

GRAND REAL ESTATE PROJECTS CO. – K.S.C. (CLOSED)
FORMERLY INVESTORS DAR REALTY CO. – K.S.C. (CLOSED)
KUWAIT
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2004
WITH
AUDITOR'S REPORT

PKF - BOURES LI & Co.
CERTIFIED ACCOUNTANT
MEMBER OF PKF INTERNATIONAL

GRAND REAL ESTATE PROJECTS CO. – K.S.C. (CLOSED)
FORMERLY INVESTORS DAR REALTY CO. – K.S.C. (CLOSED)
KUWAIT

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2004
WITH
AUDITOR'S REPORT

CONTENTS

Auditor's report

Balance sheet

Statement of income

Statement of changes in shareholders' equity

Statement of cash flows

Notes to the financial statements

EXHIBIT

A

B

C

D

Pages

1- 13

**AUDITOR'S REPORT TO THE SHAREHOLDERS OF
INVESTORS DAR REALTY CO. – K.S.C. (CLOSED)
KUWAIT**

We have audited the accompanying balance sheet of Grand Real Estate Projects Co. K.S.C. (Closed) Formerly Investors Dar Realty Co. K.S.C. (Closed) as of December 31, 2004 and related statements of income, changes in shareholders' equity and cash flows for the year then ended. These 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

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 as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Grand Real Estate Projects Co. K.S.C. (Closed) Formerly Investors Dar Realty Co. K.S.C. (Closed) as of December 31, 2004 and the results of its operations, changes in shareholders' equity and its cash flows for the year then ended in conformity with International Financial Reporting Standards.

Also, in our opinion, the financial statements are in agreement with accounting records, and include disclosures required by the Commercial Companies Law and the Company's Memorandum of Association. In addition, proper books of account have been kept, the accounting information given in the directors' report is in agreement with the books of account and according to the information available to us, there were no contraventions during the year of either the Commercial Companies law or the Company's Articles of Association, which might have materially affected the Company's financial position, or results of its operations.

**TARIQ MAJED BOURES LI
LICENSE NO. 75 - A
PKF - BOURES LI & CO
MEMBER OF PKF - INTERNATIONAL**

KUWAIT

Date: 6 April 2005

GRAND REAL ESTATE PROJECTS CO. – K.S.C. (CLOSED)
FORMERLY INVESTORS DAR REALTY CO. – K.S.C. (CLOSED)
KUWAIT

BALANCE SHEET
31 DECEMBER 2004

		EXHIBIT (A)	
	Note	2004 KD	2003 KD
<u>ASSETS</u>			
Bank balances and cash		330,877	53,180
Investments held for trading	4	934,921	609,302
Managed portfolios	5	3,015,623	4,197,035
Other debit balances		75,644	241,650
Accrued income		374,197	3,970
Due from related parties	6	747,187	3,793,200
Investments available for sale	7	15,006,187	7,223,601
Investments in unconsolidated subsidiaries	8	307,524	440,539
Joint venture	9	650,000	650,000
Fixed assets	10	403	1,231
Projects under progress		54,711	—
Intangible assets	11	106,884	106,884
Total Assets		21,604,158	17,320,592
LIABILITIES & SHAREHOLDERS' EQUITY			
LIABILITIES			
Due to related party	12	1,767,259	37,987
Account pay able and other liabilities	13	127,242	122,281
		1,894,501	160,268
Shareholders' equity			
Share Capital	14	15,000,000	15,000,000
Share premium		450,000	450,000
Statutory reserve	15	448,938	189,268
Voluntary reserve	16	448,938	189,268
Retained earnings		3,388,031	1,358,038
		19,735,907	17,186,574
Treasury shares	17	(26,250)	(26,250)
Total Shareholders Equity – Exhibit (C)		19,709,657	17,160,324
Total liabilities and shareholders' equity		21,604,158	17,320,592

Sami Al-Bader Al-Jenaie
Chairman

Jamal Fahad Al-Nafisi
Vice Chairman

The accompanying notes 1 to 26 from an integral part of the financial statements

GRAND REAL ESTATE PROJECTS CO. – K.S.C. (CLOSED)
FORMERLY INVESTORS DAR REALTY CO. – K.S.C. (CLOSED)
KUWAIT

STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2004

EXHIBIT (B)

	Note	2004 KD	2003 KD
Revenue :			
Net investment income	18	2,227,428	168,549
Income from managed portfolios		374,197	122,394
Net share profit in subsidiaries		57,408	—
Profit on sale investments in subsidiaries		73,072	—
Provision no longer required		—	218,579
Other income		40,971	26,395
		<u>2,773,076</u>	<u>535,917</u>
Expenses :			
General and administrative expenses	19	175,470	157,942
Changes in fair value of investments held for trading		—	11,165
Depreciation		903	2,239
		<u>176,373</u>	<u>171,346</u>
Profit for the year		2,596,703	364,571
Contribution to Kuwait foundation for the advancement of Sciences (KFAS)		(23,370)	(3,281)
Boards of Directors' remuneration	20	(24,000)	—
Net profit for the year – Exhibit (C)		<u>2,549,333</u>	<u>361,290</u>
		<u>Fils</u>	<u>Fils</u>
Earnings Per share	21	<u>17.02</u>	<u>2.41</u>

The accompanying notes 1 to 26 from an integral part of the financial statements

GRAND REAL ESTATE PROJECTS CO. – K.S.C. (CLOSED)
FORMERLY INVESTORS DAR REALTY CO. – K.S.C. (CLOSED)
KUWAIT

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2004

	EXHIBIT (C)							
	Share capital	Share Premium	Statutory reserve	Voluntar y reserve	Retained earnings	Sub Total	Treasury Shares	Total
	KD	KD	KD	KD	KD	KD	KD	KD
At January 1, 2003	15,000,000	450,000	152,811	152,811	1,069,662	16,825,284	—	16,825,284
Movement during the year :								
Net profit for the year - Exhibit (B)	—	—	—	—	361,290	361,290	—	361,290
Purchase of treasury shares	—	—	—	—	—	—	(26,250)	(26,250)
Transfer to reserves	—	—	36,457	36,457	(72,914)	—	—	—
Balance at December 31, 2003- Exhibit (A)	<u>15,000,000</u>	<u>450,000</u>	<u>189,268</u>	<u>189,268</u>	<u>1,358,038</u>	<u>17,186,574</u>	<u>(26,250)</u>	<u>17,160,324</u>
At January 1, 2004	15,000,000	450,000	189,268	189,268	1,358,038	17,186,574	(26,250)	17,160,324
Movement during the year :								
Net profit for the year - Exhibit (B)	—	—	—	—	2,549,333	2,549,333	—	2,549,333
Transfer to reserves	—	—	259,670	259,670	(519,340)	—	—	—
Balance at December 31, 2004 - Exhibit (A)	<u>15,000,000</u>	<u>450,000</u>	<u>448,938</u>	<u>448,938</u>	<u>3,388,031</u>	<u>19,735,907</u>	<u>(26,250)</u>	<u>19,709,657</u>

The accompanying notes 1 to 26 from an integral part of the financial statements

GRAND REAL ESTATE PROJECTS CO. – K.S.C. (CLOSED)
FORMERLY INVESTORS DAR REALTY CO. – K.S.C. (CLOSED)
KUWAIT

STATEMENT CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2004

	Exhibit (D)	
	2004	2003
	KD	KD
Cash flows from operating activities :		
Net profit for the year	2,596,703	364,571
Adjustments for :		
Depreciation	903	2,239
Changes in fair value of investments held for trading	(410,534)	11,165
Changes in fair value of investments available for sale	(1,661,818)	—
Income from managed portfolios	(374,197)	(122,394)
Profit on sale investments held for trading	(37,995)	(158,459)
Profit on sale investments available for sale	(3,163)	—
Cash dividends	(113,918)	(10,090)
Provision no longer required	—	(218,579)
Net share profit in subsidiaries	(57,408)	—
Profit on sale investments in subsidiaries	(73,072)	—
Foreign currency exchange difference	(39,286)	14,628
Provision for employees' terminal benefits	1,744	1,181
Operating loss before changes in operating assets and liabilities	(172,041)	(115,738)
Accrued income from related party	(64,447)	60,929
Due to related party	1,729,271	—
Accounts payable and other liabilities	(44,152)	47,814
Other debit balances and accrued income	(208,190)	(199,494)
Net Cash flows from (used in) operating activities	1,240,441	(206,489)
Cash flows from investing activities:		
Purchase of fixed assets	(75)	(290)
Work under progress	(54,711)	—
Investments held for trading	84,914	140,413
Investments available for sale	(2,967,052)	—
Managed portfolios	1,181,412	(183,323)
Cash dividends received	113,918	10,090
Profit from sale investments held for trading	37,995	158,459
Profit from sale investments available for sale	3,163	—
Income from managed portfolios	374,197	122,394
Proceeds from sale subsidiaries	73,072	—
Investment in subsidiaries	190,423	—
Treasury shares	—	(26,250)
Net Cash flows (used in) from investing activities	(962,744)	221,493
Increase in bank balances and cash	277,697	15,004
Banks balances and cash at the beginning of the year	53,180	38,176
Bank balances and cash at the end of the year	330,877	53,180

The accompanying notes 1 to 26 from an integral part of the financial statements

GRAND REAL ESTATE PROJECTS CO. – K.S.C. (CLOSED)
FORMERLY INVESTORS DAR REALTY CO. – K.S.C. (CLOSED)
KUWAIT

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2004

1. INCORPORATION AND ACTIVITIES:

- Nour Al-Sharq Real Estate Co. K.S.C (Closed) was incorporated on 20 June 1989 as per article of association No.29 volume 216
- At extraordinary general assembly meeting held on 30 November 1998, it was approved to amend article (2) of the articles of association and article (1) of the memorandum of association to change the name of the company to “Gulf Credit Company K.S.C (Closed)” instead of “Nour Al-Sharq Real Estate Co. K.S.C (Closed)”
- At extraordinary general assembly meeting held on 12 January 2003, it was approved on 16 February 2003 to amend article (2) of the articles of association and article (1) of the memorandum of association to change the name of the company to “Investor Dar Realty Co. K.S.C (Closed)” instead of “Gulf Credit Company K.S.C (Closed)” and also amend the article No. (5) of the articles of association and article (4) of the company to change the objectives of the company to a real estate company. At extraordinary general assembly meeting held on 2 November 2003, it was approved on 10 November 2003 to amend article (2) of the articles of association and article (1) of the memorandum of association to change the name of the company to “Investors Dar Realty Co. K.S.C (Closed)” instead of “Investor Dar Realty Co. K.S.C (Closed)”.
- According to extraordinary general assembly meeting held on 31 January 2005, it was approved on 2 February 2005 to amend article (2) of the articles of association and article (1) of the memorandum of association to change the name of the company to “Grand Real Estate Projects Co. K.S.C (Closed)” instead of “Investors Dar Realty Co. K.S.C (Closed)”.
- The Company’s main objective is to conduct activities according to Islamic Sharia’a including:
 - a. Acquisition, buying and selling of real estate and lands and improving it and importing the necessary material. All that to sell or lease real estate and lands as well as managing other properties in a way not contradicting with the law.
 - b. Investing surplus fund in investment and real estate portfolios managed by the company or specialized institutions.
 - c. Providing real estate studies and researches and technical services engaged with real estate investment.
 - d. Performing real estate brokerage and consultancy operations.

- e. Performing real estate investment operations leads to development and appreciation of lands, residential and commercial complexes, to manage and sell it in cash or installments or leasing it.
- f. Acquisition and managing hotels, health clubs, tourist utilities, for the purpose of leasing and renting.
- g. Performing maintenance works related to the buildings and real estate owned by the company or by others, including all maintenance works and executes the civil, mechanical, electrical, elevators and air conditioning works to maintain buildings and its safety.
- h. Managing, operating, investment, renting and leasing hotels, clubs, motels, guest houses, parks, rest houses, exhibitions, residential complexes, gardens, entertainment and health resorts, recreational and sports projects in different classes and levels including all utilities and all its services.
- i. Conducting real estate auctions.
- j. Establishing and managing real estate funds according to the laws and approval from related authorities.

The company can conduct the above objectives inside and outside Kuwait, by representing itself or by an agent.

The company may have an interest in, or may participate in, any form with the bodies that have similar activities or that will aid the company to achieve its objectives inside and outside Kuwait. Also it may establish or participate or acquire these bodies or join them.

- The registered address of the company is P.O. Box 2734 - Safat – 13028 Kuwait.
- At December 31, 2004 the company had 5 employees. (31 December 2003 - 4 employees).
- The financial statements for the year ended 31 December 2004 were authorized for issue by the Board of Directors on 6 April 2005. The Shareholders' General Assembly has the power to amend these financial statements after issuance

2. SIGNIFICANT ACCOUNTING POLICIES:

The financial statements have been prepared in accordance with International Financial Reporting Standards (International Accounting Standards and Interpretations issued by the International Financial Reporting Interpretation Committee), and local laws requirements. Significant accounting policies applied are as follows:

a) Accounting convention:

- The financial statements are presented in Kuwaiti Dinars.
- The financial statements are prepared under the historical cost convention adjusted through revaluation of some assets and financial requirements as explained in detail in the following accounting policies.

b) Investments:

- Investments that are acquired principally for the purpose of generating profits from short-term fluctuations in price are classified as trading investments. Investments with fixed maturity that the management has the intent and ability to hold to maturity are classified as held-to-maturity. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in profit rates, are classified as available-for-sale unless management has the express intention of holding the investment not for less than 12 months from the balance sheet date, unless they will need to be sold to raise operating capital, they are included in current assets.
- The management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis. All purchases and sales of investments are recognized on the trade date, which is the date that the company commits to purchase or sell the asset. Cost of purchase includes transaction costs. Therefore, trading investments and available-for-sale investments are subsequently carried at fair value.
- Investments held for trading in a recognized financial market, fair value is the quoted market price and is usually the current bid price at the date of the balance sheet.
- For investments where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value or another instrument that is substantially the same or is based on discounted cash flows. Investments, whose fair value cannot be reliably determined, are carried at cost less impairment losses if any.
- Realized and unrealized gains and losses arising from changes in the fair value of trading and available-for-sale investments are included in the income statement in the year in which they arise.

c) Investment in unconsolidated subsidiaries:

- The unconsolidated subsidiaries are the companies in which the Company owns more than 50% of shareholders equity and fully controlled by the Company. The net assets, revenues and expenses of the subsidiary; are not significant in relation to the balance sheet and income statement of the Company, accordingly the consolidate financial statements have not been prepared.
- Investments in unconsolidated subsidiaries are stated by equity method, while in previous year had been stated at cost less impairment loss.

d) Joint Venture:

- The equity in the joint venture (Musharaka) is reported in accordance with IAS 31 and accounted on the basis of jointly controlled assets. The equity method is a method of accounting whereby the completed projects are initially recorded at cost and adjusted thereafter for the post acquisition change in the venture's share of net assets of the jointly controlled entity.
- In respect of its share in jointly controlled assets, a venturer recognizes it in its financial records and separate financial statements and consequently in its consolidated financial statements. Any liabilities which it has incurred and its share of any liabilities incurred jointly with the other ventures in relation to the joint venture. Any income from the sale incurred by the joint venture and any expenses which it has incurred in respect of its share in the joint venture and its share of income.

e) Accrued income and other receivables:

Debit balance are stated in the balance sheet at net value after specific and general provisions on the basis of a continuous appraisal of the debit balances, based on the company's past experience, current economic conditions, and other related elements.

f) Fixed assets:

Fixed assets are stated at historical cost. The company depreciates its fixed assets at annual rate estimated to fully depreciate the cost of the assets over their expected useful lives. The future and expected cash flow is not deducted to its current value when specifying the recovery value of the fixed assets items.

g) Provisions:

A provision is recognized when the company has a present legal obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation

h) Goodwill:

Goodwill arising on an acquisition represents the excess of the cost of acquisition over the fair value of the identifiable assets acquired as at the date of the exchange transaction. If there is an indication that goodwill may be impaired, the recoverable amount is determined for the cash-generating unit to which the goodwill belongs. If the carrying amount is more than the recoverable amount, an impairment loss is recognized.

i) Treasury Shares:

- Treasury shares consist of the company's own shares that have been, subsequently reacquired by the company and not yet resold or redeemed. The purchases of treasury shares are stated at cost as a separate caption included in the shareholders' equity as "treasury shares". When the treasury shares are sold, profits are credited to a separate account in shareholders' equity (gain on sale of treasury shares) which is not distributable. Any realized losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings and then to reserves. Gain realized subsequently on the sale of treasury share are first used to offset any previously recorded losses in the order of reserves, retained earnings and the gain on sale of treasury shares account.
- No cash dividends are paid on treasury shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

j) Contingencies:

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

k) Income Recognition:

- Income from Murabaha and Mudaraba is recognized as it is earned, on a time apportionment basis.
- Other categories of income are recognized when earned, at the time the related services are rendered and/or on the basis of the terms of the contractual agreement of each activity.

l) Staff indemnity:

The Company is liable to make payments to employees at termination of their service contracts through a defined benefit plan under Kuwait Labor Law and the Company's by-laws. This liability is unfunded and has been computed as the amount payable as a result of involuntary termination of all employees on the balance sheet date. The Company estimates that this method will give a reliable approximation of the value of this obligation in relation to employees' accumulated current and past periods of employment.

m) Foreign currencies:

Transactions in foreign currencies are recorded in Kuwaiti Dinars at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted into Kuwaiti Dinars at the rate of exchange prevailing at the balance sheet date. The realized and unrealized gains and losses that resulted from foreign currency transactions are converted based on the exchange rates of transaction date. The resultant gains and losses are taken to the statement of income.

3. Financial instruments:

- In the normal course of business, the company use primary financial instrument such as cash on hand and at banks, receivables, payables. The company does not make use of derivative financial instruments such as futures and options.
- The estimated fair value of the company financial assets and liabilities are approximate equal to its fair value.
- Estimate Fair Value:

1. Cash on hand and at banks

The fair value of cash on hand and at banks does not differ from the respective book value.

2. Receivables:

The company's intention is to hold receivables to maturity. The estimate fair values of the company's receivables are not significantly different from the respective book values.

3. Payables:

The estimated fair value is not significantly different from the respective book value due to the short maturity of payables. Timing of repayments of amount payable varies depending on when the amounts are claimed and repaid.

- Interest rate risk:

According to Islamic Sharia'a, debit or credit interest is not accounted for any transaction carried by the company.

- Currency Risk:

The company is not significantly exposed to currency risk as the major portion of its financial instruments are denominated in Kuwaiti Dinars, other GCC currencies or US dollars.

4. Investments held for trading:

	2004	2003
	KD	KD
Investment in quoted securities	687,634	769,469
Change in fair value	247,287	(160,167)
	934,921	609,302

5. Managed Portfolios:

An amount of KD 3,015,623 (KD 4,197,035 – 31 December 2003) represents Murabaha and Mudaraba portfolios managed by others amounted KD 2,935,456 in addition to un-invested cash amounted KD 80,167.

6. Due from related parties:

	2004 KD	2003 KD
Tuhama International Group Realty K.S.C.C.	—	3,793,200
Gulf Monetary Group B.S.C. (EC)	692,700	—
Arabian Family Leisure Co. W.L.L.	54,487	—
	<u>747,187</u>	<u>3,793,200</u>

The balance due from Tijara and Real Estate Investment Co. K.S.C.C. (Formerly Tuhama International Group Realty K.S.C.C.) have been settled and paid by a main shareholder of the company on 5 December 2004.

7. Investments available for sale:

	2004 KD	2003 KD
Direct quoted investments	6,009,738	3,712,143
Change in fair value	631,480	—
	<u>6,641,218</u>	<u>3,712,143</u>
Direct unquoted investments	7,339,616	3,511,458
Change in fair value	1,025,353	—
	<u>8,364,969</u>	<u>3,511,458</u>
	<u>15,006,187</u>	<u>7,223,601</u>

8. Investment in unconsolidated subsidiary companies:

Name of company	Percentage of ownership	Country of incorporation	Value of investment at 31 December 2004	Percentage to the total assets	Main activities
Arabian Family Leisure Co. W.L.L.	%95	Kuwait	7,736	%0.036	Hotel reservation
IDG International Property Group W.L.L.	%100	Kuwait	299,788	%1.39	Property Management
			<u>307,524</u>		

- The above investments are not significant in relation to the balance sheet. During the current year the management has decided to use the equity method instead of cost less decline in value, applied last year. Income amounted KD 106,672 resulted from change in policy is included in the statement of income as at 31 December 2004.

9. Joint venture:

	Ownership %	2004 KD	2003 KD
Project for purchasing land	65	650,00	650,000

The Company entered into joint venture contract during year 2000, whereby, the expenses are stated at cost during execution phase until the completion of the project and the re-commencement of the company's operations, where it will be accounted later according to equity method. No activities were started up to 31 December 2004, as the joint venture still under legal conflict since year 2000, on 15 March 2004 the High Court of Appeal have confirmed the First Degree Court decision on 20 April 2003 for terminating the contract, currently, this decision is under execution. The management decided that there is no need to provide for such amount as the court decision will be executed during the coming period.

10. Fixed assets:

	Furniture & Fixtures KD	Office Equipment KD	Total KD
Cost:			
Balance as of December 31, 2003	4,520	12,594	17,114
Additions	—	75	75
Disposals	(4,120)	(1,162)	(5,282)
Balance as of December 31, 2004	400	11,507	11,907
Accumulated Depreciation:			
Balance as of December 31, 2003	4,161	11,722	15,883
Charge for the year	358	545	903
Adjusted	(4,120)	(1,162)	(5,282)
Balance as of December 31, 2004	399	11,105	11,504
Net Book Value:			
December 31, 2004	1	402	403
December 31, 2003	359	872	1,231
Estimated useful life/Year	5	3 - 5	

11. Intangible assets:

It represents the Goodwill arising on an acquisition of a subsidiary, as follows:

	2004 KD	2003 KD
Cost	106,884	106,884

12. Due to related party:

It represents the amount of KD 1,767,259 due to International Investment Group Co. K.S.C.C. (current account) as at December 31, 2004 (KD 37,987 – December 31, 2003).

13. Accounts payable and other liabilities:

	2004	2003
	KD	KD
Kuwait foundation for the advancement of Science	53,370	51,369
Accrued expenses	41,197	29,704
Other payables	4,890	39,166
Provision for employees' terminal benefits	3,785	2,042
Directors remuneration	24,000	—
	<u>127,242</u>	<u>122,281</u>

14. Share Capital:

The authorized, issued and fully paid up share capital amounted KD 15,000,000 distributed to 150,000,000 shares with a face value of 100 fils each (December 31, 2003 - KD 15,000,000 distributed to 150,000,000 shares with a face value of 100 fils each).

15. Statutory reserve:

In accordance with the requirement of the commercial companies' law and the company's articles of association, 10% of the net profit for the year has been transferred to the statutory reserve. The company may resolve to discontinue such transfers when the reserve equals 50% of the share capital. The distribution of this statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of paid up share capital to be made in year when earnings profit are not sufficient for the payments of a dividend of that amount.

16. Voluntary reserves:

In Accordance with the company's articles of association, 10% of the net profit for the year is transferred to the voluntary reserve. Such annual transfer may be discontinued by resolution at the General Assembly based on directors' recommendation.

17. Treasury shares:

The company owned these shares based on the authorization granted to the Board of Directors by the General Assembly and the concerned parties' approval in accordance with Article No. 115 of the companies commercial law No. 15 of 1960 and the Ministerial Decrees No. 10 for 1987 and No. 11 for 1988. Part of the reserves equivalent to the cost of these shares is blocked and not subject to appropriation as long as the company owns these shares.

	2004	2003
Number of shares owned – Shares	210,000	210,000
Equity percentage	0.14%	0.14%
Market value – KD	—	—
Cost – KD	26,250	26,250

18. Net profit from investments:

	2004	2003
	KD	KD
Gain on sale of investments held for trading	37,995	158,459
Cash dividend	113,918	10,090
Change in fair value of investments held for trading	410,534	—
Change in fair value of investments available for sale	1,661,818	—
Gain on sale of investments available for sale	3,163	—
	2,227,428	168,549

19. General and administrative expenses:

	2004	2003
	KD	KD
Staff cost	80,510	99,953
Miscellaneous	94,960	57,989
	175,470	157,942

20. Directors' remuneration:

The board of directors has proposed remuneration of KD 24,000 for the year ended December 31, 2004. This remuneration is subject to approval of the General Assembly.

21. Earnings per share:

There are no potential dilutive ordinary shares. Earning per share is computed by dividing net profit for the year by the weighted average number of shares outstanding during the year as follows:

	2004	2003
	KD	KD
Net profit for the year	<u>2,549,333</u>	<u>361,290</u>
Issued and paid-up shares	150,000,000	150,000,000
Less : Weighted average number of purchases treasury shares	<u>(210,000)</u>	(210,000)
Weighted average number of treasury shares	<u>149,790,000</u>	<u>149,790,000</u>
Earnings per share (Fils)	<u>17.02</u>	<u>2.41</u>

22. Related parties transactions:

These represent transactions with certain shareholders of the company, entities related to the company, principally through investment in these companies. The terms of transactions with related parties are negotiated and approved by management.

Balances with related parties included in the balance sheet are as follows:

	2004	2003
	KD	KD
Managed portfolios (Note – 5)	<u>278,023</u>	<u>2,547,035</u>
Due from related parties (Note – 6)	<u>747,187</u>	<u>3,793,200</u>
Joint ventures with related party (Note – 9)	<u>650,000</u>	<u>650,000</u>
Accrued Income	<u>374,197</u>	<u>3,970</u>
Intangible assets (Note – 11)	<u>106,884</u>	<u>106,884</u>
Due to related party (Note – 12)	<u>1,767,259</u>	<u>37,987</u>

Transactions revenue with related parties included in the statement of income are as follows:

Income from Managed portfolios	3,860	122,394
Net company's shares profit in subsidiaries	57,408	—
Profit on sale of investments in subsidiaries	<u>73,072</u>	<u>—</u>
Total profit of related parties transactions	<u>134,340</u>	<u>122,394</u>

23. Segmental analysis:

The company's activities are in two primary business segments: real estate investments and direct investments. The company operates in two geographical regions G.C.C. and International (rest of the world).

	Direct Investments		Real Estate Investments		Unallocated		Total	
	31	31	31	31	31	31	31	31
	December	December	December	December	December	December	December	December
	2004	2003	2004	2003	2004	2003	2004	2003
	KD	KD	KD	KD	KD	KD	KD	KD
Primary segments :								
Operating revenues	2,732,105	290,943	—	—	40,971	244,975	2,773,076	535,918
Operating expenses	(176,373)	(171,346)	—	—	—	—	(176,373)	(171,346)
Other expenses	—	—	—	—	(47,370)	(3,281)	(47,370)	(3,281)
Net profit for the year	2,555,732	119,597	—	—	(6,399)	241,694	2,549,333	361,291
Assets	17,674,945	13,103,449	3,496,790	3,811,459	432,423	405,684	21,604,158	17,320,592
Liabilities	1,887,569	119,060	—	—	6,932	41,208	1,894,501	160,268
	G.C.C.		International		Total			
	31	31	31	31	31	31		
	December	December	December	December	December	December		
	2004	2003	2004	2003	2004	2003		
	KD	KD	KD	KD	KD	KD		
Geographic segments :								
Operating revenues	2,700,004	535,917	73,072	—	2,773,076	535,917		
Operating expenses	(176,373)	(171,346)	—	—	(176,373)	(171,346)		
Other expenses unallocated	(47,370)	(3,281)	—	—	(47,370)	(3,281)		
Net profit for the year	2,476,261	361,290	73,072	—	2,549,333	361,290		
Assets	21,604,158	17,073,169	—	247,423	21,604,158	17,320,592		
Liabilities	1,894,501	160,268	—	—	1,894,501	160,268		

24. Proposed dividends:

The board of directors have proposed stock dividends shares for the shareholders recorded on the date of the general assembly meeting of 10% (i.e. 10 shares for every 100 shares) amounted KD 1,500,000. The financial statements have not been amended to show the proposed stock dividends. This proposal is subject to the approval of the shareholders' General Assembly.

25. Zakat:

According to state of Kuwait's laws, the companies operating in Kuwait are not subject to zakat on its annual profits. The shareholders are subject to pay zakat, where the company is not authorized to pay zakat on behalf of the shareholders.

26. Comparative figures:

Certain comparative figures for the previous year have been reclassified to conform with the current year presentation.