	**128,738**	237,290
Marketing and advertisement	**304,311**	760
Other general and administrative expenses	**1,181,725**	104,863
	2,085,515	689,967

25. 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 of the Parent Company after deducting its share of income from shareholding subsidiaries and associates and transfer to statutory reserve.

26. National Labor Support Tax

National Labor Support Tax is calculated at 2.5% of the net profit of the Parent Company and after deducting its share of income from listed shareholding subsidiaries and associates.

National Labor Support Tax for the year ended December 31, 2006 included KD 130,762 pertaining to the year ended December 31, 2005 which was paid during the current year.

27. Board of Directors' remuneration

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

28. Earnings per share

There are no potential dilutive ordinary shares. The information necessary to calculate basic earnings per share based on the weighted average number of shares outstanding during the year is as follows:

	2006	2005
Net profit for the year attributable to the parent company's shareholders	**8,529,258**	5,787,834
	Shares	Shares
Weighted average number of shares outstanding:		
Weighted average number of shares issued	**300,000,000**	300,000,000
	300,000,000	300,000,000
	Fils	Fils
Earnings per share attributable to the parent company's shareholders	**28.43**	19.29

29. Financial instruments

In the normal course of business, the group uses primary financial instruments such as cash on hand and at banks, 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 and liabilities 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 on hand and at banks and financial institutions and accounts receivable. The group's cash is placed with high credit rating banks and 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.

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 or other investments that are readily realizable.

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. Fair values are obtained from current bid prices, discounted cash flow models and other models as appropriate. At December 31, the fair values of financial instruments approximate their carrying amounts, except that it was not possible to reliably measure the fair value of most of the available-for-sale investments as indicated in Note 10 and due from (to) related parties.

30. Capital contingent commitments

As of December 31, 2006, the group had capital commitments of KD 3,615,314 (2005 – KD 226,459) in respect of future capital expenditure related to the construction of a hotel in a joint venture.

31. Proposed dividend

The Board of Directors propose a cash dividend of 12 fils per share (2005 – Nil). This proposal is subject to the approval of the shareholders' annual General Assembly.

The shareholders' General Assembly held on April 19, 2006 approved the proposal of Board of Directors not to make any distributions for the year ended December 31, 2005.

32. Comparative figures

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