

Kuwait Real Estate Investment Consortium - KSC. (Closed)

**Consolidated Financial Statements and
Independent Auditor's Report**

For the year ended 31 December 2005

Kuwait Real Estate Investment Consortium - KSC. (Closed)

**Consolidated Financial Statements and Independent Auditor's Report
For the year ended 31 December 2005**

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Kuwait Real Estate Investment Consortium - K.S.C. (Closed)
State of Kuwait

Auditor's Report to the Shareholders

We have audited the accompanying consolidated balance sheet of Kuwait Real Estate Investment Consortium K.S.C. - (Closed) ("the Company") and its subsidiary (together referred as the Group) as of 31 December 2005 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended.

Respective responsibilities of management and auditor

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

The financial statements for the year ended 31 December 2004 were audited by another auditor who issued an unqualified report dated 21 February 2005.

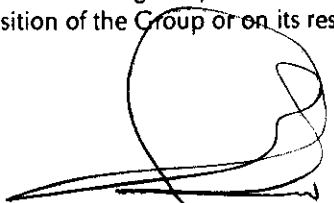
Basis of opinion

We conducted our audit in accordance with the 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 our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2005, and of the consolidated results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Furthermore, in our opinion, proper books of accounts have been kept by the Company, and the information related to the accounts furnished in the Board of Directors' report agrees with the books of accounts. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the financial statements incorporate all the information that is required by the Commercial Companies Law of 1960, as amended, and by the Company's Articles of Association, an inventory count was duly carried out and that, to the best of our knowledge and belief, no violations of the Commercial Companies Law of 1960, as amended, or of the Articles of Association of the Company have occurred during the year ended 31 December 2005 that might have had a material effect on the financial position of the Group or on its results of operation.


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

Kuwait
21 February 2006

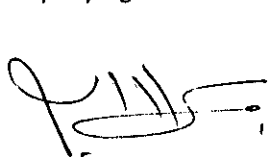
Kuwait Real Estate Investment Consortium - KSC. (Closed)

Consolidated Balance Sheet as at 31 December 2005

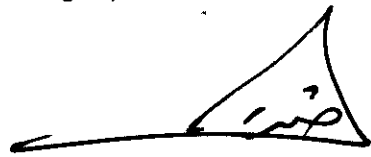
(All amounts are in Thzousand Kuwaiti Dinars)

	Note	2005	2004
Assets			
Cash and cash equivalents	3	4,223	2,835
Investments at fair value through profit and loss	4	4,861	4,612
Investments available for sale		204	178
Trade and other receivables	5	148	611
Due from related parties	6	1,590	199
Land and real estate held for trading	7	10	10
Held to maturity investments	8	30	28
Investment in unconsolidated subsidiary	9	50	85
Investments in associates	10	987	812
Investment properties	11	13,600	14,596
Property and equipment		70	64
Total Assets		25,773	24,030
Liabilities and Shareholders' Equity			
Liabilities			
Payables and other credit balances	12	2,706	2,282
Shareholders' equity			
Share capital	13	10,000	10,000
Statutory reserve	14	2,770	2,501
Voluntary reserve	15	2,770	2,501
Foreign currency translation reserve		(338)	(507)
Change in fair value reserve		20	-
Retained earnings		7,845	7,253
Total Shareholders' Equity		23,067	21,748
Total liabilities and Shareholders' Equity		25,773	24,030

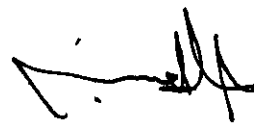
The accompanying notes form an integral part of these consolidated financial statements.



Sheikh Mohammad j. Al - Sabah
Chairman and Managing Director



Dherar Khalid Al- Rabah
Deputy Chairman



Ali S. Al-Ghunaim
Acting General Manager

Kuwait Real Estate Investment Consortium - KSC. (Closed)

Consolidated Statement of Income for the year ended 31 December 2005

(All amounts are in Thousand Kuwaiti Dinars)

	Note	<u>2005</u>	<u>2004</u>
Revenue			
Management fees	6	3,125	2,653
Net rental income from investment properties		949	978
Income from selling investment properties		51	-
Income fees from valuation of properties owned by others		14	16
Investments income	16	1,309	753
Interest income		91	43
Group's share from subsidiaries and associates profits		40	15
Reversal of impairment in investment properties		-	326
Other income		9	40
Total revenue		<u>5,588</u>	<u>4,824</u>
Expenses and other charges			
General and administrative expenses	17	247	288
Staff costs	18	2,034	1,904
Depreciation		399	327
Impairment in investment in associate		-	91
Provision for doubtful debts		144	61
Foreign currency exchange loss		75	14
Kuwait Foundation for the Advancement of Science ("KFAS")		24	19
Board of Directors remuneration		35	40
Total expenses and other charges		<u>2,958</u>	<u>2,744</u>
Net profit for the year		<u>2,630</u>	<u>2,080</u>
Earnings per share (fils)		<u>26.30</u>	<u>20.80</u>

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

Kuwait Real Estate Investment Consortium - KSC. (Closed)

Consolidated Statement of Changes in Equity for the year ended 31 December 2005

(All amounts are in Thousand Kuwaiti Dinars)

	Share capital	Statutory reserve	Voluntary reserve	Foreign currency translation reserve	Changes in fair value reserve	Retained earnings	Total
Balance as at 1 January 2004	10,000	2,287	2,287	(500)	-	7,101	21,175
Cash dividends for the year 2003	-	-	-	-	-	(1,500)	(1,500)
Foreign currency translation differences of foreign associates	-	-	-	(7)	-	-	(7)
Net profit for the year	-	-	-	-	-	2,080	2,080
Transfer to the reserves	-	214	214	-	-	(428)	-
Balance as at 31 December 2004	10,000	2,501	2,501	(507)	-	7,253	21,748
Balance as at 1 January 2005	10,000	2,501	2,501	(507)	-	7,253	21,748
Cash dividends for the year 2004	-	-	-	-	-	(1,500)	(1,500)
Changes in fair value of available for sale investments	-	-	-	-	20	-	20
Foreign currency translation differences for foreign associates	-	-	-	169	-	-	169
Net profit for the year	-	-	-	-	-	2,630	2,630
Transfer to reserves	-	269	269	-	-	(538)	-
Balance as at 31 December 2005	10,000	2,770	2,770	(338)	20	7,845	23,067

The accompanying notes from an integral part of these consolidated financials statements

Kuwait Real Estate Investment Consortium - KSC. (Closed)

Consolidated Statement of Cash Flows the year ended 31 December 2005
(All amounts are in Thousand Kuwaiti Dinars)

	Note	2005	2004
Cash flows from operating activities			
Net profit for the year		2,630	2,080
Adjustments:			
Gain from sale of investment properties		(51)	-
Investments income		(1,309)	(753)
Interest income		(91)	(43)
Group's share from subsidiaries and associates profit		(40)	(15)
Depreciation		399	327
Gains from sale of property and equipment		-	(5)
Provision for liabilities		268	88
Reversal of impairment in investment properties		-	(326)
Impairment in Investment in associate		-	91
Provision for doubtful debts		144	61
Operating profit before changes in operating assets and liabilities		1,950	1,505
Trade and other receivables		463	(554)
Due from related parties		(1,535)	786
Payables and other credit balances		156	68
Net cash flows from operating activities		<u>1,034</u>	<u>1,805</u>
Cash flows from investing activities			
Purchase of property and equipment		(52)	(58)
Purchase of available for sale investments		(6)	(1,170)
Proceeds from sale of investment properties		694	-
Investments at fair value through profit and loss		1,060	-
Investments available for sale		-	786
Held to maturity investments		(2)	-
Proceeds from sale of property and equipment		-	5
Dividends received from investment in associates		69	62
Interest received		91	30
Dividends received from investments		-	166
Net cash flows from/ (used in) investing activities		<u>1,854</u>	<u>(179)</u>
Cash flows from financing activities			
Dividends paid		(1,500)	(1,500)
Net cash flows used in financing activities		<u>(1,500)</u>	<u>(1,500)</u>
Net increase in cash and cash equivalents		1,388	126
Cash and cash equivalents at beginning of the year		2,835	2,709
Cash and cash equivalents at end of the year	3	<u>4,223</u>	<u>2,835</u>

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

Kuwait Real Estate Investment Consortium - KSC. (Closed)

Notes to the Consolidated Financial Statement

31 December 2005

(All amounts are in Thousand Kuwaiti Dinars unless otherwise stated)

1. Incorporation of the Group

Kuwait Real Estate Investment Consortium ("the Company") is a Kuwaiti shareholding Company (Closed) incorporated in 26 October 1975 and it is a subsidiary Company of Kuwait Investment Authority. The Company is engaged in carrying out real estate transactions, investment in securities and investment portfolios management activities inside and outside Kuwait.

The consolidated financial statements include the financial statements of the parent Company and its subsidiary (together referred as the Group).

The Company's principle location is Al Sharq, Ahmed Al Jaber Street, P.O. Box 23411, Safat 13095, Kuwait.

Kuwait Investment Authority owns 99.127% of the total shares of the Company.

The Group has 77 employees as at 31 December 2005 (84 employees - 2004).

The consolidated financial statements were authorised for issue by the Board of Directors on 20 February 2006. The shareholders of the Company have the authority to amend these financial statements at the annual general assembly meeting.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless what was stated in Note (2.3). No effect on the consolidated financial statements has resulted from the adoption of these accounting policies.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Kuwaiti Commercial Law for 1960 and its amendments and the Company's articles of association and corporation.

The financial statements appear in Kuwaiti Dinar.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial instruments classified as investments at fair value through profit or loss and available for sale investments.

The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates.

2.2 Consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies of those companies. Generally, control is assumed to exist, if the parent company has more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Notes to the Consolidated Financial Statement

31 December 2005

(All amounts are in Thousand Kuwaiti Dinars unless otherwise stated)

Inter-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries are changed where necessary to ensure consistency with the policies adopted by the Group

Investments in immaterial subsidiaries that are not consolidated are carried at cost less any impairment in value.

Investments in subsidiaries are represented in the Company's investment in Kuwait Distinguish Real Estate Group, W.L.L. the capital of which is KD 20,000 and the Company owns a percentage of 100% of its capital. Certain shares in respect of the above subsidiary are registered in the name of other parties who are holding these shares as a nominee holder on account and for the benefit of the Company.

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights assumes existence of significant influence.

Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in equity.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Financial assets

The Group has adopted the changes over IAS (39) (Recognition & Measurement) and IAS (32) (Presentation & Disclosures), which became effective starting from 1 January 2005.

Classification

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date. The Group has classified its financial assets as follows:

Financial assets at fair value through profit and loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified into this category if acquired principally for the purpose of selling in the short term or if so designated by management.

Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides goods and services directly to a debtor with no intention of trading the receivables.

Notes to the Consolidated Financial Statement

31 December 2005

(All amounts are in Thousand Kuwaiti Dinars unless otherwise stated)

Available for sale assets

These are non-derivative financial assets that are either designated in this category or not included in any of the above categories and are principally those acquired to be held for an indefinite period of time which could be sold when liquidity is needed or upon changes in rates of profit.

Held to maturity investments

These are non derivative financial assets with fixed or determinable payments, and the management has the intent and ability to hold them to their maturities.

Recognition and De-recognition

Regular purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to buy or sell these investments. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Measurement

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not classified at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement

Subsequently, available for-sale financial assets and financial assets at fair value through profit or loss are carried at fair value. Receivables are carried at amortised cost using the effective method less any impairment in value.

Held to maturity assets are initially recognised at cost and subsequently at amortised cost using effective interest method less any impairment in value.

Realised and unrealised gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category, are included in the income statement for the period in which they arise. Changes in the fair value of financial assets classified as available-for-sale are recognised in equity. When available-for-sale financial assets are sold or impaired, the accumulated changes in fair value recognised in equity are included in the income statement.

Fair value

The Group establishes fair value for unquoted securities by reference to the market value of other instruments that are substantially the same, expected discounted cash flow analysis after adjustment to reflect the same circumstances of the issuing company, and option pricing models. Available for sale investments, which its fair value have not been determined, are carried at cost less impairment losses.

Impairment in value

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 as an indicator that 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 recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

Notes to the Consolidated Financial Statement

31 December 2005

(All amounts are in Thousand Kuwaiti Dinars unless otherwise stated)

2.4 Cash and cash equivalents

Cash on hand and at banks, term and demand deposits with banks and financial institutions whose original maturities do not exceed three months from the date of placements are classified as cash and cash equivalents.

2.5 Land and real estate held for trading

Land and real estate acquired for resale are classified as held for trading and are carried out at the lower of cost and net recoverable value. Net recoverable value is the estimated selling price less estimated selling costs.

2.6 Investment properties

Properties not occupied by the Group and acquired for long-term leases or for capital appreciation in future are classified as investment properties.

Investment properties except land are stated at cost less accumulated depreciation and impairment losses and they are depreciated over 25 years. The land is stated at cost less any accumulated impairment losses.

2.7 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses. Cost comprises, acquisition costs and all directly attributable costs of bringing the asset to working condition for its intended use. Depreciation is provided in equal instalments over the estimated useful lives of the assets.

2.8 Impairment of non financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed annually for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Impairment losses are recognised in the income statement for the period in which they arise.

2.9 Other provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) arising from past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the effect of the time value of money is material, the amount of a provision shall be the present value of the expenditures expected to be required to settle the obligation.

2.10 End of service's indemnity

The Group is liable under Kuwait Labour Law to make payments under defined benefit plans to employees at cessation of employment.

The defined benefit plan is un-funded and is based on the liability that would arise on involuntary termination of all employees on the balance sheet date. This basis is considered to be a reliable approximation of the present value of the Group's liability.

Notes to the Consolidated Financial Statement

31 December 2005

(All amounts are in Thousand Kuwaiti Dinars unless otherwise stated)

2.11 Revenue recognition

Revenue from management fees is recognised as it accrues based on rates specified in the portfolio management agreement. Interest income is recognised as it accrues, taking into account the effective interest income of the asset or an applicable interest rate.

Dividends income is recognized when right to receive payment is established.

Revenue is recognised on the accrual basis.

Revenue from sale of land and real estate is recognised on the completion of the sale contract.

2.12 Foreign currencies

The functional currency of the Group is the Kuwaiti Dinar. Foreign currency transactions are recorded in Kuwaiti Dinars at the rate of exchange prevailing at the time of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from transaction at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income.

Non – Monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost or amortized cost are translated at the foreign exchange rate prevailing at the date of translation. Non – Monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Kuwaiti Dinars at the foreign exchange rates prevailing at the dates the values were determined.

Net investments in foreign associates and subsidiaries are translated at the exchange rates prevailing at the date of the balance sheet. Revenues and expenses are translated at the average exchange rates for the year. Gains and losses resulting from these transactions are directly included in shareholders' equity in foreign currency translation reserve.

2.13 Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly are not included in these consolidated financial statements.

3. Cash and cash equivalents

	<u>2005</u>	<u>2004</u>
Term deposits and call accounts	4,104	2,767
Cash with banks and financial institutions	119	68
	<u>4,223</u>	<u>2,835</u>

The effective interest rate on term deposits ranges between 4.25% to 5.25% as at 31 December 2005 (3.25% to 4.75% - as at 31 December 2004)

4. Investments at fair value through profit and loss

This item represents the Group's investment in local funds, valued at fair value according to the latest available reports provided by the managers of these funds.

Kuwait Real Estate Investment Consortium - KSC. (Closed)

Notes to the Consolidated Financial Statement

31 December 2005

(All amounts are in Thousand Kuwaiti Dinars unless otherwise stated)

5. Trade and other receivables

	<u>2005</u>	<u>2004</u>
Trade receivables	708	1,178
Accrued revenues	87	77
Deposits and others	148	134
	<u>943</u>	<u>1,389</u>
Receivables – write down	(795)	(778)
	<u>148</u>	<u>611</u>

6. Related parties transactions

This item represents transactions with the principle shareholder in Kuwait Real Estate Investment Consortium and the fund managed by it. The prices and settlement terms related to these transactions are approved by the Group's management.

	<u>2005</u>	<u>2004</u>
Revenue		
Principle shareholder's portfolio management fees	3,043	2,510
First real estate fund management fees	82	143
	<u>3,125</u>	<u>2,653</u>
Provision for doubtful debts	129	-

The following are the balances of the related parties

	<u>2005</u>	<u>2004</u>
Kuwait Investment Authority	1,512	77
First Real Estate Fund	78	122
	<u>1,590</u>	<u>199</u>

On 22 November 2005, the Board of Directors decided to cancel the investments management agreement between the company and the principle shareholder, which relates to the management of the investments owned by the principle shareholder. The Company and the principle shareholder are currently negotiating about the mechanism to transfer the investments managed by the Company to the principle shareholder.

Related parties transactions are subjected to the approval of shareholders in the General Assembly.

7. Land and real estate held for trading

	<u>2005</u>	<u>2004</u>
Land and real estate outside Kuwait	2,846	2,846
Provisions for impairment	(2,836)	(2,836)
	<u>10</u>	<u>10</u>

8. Held to maturity investments

This item represents the Group's investment in foreign housing bonds with available yield ranges between 8.5% to 9% as at 31 December 2005 (8.5% to 9% as at 31 December 2004).

Kuwait Real Estate Investment Consortium - KSC. (Closed)

Notes to the Consolidated Financial Statement

31 December 2005

(All amounts are in Thousand Kuwaiti Dinars unless otherwise stated)

9. Investment in unconsolidated subsidiary

This item represents the Group's investment in loans and investments Co. (LINC) – Tunis, by 91.7% as at 31 December 2005 (91.7% as at 31 December 2004).

The financial statements of this subsidiary has not been consolidated as it is considered immaterial for the group. This investment is recorded at cost less impairments.

10. Investments in associates

	Country of incorporation	Ownership %	2005	2004
Arab Brick Company - Egyptian Shareholding Company	Egypt	50%	1	1
Arab Ceramic Company - Egyptian Shareholding Company	Egypt	24.4%	853	717
Financial Economic Development Company - Egyptian Shareholding Company	Egypt	23.8%	1	1
International Projects analysis and Control System Company	Bahrain	20%	132	93
			<u>987</u>	<u>812</u>

Share of profit of associated companies was recorded based on recent available financial statements.

11. Investment properties

	2005	2004
Properties	18,492	19,181
Accumulated depreciation	(4,069)	(3,734)
Impairment	(823)	(851)
	<u>13,600</u>	<u>14,596</u>

The fair value of the investment properties amounted KD 18.25 million as at 31 December 2005 (KD 15.89 million as at 31 December 2004).

The net book value of the investment properties that are carried at cost less accumulated depreciation and impairment losses amounted KD 1.94 million as at 31 December 2005 (KD 2 million as at 31 December 2004).

12. Payables and other credit balances

	2005	2004
Trade payables	161	126
Amounts received in advance from customers	120	91
Staff accruals	586	575
Provisions for claims	779	510
Other provision	120	120
Contribution to KFAS	24	19
Board of Directors remuneration	35	40
Accrued expenses	116	86
Employees end of service indemnity	765	715
	<u>2,706</u>	<u>2,282</u>

Kuwait Real Estate Investment Consortium - KSC. (Closed)

Notes to the Consolidated Financial Statement

31 December 2005

(All amounts are in Thousand Kuwaiti Dinars unless otherwise stated)

13. Share capital

The issued and fully paid up capital is amounting to KD 10 million distributed over 100 million shares of 100 fils per share as at 31 December 2005.

14. Statutory reserves

In accordance with the Commercial Companies Law and the Company's Articles of Association, 10% of the net profit for the year before Kuwait Foundation for the Advancement of Sciences, Board remuneration and national labour support tax is to be transferred to the statutory reserve. The shareholders may resolve to discontinue such annual transfers when the legal reserve reaches half of the share capital. Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of share capital in years when retained earnings are not sufficient for the payment of a dividend of that amount.

15. Voluntary reserve

In accordance with the Parent Company's Articles of Association, 10% of the net profit before KFAS and Board of Directors Remuneration proposed by the Board of Directors and approved by the General Assembly is transferred to voluntary reserve. Such annual transfers may be discontinued by a resolution of the General Assembly based on the proposal put forward by the Board of Directors.

16. Investments Income

	<u>2005</u>	<u>2004</u>
Change in the fair value	795	584
Dividends income	149	166
Profit from sale of investments	365	3
	<u>1,309</u>	<u>753</u>

17. General and administrative expenses

	<u>2005</u>	<u>2004</u>
Rent expenses	104	104
Maintenance expenses	2	59
Others	141	125
	<u>247</u>	<u>288</u>

18. Staff cost

	<u>2005</u>	<u>2004</u>
Salaries and wages	1,053	1,108
Employees end of service indemnity	113	92
Accrued leaves	132	133
Accrued bonus	240	240
Social securities and other staff benefits	235	243
Provision for claims and other provisions	261	88
	<u>2,034</u>	<u>1,904</u>

Kuwait Real Estate Investment Consortium - KSC. (Closed)

Notes to the Consolidated Financial Statement

31 December 2005

(All amounts are in Thousand Kuwaiti Dinars unless otherwise stated)

19. Earnings per share

Earnings per share are calculated by dividing the net profit of the year by the weighted average number of outstanding shares during the year.

	<u>2005</u>	<u>2004</u>
Net profit for the year (KD thousand)	2,630	2,080
Weighted average No. of outstanding shares (share)	<u>100,000,000</u>	<u>100,000,000</u>
Earning per share (fils)	<u>26.30</u>	<u>20.80</u>

20. Proposed dividends

Board of Directors proposed cash dividends of 10% with the total amount of KD 1 million for the year ended 31 December 2005 (15% with the total amount of KD 1.5 million for the year ended 31 December 2004) as well as remuneration for the Board of Directors with an amount of KD 35 thousands for the year ended 31 December 2005 (KD 40 thousands for the year ended 31 December 2004).

21. Contingent liabilities and commitments

	<u>2005</u>	<u>2004</u>
Letters of guarantee	71	66
Uncalled capital of available for sale investments	38	38

22. Fiduciary assets

The fiduciary assets amounted KD 229,047 thousands as at 31 December 2005 (KD 223,178 thousands as at 31 December 2004).

23. Financial risk management

In the ordinary course of business, the Group is exposed to several risks as follows:

Interest rate risk

The Group is exposed to interest rate risk in respect of cash and cash equivalents.

Credit risk

The Group is exposed to credit risk in respect of losses that would have to be recognised if counter part, fail to perform as contracted.

The Group's exposure to credit risk is primarily in respect of cash and cash equivalents, receivables, due from related parties and held to maturity investments. As at the balance sheet date, the Group's maximum exposure to credit risk is equal to the carrying amount of the above assets disclosed in the balance sheet.

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Foreign currency risk

The Group incurs foreign currency risk on sales and purchases of certain investments that are denominated in a currency other than Kuwaiti Dinars. The currencies giving rise to this risk are primarily Egyptian pound and US Dollar. As at the balance sheet date, the Group had the following net exposure denominated in foreign currency.

	<u>2005</u>	<u>2004</u>
Egyptian pounds	2,907	2,335
US Dollars	1,850	2,650

Fair value of financial assets and liabilities

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

The estimated fair value of financial assets and liabilities that are not carried at fair value (cash and cash equivalents, receivables, due from related parties, held to maturity investments, payables and other credit balances) at the balance sheet date are not materially different from their carrying values.

Liquidity risk

Liquidity risk is the risk that the Group may be unable to meet commitments when they fall due. The Group manages this risk by dealing with reputed counter-parties, diversifying its investments and matching the maturities of financial assets and financial liabilities.

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The maturity analysis of financial assets and liabilities

The Group's maturity profile set out below is based on the remaining period at the balance sheet date of the contractual maturity date. In case of financial instruments that do not have a contractual maturity, The maturity is based on management's estimate of time period in which the asset will be collected or disposed and the maturity the liability settled.

as at 31 December 2005

	Within 1 month	From 1 month to 3 months	From 3 months to 12 months	More than 1 year	Total
Assets					
Cash and cash equivalents	4,223	-	-	-	4,223
Investments at fair value through profit and loss	-	860	194	3,807	4,861
Investments available for sale	42	-	-	162	204
Trade and other receivables	-	-	148	-	148
Due from related parties	-	1,590	-	-	1,590
Land and real estate held for trading	-	-	10	-	10
Held to maturity investments	-	-	-	30	30
Investment in unconsolidated subsidiary	-	-	-	50	50
Investment in associates	-	-	-	987	987
Investment properties	-	-	-	13,600	13,600
Property and equipment	-	-	-	70	70
Total assets	4,265	2,450	352	18,706	25,773

Liabilities

Payables and other credit balances	70	106	350	2,180	2,706
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as at 31 December 2004

	Within 1 month	From 1 month to 3 months	From 3 months to 12 months	More than 1 year	Total
Assets					
Cash and cash equivalents	2,835	-	-	-	2,835
Investments at fair value through profit and loss	-	160	63	4,389	4,612
Investments available for sale	-	178	-	-	178
Trade and other receivables	-	12	494	105	611
Due from related parties	-	199	-	-	199
Land and real estate held for trading	-	-	10	-	10
Held to maturity investments	-	-	-	28	28
Investment in unconsolidated subsidiary	-	-	-	85	85
Investment in associates	-	-	-	812	812
Investment properties	-	-	-	14,596	14,596
Property and equipment	-	-	-	64	64
	2,835	549	567	20,079	24,030
Liabilities					
Payables and other credit balances	59	355	-	1,868	2,282

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24. Segment information

24.1 Business segment analysis

The primary segmental reporting for the Group is based on type of business which consists of commercial activity as follows:

	Investment management		Real estate management		Total	
	2005	2004	2005	2004	2005	2004
Segment revenue	4,440	3,216	1,148	1,608	5,588	4,824
Segment results	2,133	1,399	568	740	2,701	2,139
Unallocated expenses	-	-	-	-	(71)	(59)
Net profit for the year	-	-	-	-	2,630	2,080

24.2 Geographical segment analysis

The secondary segment reporting in the group is the geographical distribution, which consists of:

	Kuwait		Middle East (Except Kuwait)		Total	
	2005	2004	2005	2004	2005	2004
Total revenue	5,536	4,814	52	10	5,588	4,824
Total assets	21,380	19,662	4,393	4,368	25,773	24,030
Total liabilities	2,576	2,192	130	90	2,706	2,282

25. Comparative figures

Certain comparative figures have been reclassified to conform with the presentation of the consolidated financial statements for the year ended 31 December 2005.