شركة الساحل للتنمية والاستثمار ش.م.ك (مقفلة)

Coast Investment & Development Company KSC (Closed)

ANNUAL REPORT

2005

شركة الساحل للتنمية والاستثمار ش.م.ك (مقفلة)

Coast Investment & Development Company KSC (Closed)

Coast Investment & Development Co. KSC (Closed)
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"It is a must to start building the modern state, taking into account the new development in technology and the latest methodologies in various aspects of life ''.

SHEIKH JABER AL-AHMAD AL-JABER AL-SABAH

His HighnessThe Amir
Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah

His Highness The Prime Minister
Sheikh Nasser Al-Mohamad Al-Ahmad Al-Sabah

His Highness The Crown Prince
Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah

Contents

Board Of Directors

Sulaiman Khaled Al Sahli

Chairman & Managing Director

Nasser Saad Al-Munee

Vice Chairman

Abdullateef Abdulla Al-Mehri

Board Member

Abdulhadi Ahmed Al-Dosiri

Board Member

Bassem Sulaiman Al-Otaibi

Board Member

Hamad Ahmad Al-Amiri

Board Member

Anwar Jassim Al Khara

Board Member

General Management

Khalid Al-Usaimi

General Manager

Mohammad Al-Qaoud

Asst. General Manager/ Finance & Administration

Muneer Al- Sharhan

Asst. General Manager/ Local Investment Sector

Chairman's Statement

Valued shareholders,

Peace be upon you

It is my pleasure as well as that of the Board members to present to you the Company's annual report for the financial year ending as of 31st December 2005.

Due to the rise of oil prices, the year 2005 was distinguished with a remarkable economic growth due to the fact that the average price of the Kuwaiti crude oil amounted to $ 37.2 per barrel during that year at an increase rate of 44% compared to that of 2004. This has significantly contributed to the State's budget surplus projected to amount to KD 6 billion by the end of 2005 – 2006. Moreover, the oil derivatives exports realized a significant share of the boom which bolstered the trade surplus that amounted to 35% of the domestic product.

Furthermore, the increasing growth of revenues, added to the government's trend towards allowing the private sector its share in development, led to a regained trust by companies and individuals in the economy and investment. This has conspicuously contributed to the constant growth of the real estate sector and turning to real estate mega projects, which is proven through the rise of bank loans to finance commercial and investment real estate activities at rates exceeding 25% compared to the last year.

A rise of interest rates throughout this year has occurred to hinder the cash supply in its comprehensive sense (M2) recording a rise of 12%, with a domestic liquidity amounting to KD 13 billion, together with the fact that the Central Bank of Kuwait has declared a higher ceiling on lending, which initially contributed to decrease credit rates. However, the said credit rates increased during 2005 (by 20%) compared to last year(17%). These events were accompanied by a rise of 12% on private sector deposits.

Valued shareholders,

The massive development witnessed by the State of Kuwait during 2005 is inseparable from the boom witnessed by the GCC economies. The extreme rise of crude oil prices led to huge budget surpluses in these countries. Probably, what distinguishes this leap from those previously occurring, particularly of the early 1970s, can be attributed to the GCC orientation towards investing more surpluses in their economies, in addition to the enhanced contribution of their private sectors in growth and investment.

The K.S.E Index increased by 79% and the market value reached K.D. 40 billion with an increase of 86% compared to the past year. Daily trading value reached K.D. 114 million with an increase of 85% than the past year. 33 new companies were listed. In addition, a large number of companies were incorporated, which solicited huge capitals that, if properly invested, will reinforce the economy in general and the companies' profits in particular for the years to come. Yet, this considerable increase resulted in a severe liquidity shortage in the market. Moreover, the large development witnessed during 2005 will need some time to be engrossed. This is to say that next year will involve rises less than those of 2005.

Valued Shareholders,

It is acknowledged that Kuwait and GCC countries are experiencing a different, unique juncture, a fact stressing the importance of the region in relation to the world economies, which will in turn reinforce the solidity of the GCC countries' economy for years to come. Hence the serious pursuit of Coast Investment & Development Co. (CIDCO) to take advantage of this growth without overlooking possible volatilities in the region due to the unsettled political environment which entails the importance of distributing investments in the economies of the developed countries.

In 2005, CIDCO earned a net profit of K.D. 30522 thousand against K.D. 4202 thousand in 2004. The 2005 revenues were K.D 36466 thousand against K.D 8473 thousand in the past year.

Therefore, the Board of Directors decided to distribute 15% cash profits (15 fils per each share) and 20% bonus shares (20 shares per every 100 shares) with the remaining profits to be added to the shareholders' equity.

CIDCO is confidently progressing in 2006 due to the improved financial position and the effective performance of company's management and staff. CIDCO is always keen on encouraging all staff members and developing their professional skills and experiences following well-established, carefully selected programs.

Last but not least, we pray for Allah the Al-Mighty to have mercy upon the soul of H.H. Sheikh Jaber Al-Ahmed Al-Sabah, and rest him in peace with the rightly–guided, righteous people, and guide H.H. Sheikh Sabah Al-Ahmed Al-Jaber Al-Sabah and his Crown Prince and Prime Minister to the right way for the interest of our beloved Kuwait.

And peace be upon you

Sulaiman Khaled Al- Sahli
Chairman & Managing Director

Local Investment Sector Activities

Kuwait Stock Exchange

The Market Price Index closed at 11,445 points at the end of 2005 transactions, with an increase of 78.6% compared to 2004. Similarly, the Weighted Index closed at 562 with an increase of 67.4% for the same period. The year 2005 was a distinctive, eventful year with new record figures and rates recorded as follows:

- Total traded shares were KD28.4 billion in 2005, representing a new record and a 74% increase in comparison with 2003 record year which amounted to KD 16.3 billion.
- The highest value for traded shares in one day was on 13/11/2005, amounting to KD249.4 million.
- The average daily traded shares value was KD114 million during 2005, which is a record average.
- Trading of shares culminated in November 2005, with a daily record average rate of around KD170 million.
- 33 new companies were listed during 2005; being the highest number to be listed in one year.

Noteworthy, the distinction of 2005 and the track record achieved therein stems from a combination of factors and conditions that led to the creation of prosperous and fertile investment environment viable for growth for years to come. Key factors constitute the following:

1) High increase in oil prices in excess of the State's budget base price of US$21 per barrel. In 2004, the average crude oil price was US$30 per barrel, while it is currently sold at US$50 Such a surplus will increasingly culminate to record high levels.

2) Due to the potential high oil revenues, the expected pattern of government expenditure will increase for mega projects and is forecasted to be KD50 billion for the next five years. Among such projects we note the following:

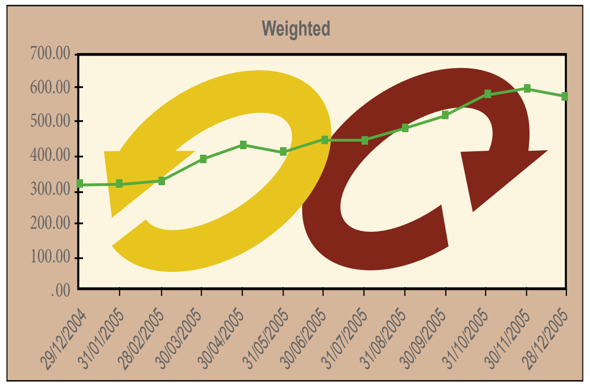
   - Approved Kuwait Petroleum Corporation projects amounting to KD 10 billion in the areas relevant to production, exploration and refining.
   - Failaka Island Development Project
   - Subbeya Bridge Construction Project
   - Bubyan International Port Project
   - Uraifjan Housing Project
   - Expansion of Kuwait Airport

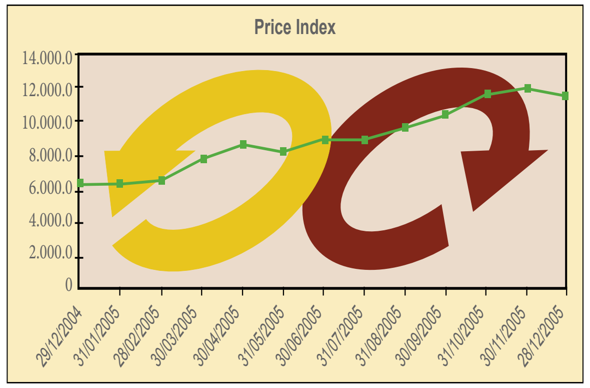
3) The conservative policy of the Central Bank of Kuwait regarding the discount rate whose margin is equivalent to an increase of 2-2.5% above the American Federal Reserve interest rates, in order to control asset inflation on the stock exchange and real estate market. This is added to the efficient management and the timely raising of interest rates, which brought about a balanced and stable level of liquidity.

4) The availability of cash liquidity and lack of investment opportunities on offer.

5) Entry of new funds from the Gulf Region and the reciprocal listing in such markets.

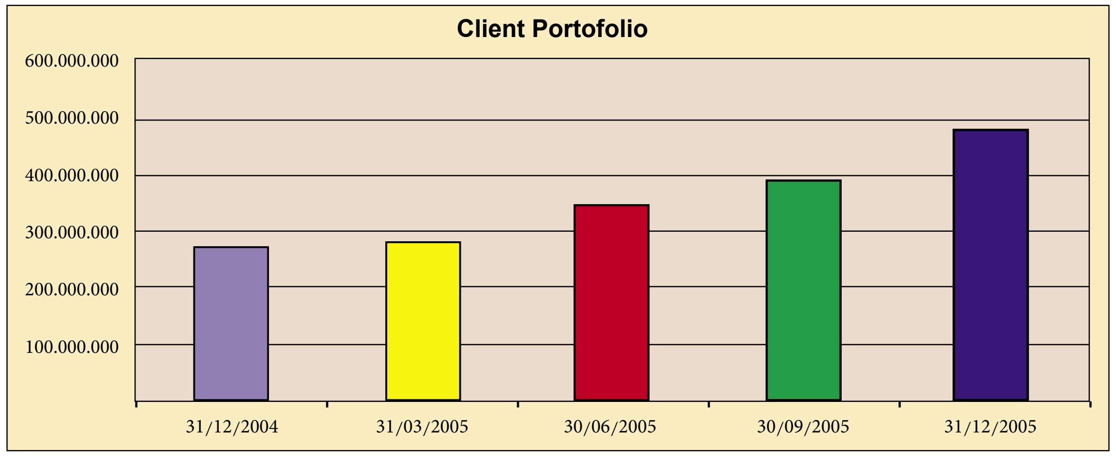
Local Investment Sector's Activities





Local Investment Sector

The team that joined the company in 2004, could reap the results of their strategies and business plans aimed to develop and diversify the services rendered to clients by all the departments within this sector. The Company managed to open new investment channels and cooperation vistas with companies and banks with the aim of maximizing its work volume and expanding its client database. This was reflected on the volume of portfolios managed by the Company which increased by 75.5% i.e. amounting to an increase of KD206 millions and this boosted the volume of portfolios managed by the Company on behalf of its clients to KD479 million.



As for the managed amounts including the Company's investments, they have increased by 82% amounting to KD302 millions thus rising the volume of funds managed by the Company on behalf of its clients to KD670 million.

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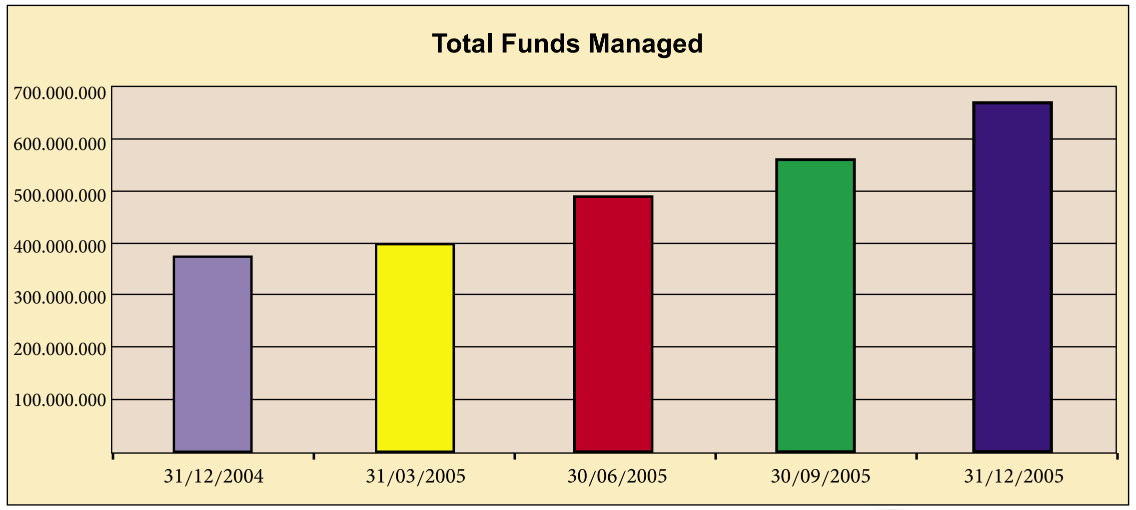
Local Investment Sector's Activities- Continued

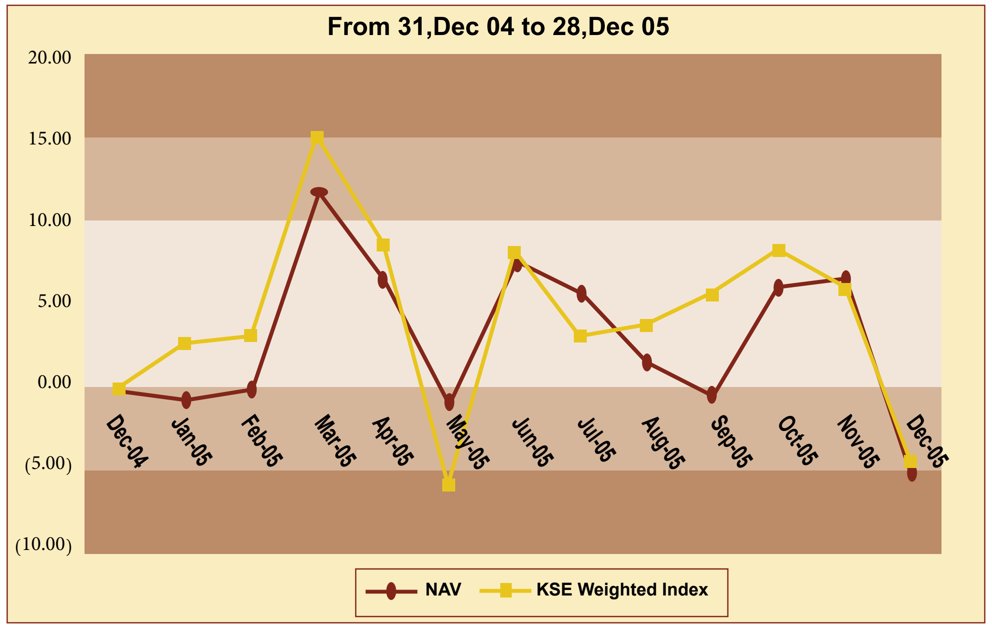


Moreover, through cooperation with specialized companies, Coast managed to develop and install a new advanced & automated computer system to maintain and process data, and to issue reports to clients according to highly efficient and accurate technological specifications. The project took around one year, including staff training.

Coast Investment Fund

Coast Investment Fund has achieved resounding success due to the efforts exerted by the Top Management and Local Investment Sector, and could realize figures and performance unprecedented since its establishment. The managed amounts under this fund have risen by 57% i.e. KD 30 million bringing the total volume of funds to KD84 million, with a performance rate of 56.34%.

It is worth noting that the fund's net profit for 2005 amounted to KD30 million compared to the net profit for 2004 which amounted to 600 thousands only.



Foreign Investment Sector Activities

The primary mission of Investment Sector is to build a comprehensive and well diversified portfolio of Private Equity, Real Estate, Direct Investments, Equity and equity related products over the long term in order to sustain above average long term return for the company with a moderate level of risk.

General Strategies of The Sector

- Participate directly in the following categories :
  - Private equity funds.
  - Real estate portfolios.
  - Co-investment through single deals.
- Diversifying the investments that the Sector participates in as of currency, markets, investment strategies and managers, in order to reduce total risk associated.
- Enhance the marketing capability of the Sector in order to attract co-investors, along the side with the company's portfolio, which will generate new fee income for the company.
- Updating the Sector employees with recent researches, developments, and related events concerning direct investment, to enhance their know-how of markets and new investment opportunities.

The strategy of the Sector would continue at the same pace. During 2005, the Sector strived mainly to restructure its overall portfolio in line with its expectations and outlook. The Sector continued its strategy of establishing new companies locally along with associates.

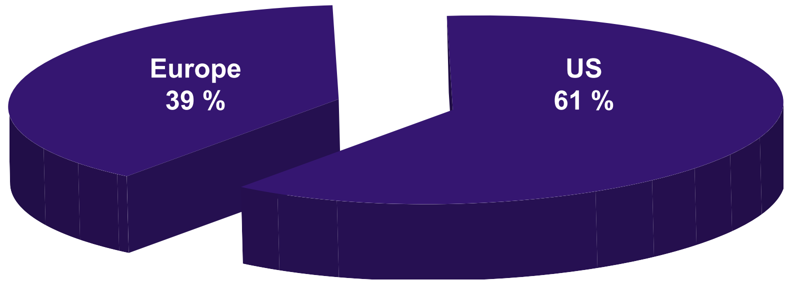
Type of Investment	Investment Value in KD
Direct Investments	52,369,415
Private Equity Funds	4,302,905
Real Estate	2,804,594
Equity & Equity Related	1,301,952
Total	60,778,866

Private Equity Funds

The Private Equity component of the overall Portfolio did not change during the year. The current Portfolio consists of 15 private equity funds with a value of KD 4,302,905 distributed over US and Europe with a greater thrust on the US market.

Foreign Investment Sector Activities- Continued

Private Equity – Geographical Distribution



During the year, company received remarkable distributions from a number of investments. In the coming year, Coast will re-organize the portfolio with an objective to sustain reasonable positive rate of return.

Real Estate

In the real estate sector there are 8 investments with a total value of KD 2,804,594. During the year the Investment Department realized significant profits from this sector especially due to the sale of developed raw land in the US. Two new investments were made locally. The Department will continue to pursue its established strategy of directing its proceeds to professionally managed real estate funds.

Direct Investments

Continuing with Coast's strategy of establishing new companies locally along with associates, the following investments took place during the year inline with the company's plans in order to serve the purpose of profit making over the medium term

Going forward, Coast will continue exploring opportunities in the local and regional markets and strive to establish new partnerships with strategic and reputable organizations.

Asset Management

Global equity markets managed to shrug off a series of negative events to post impressive returns in 2005. Despite inflated energy prices, hurricanes and general unrest, global equity markets responded strongly to maintain a steady growth rate. This trend was more evident in the emerging markets.

In the United States, this year was marked by skyrocketing energy prices, hot-and-cold inflation threats and the Federal Reserve steadily raising interest rates – all of which made investors nervous over the state of the economy and kept stocks volatile but ultimately little changed since the end of 2004. Nevertheless 2005 was another solid year for the US economy, with GDP growing in excess of 3.5% for the third year in a row.

Foreign Investment Sector Activities- Continued

Investment returns in the US public equity markets were up modestly in 2005, with the major indices up between 0% and 5%. NASDAQ, a proxy for middle market growth companies, was up only 1.4% and is still 56% below its peak in 2000.Consumer confidence as measured by various indices, showed a complete recovery from the effects of Hurricanes. For the full year the consumer segment continued to lead the way in supporting overall GDP growth in spite of record oil and gasoline prices and Federal Funds rate.

Looking ahead, investors hope the Fed will stop raising rates as early as possible in 2006 to avoid slowing the economy unnecessarily, and anxiousness on this point has kept stocks in check through December. The dollar rose against most major currencies, while gold prices also moved higher .Those high energy prices and their impact, real and potential, on consumer spending, inflation and corporate profits kept Wall Street on edge for much of the year.

In accordance with the Investment Strategy of the Sector in building the equity and equity related products portfolio, Investment was made in Long Only Portfolio managed by Smith Barney Group. This investment represents the initial long-only exposure of the Company's investments. Meanwhile two investments were closed during the year.

Making use of its resources judiciously, the Sector is confident of achieving remarkable returns through this asset class in the coming year also continuing the medium term strategy implemented during 2004.

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Consolidated financial statements and auditors' report

Coast Investment & Development Co. – KSC (Closed) and Subsidiaries - Kuwait 31 December 2005

Page

Auditors' report

To the shareholders of
Coast Investment & Development Co. – KSC (Closed)
Kuwait

We have audited the accompanying consolidated balance sheet of Coast Investment & Development Co. – KSC (Closed) (the parent company) and Subsidiaries (the group) as at 31 December 2005, and the related consolidated statements of income, changes in equity and cash flows for the year then ended. These consolidated financial statements are the responsibility of the company's management. 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 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

Furthermore, in our opinion proper books of account have been kept by the parent company and the consolidated financial statements, together with the contents of the report of the board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Commercial Companies Law of 1960, as amended, and by the parent company's articles of association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Commercial Companies Law, as amended, nor of the articles of association have occurred during the year that might have had a material effect on the business of the group or on its financial position.

We further report that, during the course of our audit we have not become aware of any material violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations.

Anwar Y. Al-Qatami, F.C.C.A.
(Licence No. 50-A)
of Grant Thornton – Anwar Al-Qatami & Co.

Waleed A. Al Osaimi
(Licence No. 68-A)
of Ernst & Young

Kuwait 27 March 2006

Annual Report 2005

Consolidated statement of income

	Notes	Year ended 31 Dec 2005 KD '000	Restated Year ended 31 Dec 2004 KD '000
Income			
Realised gain on investments at fair value through statement of income		507	557
Unrealised gain on investments at fair value through statement of income		27,055	3,545
Realised gain on sale of available for sale investments		452	293
Dividend income		2,346	2,188
Income from sale of investment properties		1,091	517
Change in fair value of investment properties		-	(6)
Management fees		1,546	915
Share of results of associate		304	415
Interest income		263	19
Other income	5	2,902	30
		36,466	8,473
Expenses			
General and administrative expenses	6	(1,996)	(1,516)
Finance costs		(2,984)	(1,391)
Realised loss on forward foreign exchange contracts		-	(884)
Foreign exchange gain/(loss)		487	(102)
Profit before tax		31,973	4,580
Taxation		(277)	(179)
Profit for the year		31,696	4,401
Contribution to Kuwait Foundation for the Advancement of Sciences		(285)	(38)
National Labour Support Tax		(658)	(39)
Directors' remuneration		(150)	(100)
Net profit for the year		30,603	4,224
Attributable to:			
Shareholders of the parent company		30,522	4,202
Minority interest		81	22
		30,603	4,224
Earnings per share	7	77 Fils	11 Fils

The notes set out on pages 24 to 38 form an integral part of these consolidated financial statements.

Consolidated balance sheet

	Notes	31 Dec 2005 KD '000	Restated 31 Dec 2004 KD '000
Assets			
Cash and bank balances		393	147
Money at call and short notice		2,831	748
Accounts receivable and other assets		3,547	987
Investments at fair value through statement of income	8	89,216	50,741
Available for sale investments	9	5,082	51,084
Non-current asset held for sale	10	45,678	-
Investment in associate	11	2,053	2,023
Investment properties	12	1,107	1,671
Property and equipment		1,177	1,214
Total assets		151,084	108,615
Liabilities and equity			
Liabilities			
Due to banks and other financial institutions		228	1,579
Accounts payable and other liabilities	13	4,548	2,326
Loans payable	14	53,874	42,339
Total liabilities		58,650	46,244
Equity attributable to the shareholders of the parent company			
Share capital	15	43,423	39,476
Treasury shares	16	(6,183)	(5,356)
Statutory reserve	17	8,964	5,803
Voluntary reserve	17	1,991	1,991
Foreign currency translation reserve		662	957
Cumulative changes in fair value		1,073	489
Retained earnings		42,161	18,747
		92,091	62,107
Minority interest		343	264
Total equity		92,434	62,371
Total liabilities and equity		151,084	108,615

Sulaiman K. Al-Sahli
Chairman and Managing Director

Khaled A. Al-Usaimi
General Manager

The notes set out on pages 24 to 38 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Attributable to shareholders of the parent company								Minority interest	Total
	Share capital KD '000	Treasury shares KD '000	Statutory reserve KD '000	Voluntary reserve KD '000	Foreign currency translation reserve KD '000	Cumulative changes in fair value KD '000	Retained earnings KD '000	Sub Total KD '000	KD '000	KD '000
Balance at 31 December 2004 (as previously reported)	39,476	(5,356)	5,803	1,991	432	-	20,211	62,557	264	62,821
Adjustment arising from application of revised IAS 39 (Note 3)	-	-	-	-	-	489	(489)	-	-	-
Adjustment arising from application of revised IAS 28 (Note 3)	-	-	-	-	525	-	(975)	(450)	-	(450)
Balance at 31 December 2004 (restated)	39,476	(5,356)	5,803	1,991	957	489	18,747	62,107	264	62,371
Net movement in fair value of available for sale investments during the year	-	-	-	-	-	584	-	584	-	584
Foreign currency translation differences	-	-	-	-	(295)	-	-	(295)	(2)	(297)
Total income and expenses recognised directly in equity	-	-	-	-	(295)	584	-	289	(2)	287
Net profit for the year	-	-	-	-	-	-	30,522	30,522	81	30,603
Total income and expenses for the year	-	-	-	-	(295)	584	30,522	30,811	79	30,890
Transfer to statutory reserve	-	-	3,161	-	-	-	(3,161)	-	-	-
Dividend distribution	-	-	-	-	-	-	-	-	-	-
Issue of 10% bonus shares (Note 18)	3,947	-	-	-	-	-	(3,947)	-	-	-
Purchases of treasury shares	-	(827)	-	-	-	-	-	(827)	-	(827)
Balance at 31 December 2005	**43,423**	**(6,183)**	**8,964**	**1,991**	**662**	**1,073**	**42,161**	**92,091**	**343**	**92,434**

Consolidated statement of changes in equity - *Continued*

	Attributable to shareholders of the parent company								Minotority interest	Total
	Share capital KD '000	Treasury shares KD '000	Statutory reserve KD '000	Voluntary reserve KD '000	Foreign currency translation reserve KD '000	Cumulative changes in fair value KD '000	Retained earnings KD '000	Sub Total KD '000	KD '000	KD '000
Balance at 31 December 2003 (as previously reported)	39,476	(5,335)	5,378	1,991	432	-	28,043	69,985	245	70,230
Adjustment arising from application of revised IAS 39 (Note 3)	-	-	-	-	-	139	(139)	-	-	-
Adjustment arising from application of revised IAS 28 (Note 3)	-	-	-	-	371	-	(1,449)	(1,078)	-	(1,078)
Balance at 31 December 2003 (restated)	39,476	(5,335)	5,378	1,991	803	139	26,455	68,907	245	69,152
Net movement in fair value of available for sale investments during the year	-	-	-	-	-	350	-	350	-	350
Foreign currency translation differences	-	-	-	-	154	-	-	154	(3)	151
Total income and expenses recognised directly in equity	-	-	-	-	154	350	-	504	(3)	501
Net profit for the year							4,202	4,202	22	4,224
Total income and expenses for the year	-	-	-	-	154	350	4,202	4,706	19	4,725
Transfer to statutory reserve	-	-	425	-	-	-	(425)	-	-	-
Dividend distribution (Note 18)	-	-	-	-	-	-	(11,485)	(11,485)	-	(11,485)
Purchase of treasury shares	-	(21)	-	-	-	-	-	(21)	-	(21)
Balance at 31 December 2004	**39,476**	**(5,356)**	**5,803**	**1,991**	**957**	**489**	**18,747**	**62,107**	**264**	**62,37**

The notes set out on pages 24 to 38 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Notes	Year ended 31 Dec 2005 KD '000	Restated Year ended 31 Dec 2004 KD '000
OPERATING ACTIVITIES			
Profit before tax		31,973	4,580
Adjustments:			
Depreciation		82	83
Finance costs		2,984	1,391
Interest income		(263)	(19)
Foreign exchange (gain)/loss on non-operating assets and liabilities		(882)	299
Dividend income		(2,346)	(2,206)
Realised gain on sale and redemption of available for sale investments		(452)	(293)
Realised gain on sale of investment properties		(1,091)	(517)
Change in fair value of investment properties		-	6
Share of results of associate		(304)	(415)
Operating profit before changes in operating assets and liabilities		29,701	2,909
Changes in operating assets and liabilities:			
Investments at fair value through statement of income		(38,475)	(8,121)
Accounts receivable and other assets		(2,560)	(204)
Accounts payable and liabilities		1,287	(3,374)
Cash from operations		(10,047)	(8,790)
KFAS contribution paid		(228)	-
Directors' remuneration paid		(100)	(100)
Net cash used in operating activities		(10,375)	(8,890)
INVESTING ACTIVITIES			
Dividends received from associate		-	268
Purchase of available for sale investments		(847)	(354)
Proceeds from sale and redemption of available for sale investments		2,202	973
Purchase of investment properties		-	(1,256)
Proceeds from sale of investment properties		1,640	1,428
Purchase of equipment		(45)	(23)
Dividend income received		2,346	2,206
Interest income received		263	19
Net cash from investing activities		5,559	3,261
FINANCING ACTIVITIES			
Dividend paid		-	(11,485)
Purchase of treasury shares		(827)	(21)
Net increase in loans		12,414	16,427
Finance costs paid		(3,091)	(1,207)
Net cash from financing activities		8,496	3,714
Net increase/(decrease) in cash and cash equivalents		3,680	(1,915)
Cash and cash equivalents at beginning of the year	19	(684)	1,231
Cash and cash equivalents at end of the year	19	2,996	(684)

The notes set out on pages 24 to 38 form an integral part of these consolidated financial statements.

1 - Incorporation and activities

Coast Investment & Development Co. – KSC (Closed) (the parent company) is a Kuwaiti closed shareholding company incorporated on 29 July 1975 under the Commercial Companies Law of 1960, as amended and its shares are quoted on the Kuwait Stock Exchange.

The group comprises the parent company and its subsidiaries. The group is engaged in various types of investment activities. The parent company is regulated by the Central Bank of Kuwait as an investment company. Details of subsidiary companies are set out in Note 4.

The address of the parent company's registered office is PO Box 26755, Safat 13128, State of Kuwait.

The consolidated financial statements for the year ended 31 December 2005 were authorised for issue by the parent company's board of directors on 27 March 2006.

2 - Significant accounting policies

The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below:

Basis of preparation

The consolidated financial statements have been prepared in accordance with the regulations of the Government of Kuwait for financial services institutions regulated by the Central Bank of Kuwait. These regulations require adoption of all International Financial Reporting Standards (IFRS) except for the IAS 39 requirements for a collective provision, which has been replaced by the Central Bank of Kuwait's requirement for a minimum general provision as described under the accounting policy for impairment of financial assets.

The consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of investments at fair value through statement of income, available for sale investments and investment properties.

The consolidated financial statements have been presented in Kuwaiti Dinar which is the functional currency of the parent company.

The accounting policies used are consistent with those used in the prior year expect for the accounting policies in respect of investments in associates and non-current assets held for sale and the adoption of the standards discussed below.

In 2003 and 2004, International Accounting Standards Board (IASB) issued a series of new International Financial Reporting Standards (IFRS) and revised International Accounting Standards (IAS). The new IFRS and revised IAS became effective for annual periods beginning 1 January 2005. All new IFRS and revised IAS have been adopted by the group but have either no or insignificant impact on these consolidated financial statements except for IAS 39: "Financial instruments, recognition and measurement" and IAS 28: "Investments in associates" which are discussed in Note 3.

The adoption of revised IAS 1: "Presentation of financial statements" has resulted in the presentation of minority interest within equity.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the parent company for the year ended 31 December 2005, and the financial statements of its subsidiaries prepared to that date, or to a date not earlier than three months of the parent's company's year end.

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 polices 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.

The financial statements of the subsidiaries are consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Any significant intra-group balances and transactions, and any unrealised gains or losses arising from intra-group transactions, are eliminated on consolidation.

Revenue recognition

Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the rate applicable.

Dividend income, is recognised when the right to receive payment is established.

Management and incentive fees, relating to fiduciary client portfolios, fund management and custody services, are recognised when earned.

Finance costs

Finance costs are recognised on a time proportion basis, taking into account the loan outstanding and the applicable interest rate.

Investment securities

The group classifies its investment securities as follows:

- Available for sale
- Investments at fair value through statement of income

Available for sale investments

After initial recognition at cost including transaction costs associated with the acquisition, available for sale investments are remeasured at fair value unless fair value cannot be reliably measured.

Changes in fair value of the investments are reported as a separate component of equity until the investment is either derecognised or the investment is determined to be impaired. On derecognition or impairment, the cumulative gain or loss previously reported in equity is included in the consolidated statement of income.

Reversal of previously recognised impairment losses in the consolidated statement of income are recorded as an increase in cumulative changes in fair value.

Investments at fair value through statement of income

Investments at fair value through statement of income are initially recognised at fair value, excluding transaction costs. These investments are either "held for trading" or "designated".

Held for trading investments are acquired principally for the purpose of selling or repurchasing it in the near term or are a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking.

Designated investments are non-trading investments which are designated as investments at fair value through statement of income on initial recognition. Because these are quoted in an active market and their fair value can be reliably measured.

After initial recognition, investments at fair value through statement of income are remeasured at fair value.

Gain or loss arising either from the sale or changes in fair value of "investments at fair value through statement of income" are recognised in the consolidated statement of income.

Trade and settlement date accounting

All "regular way" purchases and sales of financial assets are recognised on the trade date, i.e. the date that the entity commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Recognition and de-recognition of financial assets and liabilities

A financial asset or a financial liability is recognised when the group becomes a party to the contractual provisions of the instrument. A financial asset (in whole or in part) is derecognised either when the group has transferred substantially all the risks and rewards of ownership or when it has neither transferred nor retained substantially all the risks and rewards and when it no longer has control over the asset or a proportion of the asset.

Impairment and uncollectability of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the consolidated statement of income. Impairment is determined as follows:

a) For assets carried at fair value, impairment is the difference between cost and fair value; and

b) For assets carried at cost, impairment is the difference between cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

Notes to the consolidated financial statements

In addition, in accordance with the Central Bank of Kuwait instructions, a minimum general provision of 2% on all credit facilities net of certain restricted categories of collateral and not subject to specific provision, is provided.

Fair values

For investments traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date.

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 of another instrument which is substantially the same, or is based on the expected discounted cash flows. Investments for which there is no reliable measure of fair value are carried at cost less impairment.

The determination of fair value is done for each investment individually.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the 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:

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's length market transactions;
- current fair value of another instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation.

Judgements

In the process of applying the group's accounting policies, management has made the following significant judgements, apart from those involving estimations, which have the most significant effect in the amounts recognised in the consolidated financial statements:

Classification of real estate property

Management decides on acquisition of a real estate property whether it should be classified as trading, Property held for development or investment property.

The group classifies property as trading property if it is acquired principally for sale in the ordinary course of business.

The group classifies property as property under development if it is acquired with the intention of development:

The group classifies property as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use.

Classification of investments

Management decides on acquisition of an investment whether it should be classified as held for trading, at fair value through statement of income, or available for sale.

The group classifies investments as trading if they are acquired primarily for the purpose of making a short term profit by the dealers.

Classification of investments as investment at fair value through income statement depends on how management monitor the performance of these investments. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of income statement in the management accounts, they are classified as at fair value through statement of income.

All other investments are classified as available for sale.

Non-current assets held for sale

Non-current assets held for sale are stated at the lower of carrying amount and fair value less costs to sell.

Notes to the consolidated financial statements

Investment in associated company

Associated company is a company over which the group exerts significant influence normally evidenced by a holding of 20% to 50% of the voting power of the investee company. The consolidated financial statements include the group's share of the associated company's results using the equity method of accounting based on the latest audited financial statements.

Under the equity method of accounting, the initial investment is recorded at cost and the carrying amount is increased or decreased to recognise the group's share of results and other changes in the equity of the associated company. Distributions received from the associated company reduce the carrying amount of the investment.

An assessment of the investment in associated company is performed when there is an indication that the asset has been impaired or the impairment losses recognised in prior years no longer exist.

Investment properties

Investment properties are initially recorded at cost, being the purchase price and any directly attributable expenditure for a purchased investment property and cost at the date when construction or development is complete for a self constructed investment property. Subsequent to initial recognition, investment properties are re-measured at fair value on an individual basis based on an external valuation by an independent registered valuer. Gains and losses arising either from remeasurement to fair value or the sale of investment properties are included in the consolidated statement of income.

Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and impairment losses. The carrying amounts are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed recoverable amounts assets are written down to their recoverable amounts.

Depreciation

Land is not depreciated. Depreciation is provided for all other property and equipment at rates calculated to write off the cost of each asset on a straight line basis over its expected useful life. The estimated useful life of the building is 20 years and 5 years for all other assets.

Provisions

Provisions are recognised when the group has a present obligation (legal or constructive) arising from a past event and the costs to settle the obligation are both probable and able to be reliably measured.

Treasury shares

The parent company's own shares are accounted for as treasury shares and are stated at cost. When the treasury shares are sold, gains are credited to a separate account in shareholders' equity (treasury shares reserve) which is non-distributable. Any realised 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 then reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the treasury shares reserve account. No cash dividends are distributed on these 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.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and current accounts, money at call and short notice with an original maturity of less than three months from inception net of due to banks and other financial institutions.

Foreign currencies

Transactions denominated in foreign currencies are translated into the functional currency of each company at rates of exchange prevailing on the date of the transaction. Monetary assets and liabilities held at the balance sheet date and denominated in foreign currencies are retranslated into functional currencies at exchange rates prevailing at the balance sheet date. The resultant exchange differences are taken to the consolidated statement of income.

On consolidation, assets and liabilities of subsidiaries are translated into Kuwaiti Dinars at the year end rates of exchange and the results of these subsidiaries are translated into Kuwaiti Dinars at the average rates of exchange for the year. All exchange differences arising on consolidation are taken to a foreign currency translation reserve within shareholders' equity.

On equity accounting, the carrying value of the investment in associated company is translated into Kuwaiti Dinars at year end exchange rates and the share of results of the associate is translated at average exchange rates for the year. All foreign exchange translation adjustments are taken to the foreign currency translation reserve in equity until disposal at which time they are recognised in the consolidated statement of income.

Derivatives

The parent company enters into derivative financial instruments including forward foreign exchange contracts. Derivative instruments are initially recognised in the balance sheet at cost (including transaction costs) and subsequently measured at their fair value.

The fair value of a derivative is the equivalent of the unrealised gain or loss from marking to market the derivative using prevailing market rates. Derivatives with positive market values (unrealised gains) are included in other assets and derivatives with negative market values (unrealised losses) are included in other liabilities in the consolidated balance sheet. The resultant profits and losses from derivatives held for trading purposes are included in the consolidated statement of income.

Fiduciary assets

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

3 - Effect of adoption of revised standards

The effects resulting from adoption of the revised IAS 32, IAS 39 and IAS 28 are discussed below:

Adoption of revised IAS 32 and IAS 39

The group has adopted the revised IAS 32 "Financial Instruments Disclosures and Presentation" and IAS 39 "Financial Instruments Recognition and Measurement" with effect from 1 January 2005. The main changes are as follows:

Certain trading and available for sale investments have been redesignated on 1 January 2005 as investments at fair value through statement of income.

The total value of trading and available for sale investments redesignated as investments at fair value through statement of income was KD30,190 thousand and KD20,551 thousand respectively at 1 January 2005. The total value of these trading and available for sale investments redesignated as investments at fair value through statement of income as at 1 January 2004 was KD41,142 thousand and KD6,993 thousand respectively.

Transition adjustment – revised IAS 39

In accordance with the transitional provisions of the revised IAS 39, the group has reclassified from 1 January 2004 positive fair value adjustments of KD139 thousand from retained earnings to cumulative changes in fair value as at 1 January 2004. In addition, the group reclassified changes in fair value of KD 350 thousand previously reported in the consolidated statement of income for the year ended 31 December 2004 to cumulative changes in fair value in equity for the same period. The impact of this was to reduce the net profit for the year ended 31 December 2004 by KD350 thousand. There was no impact on redesignation of trading investments as investments at fair value through statement of income.

Adoption of revised IAS 28

The group has adopted the revised IAS 28 "Investments in Associates" with effect from 1 January 2005. The main change was the equity accounting of one investment from the date of acquisition.

Transition adjustment – revised IAS 28

In prior periods, the investment was classified as available for sale (as it was held for disposal in the near future) and carried at fair value. The equity accounting for this associate from the date of acquisition has resulted in transition adjustment of KD1,078 thousand as of 1 January 2004. The impact of this change was to increase the net profit for the year ended 31 December 2004 by KD 236 thousand.

4 - Subsidiary companies

Details of subsidiary companies are set out below:

	Country of incorporation	Percentage ownership %	Principal activity
Coast Investments Limited	British Virgin Islands	100	Investment services
Coast Creative Development Corporation	United States of America	80	Real estate investments

5 - Other income

Other income includes incentive fees of KD2,884 thousand(2004 : Nil) earned during the year from a fund managed by the parent company.

6 - General and administrative expenses

	2005 KD '000	2004 KD '000
Staff costs	1,407	1,269
Other expenses	589	247
	1,996	1,516

7 - Earnings per share

	2005	Restated 2004
Net profit for the year attributable to shareholders of the parent company (KD '000)	30,522	4,202
Weighted average number of shares (excluding treasury shares)	394,054,233	398,346,083
Earnings per share	77 Fils	11 Fils

The comparative weighted average number of shares have been adjusted to reflect the bonus issue in April 2005.

8 - Investments at fair value through statement of income

	2005 KD '000	Restated 2004 KD '000
Held for trading		
Local quoted securities	52,250	30,189
Foreign quoted securities	-	1
	52,250	30,190
Designated		
Local unquoted securities	4,935	4,167
Local quoted funds	30,778	14,970
Foreign quoted funds	1,253	1,414
	36,966	20,551
	89,216	50,741

9 - Available for sale investments

	2005 KD '000	Restated 2004 KD '000
Unquoted investments	5,082	51,084

Unquoted investments include investments in private equity funds amounting to KD4,516 thousand (2004: KD4,770 thousand). Information for these investments is limited to periodic financial reports provided by the investment managers. These investments are carried at net asset values reported by the investment managers. Due to the nature of these investments, the net asset values reported by the investment managers represent the best estimate of fair values available for these investments.

Investments amounting to KD566 thousand (2004: KD636 thousand) are stated at cost due to the unpredictable nature of future cash flows and the unavailability of other information to arrive at a reliable measure of fair value. Management is not aware of any indication of impairment in respect of these investments.

10 - Non-current asset held for sale

This represents a 42.38% holding in a European manufacturing company. This investment has been reclassified as non-current asset "held for sale" because the parent company's board of directors has resolved to commit to a plan to sell this investment and therefore its carrying amount will be recovered principally through the sale transaction rather than through continuing use. Pursuant to the resolution, the parent company's management initiated an active program to locate a buyer and execute the plan.

In prior years, the investment was classified as an available for sale investment and carried at fair value. In the opinion of management, the fair value of the investment is not materially different from its carrying amount.

11 - Investment in associate

Details of associate are set out below:

Name	Country of incorporation	Voting capital held %	Purpose
Bothello Corporation (unquoted)	Germany	23.73	Manufacturing

Carrying amount of investments in associates:

	2005 KD '000	Restated 2004 KD '000
Carrying amount as at 1 January	2,023	1,722
Share of results	304	415
Dividend received	-	(268)
Foreign exchange adjustments	(274)	154
Carrying amount at 31 December	2,053	2,023

Management of the company has been unable to estimate the fair value of the associate because it is unquoted and there is no other reliable measure of fair value.

12 - Investment properties

	2005 KD '000	2004 KD '000
Carrying amount at 1 January	1,671	1,332
Additions	-	1,256
Disposal	(564)	(911)
Change in fair value	-	(6)
Carrying amount at 31 December	1,107	1,671

Investment properties are located outside Kuwait. In the opinion of management the fair value of the investment properties approximate carrying value stated above.

13 - Accounts payable and other liabilities

	2005 KD '000	2004 KD '000
Accrued expenses	1,228	811
Other liabilities	3,320	1,515
	4,548	2,326

14 - Loans payable

	Effective interest rate	Security	2005 KD '000	2004 KD '000
Loans in KD	7.75%	Secured	2,390	-
Loans in KD	7.25% - 8.5%	Unsecured	29,369	3,000
Loans in U.S. Dollars	6.17% - 7.52%	Unsecured	18,548	35,213
Loans in EURO	4.49%	Unsecured	3,567	4,126
			53,874	42,339

One of the loans is secured by a pledge of investments at fair value through statement of income having a market value of KD6,683 thousand at 31 December 2005 (Note 8).

15 - Share capital

	Authorised 2005	Authorised 2004	Issued and fully paid 2005	Issued and fully paid 2004
Shares of KD0.100 each	434,231,356	394,755,779	434,231,356	394,755,779

The annual general meeting of the shareholders held on 18 April 2005 approved an increase in the authorised capital from KD39,476 thousand to KD43,423 thousand by issue of 39,476 thousand bonus shares (Note 18).

16 - Treasury shares

At 31 December 2005 the parent company held 41,592,000 (2004: 35,910,000) of its own shares equivalent to 9.58 % (2004 : 9.1%) of the shares issued.

The market value of the shares at the balance sheet date is KD 21,212 thousand (2004 : KD10,773 thousand).

Reserves of the parent company equivalent to the cost of treasury shares have been earmarked as non-distributable.

Notes to the consolidated financial statements

17 - Statutory and voluntary reserves

The statutory reserve is held by the parent company. As required by the Commercial Companies Law of Kuwait and the parent company's articles of association, 10% of the profit for each year is transferred to the statutory reserve. The company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid-up share capital. No transfer is required in a year when losses are made or there are losses brought forward. Distribution of the 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 years when retained earnings are not sufficient for the payment of a dividend of that amount.

The parent company's articles of association require that 10% of the profit for the year should be transferred to a voluntary reserve. The shareholders resolved to discontinue transfer to voluntary reserve at the general assembly held on 3 May 2003.

18 - Proposed dividend and bonus shares

Subject to the requisite consent of the relevant authorities and approval from the general assembly, the board of directors propose to distribute a cash dividend 15 Fils per share (2004 : Nil) and bonus shares of 20% (2004: 10%) of paid up capital to the shareholders of record as of the date of the general assembly.

The proposed bonus shares for the year ended 31 December 2004 was approved by the shareholders' general assembly held on 18 April 2005 and issued subsequently.

19 - Cash and cash equivalents

	2005 KD '000	2004 KD '000
Cash and current accounts	393	147
Money at call and short notice	2,831	748
Due to banks and other financial institutions	(228)	(1,579)
	2,996	(684)

Balances with banks are placed with reputable international and local banks and earn normal commercial rates of interest. Accordingly, management believes that the group has no significant concentration of credit risk.

20 - Related party transactions

These represent transactions with certain related parties (directors and executive officers of the parent company and their related concerns) entered into by the group in the ordinary course of business and key management compensation.

There were no material related party transactions during the year.

	2005 KD '000	2004 KD '000
Key management compensation		
Salaries and other short term benefits	411	399
Terminal benefits	37	35

Notes to the consolidated financial statements

21 - Segmental analysis

The group primarily operates in one business segment: investment. The group operates in three geographical segments: Kuwait and the Middle East, the United States of America and Europe. The geographical analysis of segment information is as follows:

	Kuwait and the Middle East KD '000	Restated	United States of America KD '000	Restated	Europe KD '000	Restated	Total KD '000	Restated
	2005	2004	2005	2004	2005	2004	2005	2004
Segment income	34,124	2,277	1,597	605	745	5,591	36,466	8,473
Segment results	32,400	1,008	1,358	358	712	5,591	34,470	6,957
Realised loss on forward								
foreign exchange contracts							-	(884)
Foreign exchange gain/(loss)							487	(102)
Finance costs							(2,984)	(1,391)
Taxation							(277)	(179)
Unallocated expenses							(1,093)	(177)
Net profit for the year							30,603	4,224
Segment assets	94,786	51,855	5,271	6,046	51,027	50,714	151,084	108,615
Segment liabilities	2,779	1,126	169	366	-	-	2,948	1,492
Loans payable							53,874	42,339
Unallocated liabilities							1,828	2,413
Total liabilities							58,650	46,244

22 - Fiduciary accounts

The group manages portfolios on behalf of others and maintains cash balances and securities in fiduciary accounts without risk of recourse to the group, which are not reflected in the consolidated balance sheet. Funds under management at 31 December 2005 amounted to KD 479,402 thousand (2004 : KD274,350 thousand).

23 - Capital commitments

At the balance sheet date the group had capital commitments of KD 4,242 thousand (2004 : KD5,739 thousand) towards available for sale investments.

24 - Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The group is exposed to interest rate risk as a result of mismatches of interest rate re-pricing of assets and liabilities. The parent company's board of directors has established levels of interest rate risk by setting limits on the interest rate gaps for stipulated periods.

The effective interest rate (effective yield) of a monetary financial instrument is the rate that, when used in a present value calculation, results in the carrying amount of the instrument. The rate is a historical rate for a fixed rate instrument carried at amortised cost and a current rate for a floating rate instrument or an instrument carried at fair value.

The group's interest sensitivity position based on contractual re-pricing arrangements at 31 December 2005 and 31 December 2004 are as follows:

	Up to 1 month	1-3 months	3-12 months	Over 1 year	Not exposed to interest rate risk	Total	Effective interest rate
	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000	%
At 31 December 2005							
ASSETS							
Cash and bank balances	-	-	-	-	393	393	
Money at call and short notice	1,589	1,242	-	-	-	2,831	1.5 -2.5
Accounts receivable and other assets	-	-	-	-	3,547	3,547	
Investments at fair value through statement of income	-	-	-	-	89,216	89,216	
Available for sale investments	-	-	-	-	5,082	5,082	
Non-current asset held for sale	-	-	-	-	45,678	45,678	
Investment in associate	-	-	-	-	2,053	2,053	
Investment properties	-	-	-	-	1,107	1,107	
Property and equipment	-	-	-	-	1,177	1,177	
	1,589	1,242	-	-	148,253	151,084	
LIABILITIES							
Due to banks and other financial institutions	228	-	-	-	-	228	5.75-8.5
Accounts payable and other liabilities	-	-	-	-	4,548	4,548	
Loans payable	12,080	24,372	2,392	15,030	-	53,874	5.75-8.5
	12,080	24,372	2,392	15,030	4,548	58,650	
Total interest rate sensitivity gap	(10,719)	(23,130)	(2,392)	(15,030)			

24 - Interest rate risk (continued)

	Up to 1month	1-3 months	3-12 months	Over 1 year	Not exposed to interest rate risk	Total	Effective interest rate
	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000	%
At 31 December 2004 (Restated)							
ASSETS							
Cash and bank balances	-	-	-	-	147	147	
Money at call and short notice	179	569	-	-	-	748	1-2
Accounts receivable and other assets	-	-	-	-	987	987	
Investments at fair value through statement of income	-	-	-	-	50,741	50,741	
Available for sale investments	-	-	-	-	51,084	51,084	
Investment in associate	-	-	-	-	2,023	2,023	
Investment properties	-	-	-	-	1,671	1,671	
Property and equipment	-	-	-	-	1,214	1,214	
	179	569	-	-	107,867	108,615	
LIABILITIES							
Due to banks and other financial institutions	1,579	-	-	-	-	1,579	4-7
Accounts payable and other liabilities	-	-	-	-	2,326	2,326	
Loans payable	22,181	20,077	-	81	-	42,339	4-7
	23,760	20,077	-	81	2,326	46,244	
Total interest rate sensitivity gap	(23,581)	(19,508)	-	81			

The group does not have any off balance sheet financial instruments which are used to manage the interest rate risk.

25 - Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The group views itself as a Kuwaiti entity, with the Kuwaiti Dinar as its functional currency. The parent company's board of directors has set limits on positions by currency. Positions are monitored regularly to ensure positions are maintained within established limits.

The group had the following significant net exposures denominated in foreign currencies as of 31 December:

	2005 KD '000 Equivalent long/(short)	2004 KD '000 Equivalent long/(short)
Euro	46,028	46,574
U.S. Dollar	(12,279)	(29,066)
Pound Sterling	2,240	2,522
Other currencies	539	475

26 - Liquidity risk

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

The table below summarises the maturity profile of the group's assets and liabilities based on contractual repayment arrangements. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date. Maturity periods for available for sale investments are based on planned exit dates.

The maturity profile of the assets and liabilities at 31 December 2005 and 31 December 2004 are as follows:

	Up to 1 month KD '000	1-3 months KD '000	3-12 months KD '000	1 - 3 years KD '000	Over 3 years KD '000	Total KD '000
At 31 December 2005						
ASSETS						
Cash and bank balances	393	-	-	-	-	393
Money at call and short notice	1,589	1,242	-	-	-	2,831
Accounts receivable and other assets	798	2,319	430	-	-	3,547
Investments at fair value through statement of income	-	8,062	56,100	24,556	498	89,216
Available for sale investments	-	-	5,082	-	-	5,082
Non-current asset held for sale	-	-	45,678	-	-	45,678
Investment in associate	-	-	-	2,053	-	2,053
Investment properties	-	-	361	746	-	1,107
Property and equipment	-	-	-	-	1,177	1,177
	2,780	11,623	107,651	27,355	1,675	151,084
LIABILITIES						
Due to banks and other financial institutions	228	-	-	-	-	228
Accounts payable and other liabilities	996	228	3,060	264	-	4,548
Loans payable	12,080	24,372	2,392	10	15,020	53,874
	13,304	24,600	5,452	274	15,020	58,650

Notes to the consolidated financial statements

	Up to 1 month KD '000	1-3 months KD '000	3-12 months KD '000	1 - 3 years KD '000	Over 3 years KD '000	Total KD '000
At 31 December 2004 (Restated)						
ASSETS						
Cash and bank balances	147	-	-	-	-	147
Money at call and short notice	179	569	-	-	-	748
Accounts receivable and other assets	279	-	708	-	-	987
Investments at fair value through statement of income	-	-	38,134	12,607	-	50,741
Available for sale investments	-	-	50,829	-	255	51,084
Investment in associate	-	-	-	-	2,023	2,023
Investment properties	-	-	-	1,671	-	1,671
Property and equipment	-	-	-	-	1,214	1,214
	605	569	89,671	14,278	3,492	108,615
LIABILITIES						
Due to banks and other financial institutions	1,579	-	-	-	-	1,579
Accounts payable and other liabilities	65	345	1,916	-	-	2,326
Loans payable	22,181	20,077	-	16	65	42,339
	23,825	20,422	1,916	16	65	46,244

27 - Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market.

The group is exposed to market risk with respect to its investments.

The group limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in local and international equity markets. In addition, the group actively monitors the key factors that affect stock market movements, including analysis of the operational and financial performance of investees.

28 - Equity price risk

Equity price risk arises from the change in the fair values of equity investments. The group's equity investments are primarily listed on the Kuwait Stock Exchange.

29 - Fair value of financial instruments

Fair value represents the amount at which an asset could be exchanged or a liability settled on an arm's length basis. In the opinion of the parent company's management the carrying amounts of financial assets and liabilities as at 31 December 2005 and 2004 approximated their fair values except for available for sale investments at cost in Note 9.

30 - Comparative amounts

Certain comparative amounts have been restated due to the adoption of the revised IAS 39 and IAS 28 as disclosed in Note 3.