Coast Investment & Development Company K.S.C (Closed)
Coast Building, Shuhada Street, Al Sharq Area, Near Sawaber Complex
T (965) 2468388 F (965) 2415364 / 2408932
P.O. Box 26755, Safat 13128 Kuwait
cidco@coast.com.kw www.coast.com.kw

HH Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah
Amir of the State of Kuwait

HH Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah
Crown Prince of the State of Kuwait

HH Sheikh Nasser Al-Mohammed Al-Ahmad Al-Jaber Al-Sabah
Prime Minister of the State of Kuwait

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Board of Directors

Sulaiman Khaled Al Sahli
Chairman

Nasser Saad Al-Muneefi
Vice Chairman

Khaled Abdulaziz Al-Usaimi
Managing Director

Abdulhadi Ahmed Al-Dosiri
Board Member

Abdullateef Abdulla Al-Mehri
Board Member

Anwar Jassim Al Kharafi
Board Member

Hamad Ahmad Al-Amiri
Board Member

General Management

Khaled Abdulaziz Al-Usaimi
Managing Director

Mohammad Rashed Al-Qaoud
Asst. General Manager/ Finance & Administration

Muneer Abdulmuhsen Al-Sharhan
Asst. General Manager/ Investment Sector

In the Name of Allah, the Most Gracious, the Most Merciful

Honorable shareholders,

On behalf of the Board of Directors I have the pleasure to welcome you to the General Assembly Meeting, and to present to you the Annual Report for the year ending on Dec. 31, 2006, which comprises of the year end financial statements, the company's achievements over the reporting period, along with the auditors' report.

One of the major economic events the Gulf Region witnessed throughout 2006, was the dramatic decline in GCC stock market performance ranging from 43-54% preceded by record hikes over the recent years. During 2006, Kuwait Stock Exchange has receded by 12%, and this has directly impacted the level of investment companies' profits in general. Despite the persistence of our optimism for a bright future of GCC countries towards advancement and development under the financial abundance and mega oil revenues, we more strongly tend to believe that it is difficult to bring about growth in the absence of appropriate security and political environment locally or regionally.

Snapshots on developments witnessed by the Kuwaiti economy reveal accelerated growth for successive years with GDP of 35% in 2005 realizing KD 23 billions, to which oil revenues contributed 35%. Looking ahead, this growth is expected to reach about 15% in 2006/2007. However, we have to admit that the most significant percentage of said growth was realized due to the immense rises of oil prices attributable to increase of demand together with the continuous production stability. Price per barrel in international markets increased to USD 70, while the average price for Kuwait oil amounted to USD 50 giving rise to unprecedented surplus in the state budget of KD 6,866 billion for the financial year 2005/2006.

In light of the continued large financial surpluses in Kuwait's budget, major plans were declared that will increase capital expenditure, most of which would be channeled to mega development projects, oil projects and public services. The government announced Kuwait's project to develop the northern fields, to construct a new refinery, and to build Al-Subbiya bridge, Boubyan port and new cities, besides establishing major companies.

Despite the significant monetary surpluses posted over the previous period, the country could not resume the implementation of development plans due to the successive crises that occurred during 2006, starting with the demise of late Amir of Kuwait Sheikh Jaber Al-Ahmad Al-Jaber Al-Sabah, the dissolution of the National Assembly, holding elections, and forming the new government. On the economic level, State of Kuwait experienced the crisis of disclosures, rescinding of BOT contracts, which took much time and effort with the continued increase of Central Bank of Kuwait discount rate to reach 6.25%. On the regional and international levels, the Iranian nuclear crisis cast its shadows on the region, in addition to the war waged in Lebanon and the persistence of instability in Iraq.

As for your Company's financial results, the consolidated statement of income reflects net losses of KD 8.9 million and unrealized losses from investments at fair value amounted to KD 10.6 million due to the decline of the Company's investments quoted on Kuwait Stock Exchange. Excluding by eliminating the impact of such descent, it might have been possible for the Company to realize net profit of approximately KD 1.7 million.

Despite the modest results reported, we have decided to make 2006 a turning point for the Company's march, starting with the Board of Directors' approval of the new organizational structure and the new employees' incentive scheme in succession. Moreover, the Company conducted a comprehensive appraisal of the internal investments and credit policies and strategies that have been extensively developed and updated using the latest state-of-the-art professional methods, so that they keep pace with the present and future economic conditions as well as the Company's aspirations.

On the other hand, the Company has realized several achievements during the year, foremost among which is the introduction of Future Markets Service in Kuwait Stock Exchange. In June, Coast Investment & Development Company was ranked first in terms of the volume of traded stocks and number of transactions. In addition, the Company has established corporate finance and Investment Services Activity, supported by a number of qualified professionals to prepare and monitor clients portfolios, provide consultancy services and issue periodic reports using most sophisticated modelling processes in asset allocation. Moreover, the Company has also restructured Coast Investment Fund by virtue of forming a committee to oversee the fund's activity. This Committee developed a new policy in the wake of which the fund's assets have been re-allocated to realize continuous growth at the lowest risk profile. This action has ranked Coast Fund among the best three funds in the market during 2006.

It is with great pride to inform you that Coast Investment & Development Company successfully incorporated Kuwaiti German Holding Company. We are currently in the process of increasing its capital from KD one million to KD 100 millions through Private Placement, with the purpose of expanding the investment activity in the German market based on Coast's long and successful experience in Germany. Likewise, the Company increased its foreign investments, particularly in private equity by virtue of sharing in the best regional and international funds and holding interests in the capital of several companies in domestic and international markets.

It remains to say that despite the challenges the Company has witnessed during the previous year, we are more confident in the Company's ability to achieve better results on the backing of our clearer objectives and our future plans being implemented to attain the best results over the years to come.

I would like to seize this opportunity to stress our appreciation and gratitude to our valued shareholders for their confidence and support which powerfully influence our efforts to maintain the Company's progress. Furthermore, I would like to thank the Company's clients for their trust and loyalty, and I reiterate our keenness on rendering the best services and products for them. Lastly, I would like to shed light on the fact that the realized accomplishments would not have been brought about without the loyalty and efforts of the management team and all employees whose dedication and commitment bolsters the Company's progress.

In conclusion, I would like to extend thanks and gratefulness in my name and the members of the Board of Directors to His Highness Amir of Kuwait Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah, His Highness Crown Prince and His Highness Prime Minister for their incessant support of the private sector. We pray humbly to Allah to grant them proper guidance towards the progress and prosperity of our country.

Peace be upon you

Sulaiman Khalid Al Sahli
Chairman

Management Report

General :

It is our pleasure to report on the developments Coast have been undergoing all through 2006. Throughout the year, we have carried out an extensive reorganization and re-evaluation of our investment strategy in order to accommodate the dynamic market environment and build a strong foundation for the future. We have assessed our asset allocation policy and made an asset by asset analysis and review to maximize our returns and attain utmost efficiency in utilizing our resources.

In doing so, we have identified a distinctive scientific approach to asset diversification for our Coast Fund, which we believe will enable the fund to compete and outperform other funds in the local market. Consistent with our policy to expand our customer base, we are dedicated to broadening our array of products to suit the different investment needs of our clients. For that we created a new advisory service, AMAS, to further assist our clients in choosing investments that suit them best.

Fiscal 2006 has witnessed major activities for Coast; we have launched the capital increase of the Kuwaiti German Holding Co.(KGHC) to capitalize on our experience and long exposure in the German Economy. We believe KGHC would be well positioned to benefit from the vast Private Equity opportunities in the German market.

Another change that is worth mentioning is the growth of our Future Portfolio (Beyoo'), which we take pride in. This further demonstrates our commitment to quality and professionalism in serving our clients.

Following is a detailed description of our functions and services as well as the assets in our portfolio.

Functions and Services:

1-Investment Consulting

Coast Investment Consulting function provides advice on strategic investments to its clients. The service mainly involves designing optimal portfolios with respect to the specific needs and expectations of our clients. We are proud to be the first investment institution in Kuwait and the GCC region to adopt the most sophisticated asset allocation software and modeling techniques to better serve our individual and institutional clients in fund selection and asset allocation construction. Our investment consulting group takes our customized, state-of-the-art investment research and creates asset allocation programs for the purpose of guiding our clients taking into account the client's specific needs.

2-Fund of Funds Management Selection

This service is provided to investors who face a challenge of having to implement an asset allocation or track an investment benchmark using a portfolio of managers or mutual funds.

The service involves designing an optimal mix of funds available to the client. The modeling process incorporates the client's specific needs and restrictions to ultimately produce a customized and comprehensive package of an optimal mutual fund selection. Our qualified advisors will also provide ongoing due diligence for programs and client investments that are currently in place.

3-Portfolio Management Services AMAS

AMAS service is a new package for portfolio management, managed by a well experienced team. Using sophisticated tools of analysis to provide a unique outcome for clients, AMAS created a unique database customized to analyze securities listed on the Kuwait Stock Exchange. The database is an in-house creation that utilizes the latest modeling methodologies combined with qualitative analysis to obtain dynamic and practical valuations on listed companies.

The database quantifies the effects of securities and investments in a comprehensive perspective. Our approach towards attaining the highest standards is reflected in our advisory approach and our innovative security analysis.

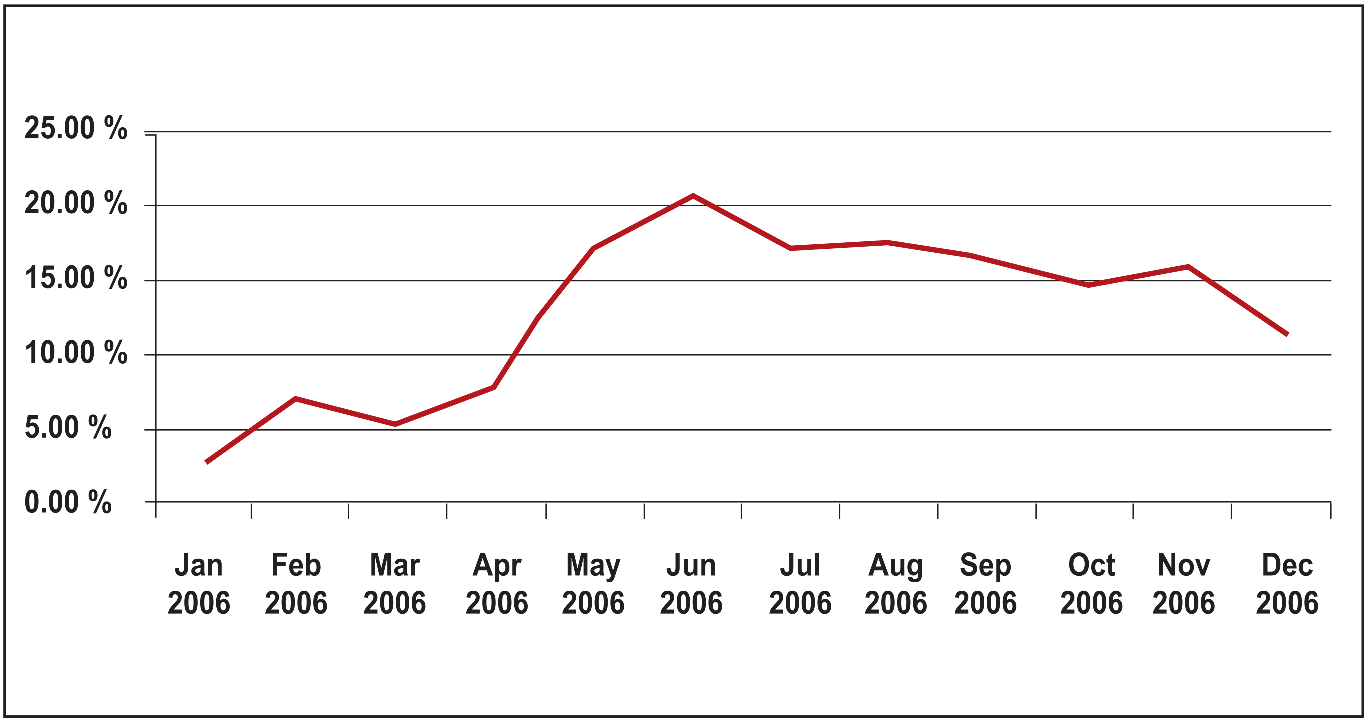
4-Corporate Finance

The newly established function stems from the collective expertise Coast has built over the years. Aligned with the company's vision of perfection and excellence, Coast has launched an active function with an aim to provide exceptional services to its clients. We take pride in our commitment and in our innovative corporate finance advisory capabilities.

Our main objective is to assist our corporate clients in facilitating their success plans and in creating and maintaining value during various business cycles. In addition to our team of experts and our professionalism, Coast, being a vital investment company in Kuwait and the GCC region, have developed ,over its 32 years of active operations, excellent contacts with governmental authorities, investment companies and venture capitalists in local and global markets. Collectively, our clients can benefit from our vast knowledge and contacts to serve their financing and investment needs.

5-Coast Futures Service

Coast Futures Service provides a leveraging vehicle to investors for acquiring stocks in Kuwait Stock Exchange. Coast added value comes from its employment of a qualified and experienced team in derivative securities. Coast managed to build a strong relationship with traders and short-term investors. The team also provides investors with assessment about the risk associated with such contracts and how to mitigate it.



Graph above explains Coast market share in Futures contracts (Source AlJoman Consultancy)

6-Investment Research

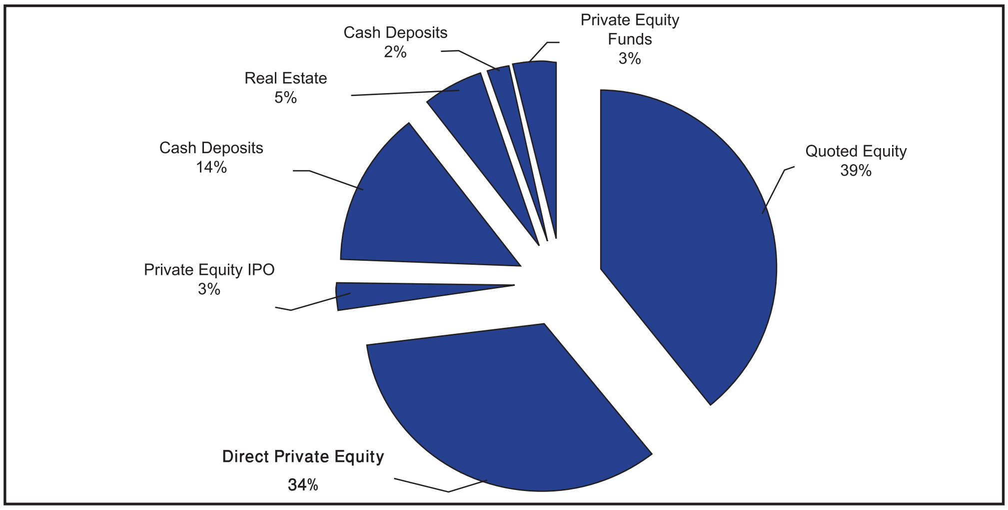
The Investment Research unit is responsible for the preparation of investment research on local and global capital markets. It has taken an unrivalled approach towards setting the highest standards on market and investment analysis in the region.

The objective is the preparation and the publication of valuable and informative research publications on regional markets and investments.

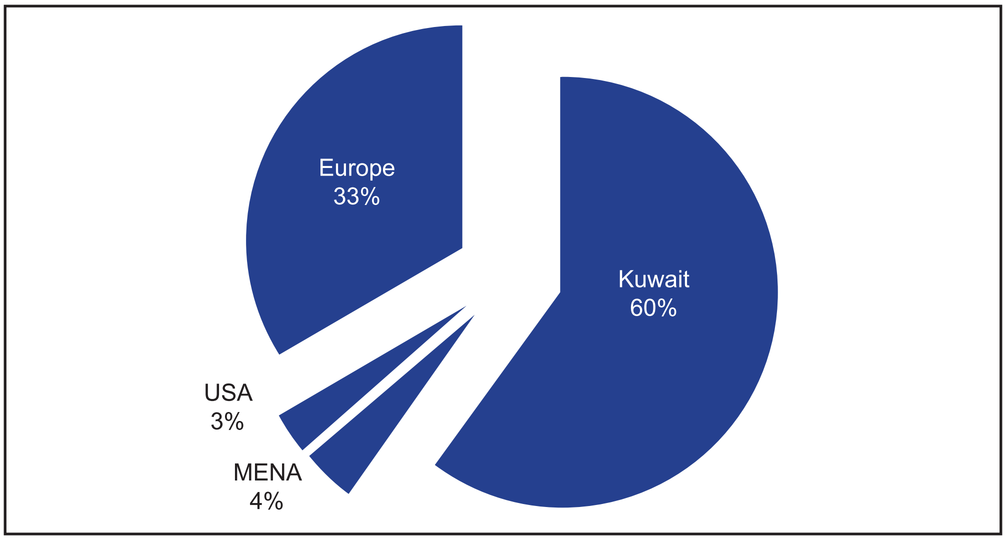
Security analysis have taken many innovative approaches as finance theory evolved with time. At present, substantial emphasis is drawn towards behavioral finance and econometric analysis on securities and financial markets in addition to the traditional valuation models. Professional analysts and sophisticated investors now require more than presumptuous valuation techniques with the enhancement of innovative financial instruments and the complexity of market interaction with other factors. It is, therefore, the intention to quantify the effects of securities and investments in the region for a comprehensive view.

Our Assets:
Our total assets closed the year at around KD 150m which were diversified among different asset classes with a focus on quoted and direct private equity. Our main geographical focus remains Kuwait and Europe. Following graphs illustrates our distributions:

Portfolio Distribution by Asset Class



Geographical Distribution of the Assets



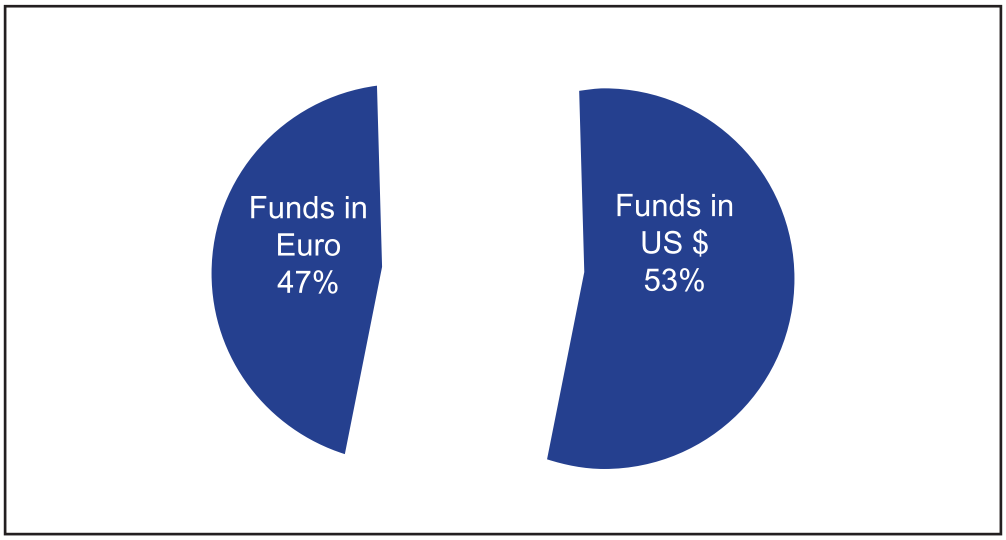
1-Coast Investment Fund

Coast Investment Fund (CIF) is one of the most prominent funds in Kuwait. The fund was established in 2002 and is managed by Coast Investment & Development Company. For 2006, CIF was ranked one of the top three funds in the Kuwaiti market based on Goal Advisors Publication.

CIF adopted a seamless strategic and an analytic approach towards enhancing returns to fund holders. The objective of CIF is to attain attractive growth with pre-analyzed risk controls.

CIF uniqueness lies in its senior decision making and the unique quantitative analysis model that adopts a special mechanism of the Kuwaiti market. CIF management team strives to maintain a well-diversified, high alpha, low beta profile. The team keeps in mind the valuation relative to growth, keeping updated information on our complete database on the local companies in the market and maintain minimal loss.

Committed Funds - Currency allocation



2-Direct Investments:

Our portfolio of investments continued its vigorous performance during fiscal year 2006.

- Both Weinig and Ricosta have witnessed profitable financial years, with plans for future expansion.
- We are on the look out to exit from some of our Pre-IPO investments in the near future and realize positive returns.
- As majority shareholder in Global Logistics Services and Warehousing Company (GLOW), Coast is set to reap the benefits of the highly profitable regional logistics market. During 2006 GLOW won a highly lucrative US military tender to supply diesel to water plants in Iraq.

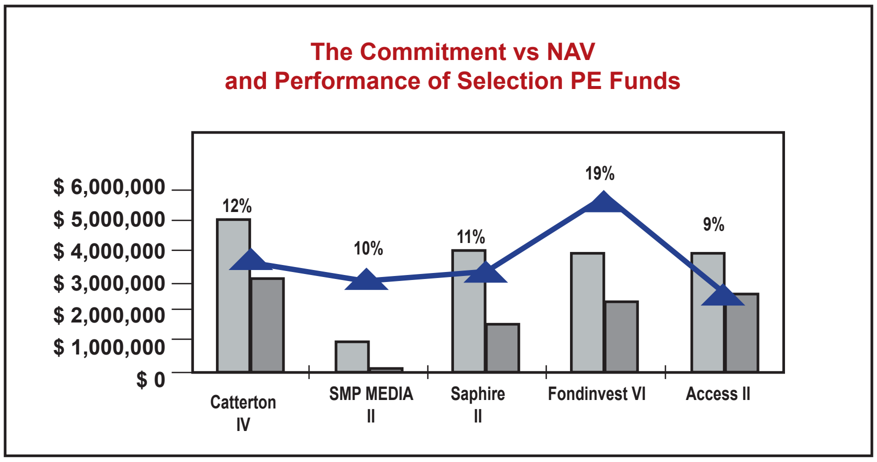
3-Private Equity:

We remain focused on strengthening our private equity portfolio and enhancing our due diligence procedures. Our private equity investment portfolio which started 1997 is expanding and maturing to become self financed one. It has delivered good results during 2006 and we expect it to continue outperforming the market in the future. We remain in favor of investing with the major players in this industry.

Our major addition to our Private Equity portfolio is our participation in the Sapphire fund managed by Permira. This participation is due to our long and rewarding history of investing with this private equity house.

We have also invested in Unicorn Global Private Equity Fund which will focus on the MENA region's private equity market. Total committed funds to Private Equity were around KD 12m. distributed as shown in the above graph.

Following is the performance of some Private Equity funds :



The above graph shows our commitment in some of Private Equity funds with the line across showing the return percentage achieved. Our returns vary between 10% till 20% on most of our funds.

4- Real Estate

- Our real estate investment in Aqar Real Estate Investment Co. has made significant progress during 2006 and its performing well on plan. Operating activities and income have continued their upwards trend spurred by very favorable market and economic conditions in the region. As the current liquidity continues to grow, demand for real estate is expected to increase, further increasing profitability.

- In consistency with our strategy of building strong alliances in the region, we have invested in MENA capital real estate company which will operate in the Middle East and North African region. In accordance with our policy, our investment will secure us a board seat and the consequent influence on the course of operations. We are confident that this investment will further enrich our real estate portfolio.

Other Achievements:

1-Coast participation in the Finance and Investment Exhibition

Coast Investment and Development Company participated in the Finance and Investment Exhibition that took place in Al Raya Hotel between 6-8 January this year. Our participation was to present Coast recent investment products and services to the investors and the business community. We have focused on displaying four products and services. Namely (i) Coast Futures Services, (ii) AMAS (iii) Kuwait German Holding Company KGH, and; (iv) Coast Investment Fund(CIF).

2-FTSE Collaboration

FTSE Group ("FTSE") the global index company signed an agreement on January 24th ,2007 with Coast Investment and Development Co. ("Coast") the leading and prominent investment house in Kuwait, to collaborate on a new custom equity index for the Kuwait market. The index, named the Coast Kuwait 40, will contain equities listed on the Kuwait Stock Exchange, and will use the globally recognized Industry Classification Benchmark (ICB) as the basis for its stock classification. The agreement is an innovative move to bring international index standards to the Kuwait market, providing international and domestic investors with tools to assist with benchmarking, analysis and the creation of derivatives

3- Coast Website (www.coast.com.kw)

We continue to invest in our company's back up services and systems to create an ideal working environment and better serve our staff and clients. In doing so we have created our website and continue to devote considerable resources to develop it.

Consolidated Financial Statements and Auditors' Report

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Independent auditors' report

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Coast Investment & Development Co. – KSC (Closed) (the parent company) and Subsidiaries (the group), which comprises the consolidated balance sheet as at 31 December 2006, and the related consolidated statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the Consolidated Financial Statements

The directors of the parent company are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted for use in the State of Kuwait. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the parent company, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the group as at 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted for use in the State of Kuwait.

Report on Other Legal and Regulatory Matters

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 parent company's 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, as amended, 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 parent company's articles of association, as amended, 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
20 March 2007

Consolidated statement of income

	Note	**Year ended 31 Dec. 2006 KD '000**	Year ended 31 Dec. 2005 KD '000
Income			
Realised gain on investments at fair value through statement of income		**557**	507
Unrealised (loss)/gain on investments at fair value through statement of income		**(10,669)**	20,061
Realised gain on sale of available for sale investments		**271**	452
Dividend income		**2,709**	1,795
Income from sale of investment properties		**296**	1,091
Management fees		**1,277**	1,546
Share of results of associates		**(810)**	7,849
Interest income		**2,928**	263
Other income	6	**1,813**	2,902
		(1,628)	36,466
Expenses			
General and administrative expenses	7	**(1,328)**	(1,949)
Finance costs		**(5,603)**	(2,984)
Provision for credit losses		**(375)**	(47)
Foreign exchange (loss)/gain		**(51)**	487
(Loss)/profit before tax		**(8,985)**	31,973
Tax		**-**	(277)
(Loss)/profit before contribution to KFAS, NLST and Directors' remuneration		**(8,985)**	31,696
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		**-**	(285)
National Labour Support Tax (NLST)		**-**	(658)
Directors' remuneration		**-**	(150)
(Loss)/profit for the year		**(8,985)**	30,603
Attributable to:			
Shareholders of the parent company		**(8,985)**	30,522
Minority interest		**-**	81
		(8,985)	30,603
Basic and diluted (Loss) / earnings per share	8	**(19) Fils**	65 Fils

The notes set out on pages 24 to 40 form an integral part of these consolidated financial statements.

Consolidated balance sheet

	Note	**31 Dec. 2006 KD '000**	31 Dec. 2005 KD '000
Assets			
Cash and bank balances		**588**	393
Money at call and short notice		**2,065**	2,831
Accounts receivable and other assets	9	**23,186**	3,547
Investments at fair value through statement of income	10	**44,580**	66,681
Available for sale investments	11	**23,966**	5,082
Non-current asset held for sale	12	**30,189**	45,678
Investments in associates	13	**28,663**	24,588
Investment properties	14	**-**	1,107
Property and equipment		**1,118**	1,177
Total assets		**154,355**	151,084
Liabilities and equity			
Liabilities			
Due to banks and other financial institutions		**109**	228
Accounts payable and other liabilities	15	**2,991**	4,548
Loans payable	16	**74,733**	53,874
Total liabilities		**77,833**	58,650
Equity attributable to the shareholders of the parent company			
Share capital	17	**52,108**	43,423
Treasury shares	18	**(6,053)**	(6,183)
Treasury shares reserve		**71**	-
Statutory reserve	19	**8,964**	8,964
Voluntary reserve	19	**1,991**	1,991
Foreign currency translation reserve		**892**	662
Fair value reserve		**1,492**	1,073
Retained earnings		**17,057**	42,161
		76,522	92,091
Minority interest		**-**	343
Total equity		**76,522**	92,434
Total liabilities and equity		**154,355**	151,084

Sulaiman K. Al-Sahli
Chairman

Khaled A. Al-Usaimi
Managing Director

The notes set out on pages 24 to 40 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	Treasury shares reserve KD '000	Statutory reserve KD '000	Voluntary reserve KD '000	Foreign currency translation reserve KD '000	Fair value reserve KD '000	Retained earnings KD '000	Sub Total KD '000	KD '000	KD '000
At 1 January 2006	**43,423**	**(6,183)**	**-**	**8,964**	**1,991**	**662**	**1,073**	**42,161**	**92,091**	**343**	**92,434**
Prior year adjustment (Note 13)	-	-	-	-	-	-	-	(1,545)	(1,545)	-	(1,545)
	43,423	**(6,183)**	**-**	**8,964**	**1,991**	**662**	**1,073**	**40,616**	**90,546**	**343**	**90,889**
Change in fair value of available for sale investment during the year	-	-	-	-	-	-	382	-	382	-	382
Realised gain on sale of available for sale investments	-	-	-	-	-	-	60	-	60	-	60
Share of change in associate's fair value reserve	-	-	-	-	-	-	(23)	-	(23)	-	(23)
Treasury shares reserve	-	-	71	-	-	-	-	-	71	-	71
Foreign currency translation differences	-	-	-	-	-	172	-	-	172	-	172
Total income and expenses recognised directly in equity	-	-	71	-	-	172	419	-	662	-	662
Loss for the year	-	-	-	-	-	-	-	(8,985)	(8,985)	-	(8,985)
Total income and expenses for the year	-	-	71	-	-	172	419	(8,985)	(8,323)	-	(8,323)
Dividend distribution (Note 20)	-	-	-	-	-	-	-	(5,889)	(5,889)	-	(5,889)
Issue of bonus shares (Note 17)	8,685	-	-	-	-	-	-	(8,685)	-	-	-
Purchase of treasury shares	-	(46)	-	-	-	-	-	-	(46)	-	(46)
Sale of treasury shares	-	176	-	-	-	-	-	-	176	-	176
Liquidation of a subsidiary (Note 5)	-	-	-	-	-	58	-	-	58	(343)	(285)
At 31 December 2006	**52,108**	**(6,053)**	**71**	**8,964**	**1,991**	**892**	**1,492**	**17,057**	**76,522**	**-**	**76,522**
At 1 January 2005 (restated)	39,476	(5,356)		5,803	1,991	957	489	18,747	62,107	264	62,371
Change 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
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
Issue of bonus shares	3,947	-		-	-	-	-	(3,947)	-	-	-
Purchase of treasury shares	-	(827)		-	-	-	-	-	(827)	-	(827)
Transfer to statutory reserve	-	-		3,161	-	-	-	(3,161)	-	-	-
At 31 December 2005	43,423	(6,183)		8,964	1,991	662	1,073	42,161	92,091	343	92,434

The notes set out on pages 24 to 40 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Note	**Year ended 31 Dec. 2006 KD '000**	Year ended 31 Dec. 2005 KD '000
OPERATING ACTIVITIES			
(Loss)/profit before tax		**(8,985)**	31,973
Adjustments for:			
Depreciation		**62**	82
Finance costs		**5,603**	2,984
Provision for credit losses		**375**	47
Interest income		**(2,928)**	(263)
Dividend income		**(2,709)**	(1,795)
Unrealised loss/(gain) on investments at fair value through statement of income		**10,669**	(20,061)
Realised gain on sale of available for sale investments		**(271)**	(452)
Income from sale of investment properties		**(296)**	(1,091)
Share of results of associates		**810**	(7,849)
Foreign exchange loss/(gain) on non-operating assets and liabilities		**(552)**	(929)
		1,778	2,646
Changes in operating assets and liabilities:			
Investments at fair value through statement of income		**3,945**	(11,420)
Accounts receivable and other assets		**(19,639)**	(2,560)
Accounts payable and liabilities		**(1,048)**	1,287
Cash used in operations		**(14,964)**	(10,047)
KFAS contribution paid		**-**	(228)
NLST paid		**(420)**	-
Directors' remuneration paid		**(150)**	(100)
Net cash used in operating activities		**(15,534)**	(10,375)
INVESTING ACTIVITIES			
Purchase of available for sale investments		**(4,158)**	(847)
Proceeds from sale and redemption of available for sale investments		**1,205**	2,202
Proceeds from sale of investment properties		**1,400**	1,640
Purchase of equipment		**(3)**	(45)
Income from available for sale investments		**211**	-
Dividend income received		**2,709**	1,795
Dividend received from associates		**1,161**	551
Interest income received		**2,928**	263
Net cash from investing activities		**5,453**	5,559
FINANCING ACTIVITIES			
Dividend paid		**(5,889)**	-
Purchase of treasury shares		**(46)**	(827)
Sale of treasury shares		**247**	-
Net increase in loans		**20,859**	12,414
Finance costs paid		**(5,542)**	(3,091)
Net cash from financing activities		**9,629**	8,496
(Decrease)/increase in cash and cash equivalents		**(452)**	3,680
Cash and cash equivalents at the beginning of the year	21	**2,996**	(684)
Cash and cash equivalents at the end of the year	21	**2,544**	2,996

The notes set out on pages 8 to 24 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

At 31 December 2006

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 parent company is regulated by the Central Bank of Kuwait as an investment company.

The group comprises the parent company and its subsidiaries. Details of subsidiary companies are set out in Note 5.

The group is engaged in various types of investment activities.

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 2006 were authorised for issue by the parent company's board of directors on 20 March 2007 and are subject to the approval of the general assembly of the shareholders.

2 Adoption of new and revised International Financial Reporting Standards

At the date of authorisation of these consolidated financial statements, IFRS 7 "Financial Instruments: Disclosures" and IFRIC 8 "Scope of IFRS 2" were in issue but not yet mandatory. The application of IFRS 7, which will be effective for the year ending 31 December 2007 will result in amended and additional disclosures relating to financial instruments and associated risks. The application of IFRIC 8, which is also effective for 2007, is not expected to have a material impact on the financial statements of the group.

3 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 accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2005.

The consolidated financial statements have been presented in Kuwaiti Dinars which is the functional currency.

3 Significant accounting policies (continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the parent company for the year ended 31 December 2006, 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 using consistent accounting policies.

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.

Minority interests represent the portion of profit or loss and net assets not held by the group and are presented separately in the consolidated statement of income and within equity in the consolidated balance sheet, separately from parent shareholders' equity. Acquisitions of minority interests are accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the group's share of the fair value of the net identifiable assets of the acquired subsidiary or associate as at the date of the acquisition. Goodwill arising on the acquisition of a subsidiary is recognised as a separate asset in the balance sheet. Goodwill arising on the acquisition of an associate is included within the carrying amount of the investment. Any excess, at the date of acquisition, of the Group's share in the fair value of the net identifiable assets acquired over the cost of the acquisition is recognised as negative goodwill.

Goodwill is stated at cost less impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment. Negative goodwill arising on an acquisition is recognised directly in the consolidated statement of income.

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

3 Significant accounting policies (continued)

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.

Gains or losses 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 but no longer has control over the asset or a proportion of the asset. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, of the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statement of income.

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

3 Significant accounting policies (continued)

Impairment and uncollectability of financial assets (continued)

(c For assets carried at amortised cost, impairment is the difference between carrying amount and the present .value of future cash flows discounted at the original effective interest rate

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.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the financial asset no longer exist or have decreased and the decrease can be related objectively to an event occurring after the impairment was recognised. Except for equity instruments classified as available for sale, reversals of impairment losses are recognised in the consolidated statement of income to the extent the carrying value of the asset does not exceed its amortised cost at the reversal date. Reversals in respect of equity instruments classified as available for sale are recognised in the fair value reserve.

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 an earnings multiple, or an industry specific earnings multiple or is based on the expected cash flows of the investment discounted at current rates applicable for items with similar terms and risk characteristics. Fair value estimates take into account liquidity constraints and assessment for any impairment. 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.

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.

Investment in associates

An associate is an entity over which the group exerts significant influence. Investments in associates are accounted for under the equity method of accounting. Where an associate is acquired and held exclusively for resale, it is accounted for as a non-current asset held for resale under IFRS 5.

Under the equity method, the investment in associate is initially recognised at cost and adjusted thereafter for the post-acquisition change in the group's share of the associate's equity. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. The group recognises in the consolidated statement of income its share of the total recognised profit or loss of the associate from the date that influence effectively commenced until the date that it effectively ceases. Distributions received from the associate reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the group's share in the associate arising from changes in the associate's equity. The group's share of those changes is recognised directly in equity.

Unrealised gains on transactions with associate are eliminated to the extent of the group's share in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred. An assessment for impairment of investments in associates is performed when there is an indication that the asset has been impaired, or that impairment losses recognised in prior years no longer exist.

The associate's financial statements are prepared either to the parent company's reporting date, or to a date not earlier than three months of the parent company's reporting date using consistent accounting policies where practicable.

3 Significant accounting policies (continued)

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.

Impairment of non-financial assets

The group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and then its recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount by recognising impairment loss in the consolidated statement of income. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit). In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by available fair value indicators.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount.

Goodwill

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount of the cash-generating units to which goodwill has been allocated, an impairment loss is recognised immediately in statement of income. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods. The company performs its annual impairment test of goodwill as at 31 December.

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.

3 Significant accounting policies (continued)

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

The consolidated financial statements are presented in Kuwaiti Dinars, which is the parent company's functional and presentational currency. Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to gain/ loss on foreign currency translation in the consolidated statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at closing rate.

Group companies

As at the reporting date, the assets and liabilities of foreign subsidiaries are translated into the parent company's presentation currency (the Kuwaiti Dinars) at the rate of exchange ruling at the balance sheet date, and their income statements are translated at the average exchange rates for the year. Exchange differences arising on translation are taken directly to foreign exchange translation reserve within equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to the particular foreign operation is recognised in the consolidated statement of income.

On equity accounting, the carrying value of the associates is translated into the parent company's presentation currency (the Kuwaiti Dinar) at rate of exchange ruling at the balance sheet date and the results of the associates are translated at the average rates of exchange for the year. All foreign exchange translation differences are taken to the foreign exchange translation reserve within equity until disposal at which time they are recognised 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, are not included in these consolidated financial statements.

4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the group's accounting polices, which are described in note 3, management is required to make judgements, estimates and assumption about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of 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;
- an earnings multiple or industry specific multiple;
- 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.

Critical judgements in applying accounting polices

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.

4 Critical accounting judgements and key sources of estimation uncertainty (continued)

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.

5 Subsidiary companies

Details of subsidiary companies are set out below:

	Country of incorporation	Percentage ownership %		Principal activity
		2006	2005	
Coast Creative Development Corporation	USA	**-**	80	Real estate investment
Coast Investments Limited	British Virgin Islands	**100**	100	Investment services
Coast Holding Corporation	USA	**100**	-	Investment services
Winters Estate LLC	USA	**80**	-	Real estate investment

During the year the group decided to liquidate its subsidiary Coast Creative Development Corporation. The revenue, expenses and net assets of the subsidiary were immaterial at the balance sheet date.

6 Other income

Other income includes incentive fees of KD 1,692 thousand (2005: KD2,884) earned during the year from a fund managed by the parent company.

7 General and administrative expenses

	2006 KD '000	2005 KD '000
Staff costs	**959**	1,407
Other expenses	**369**	542
	1,328	1,949

8 Basic and diluted (loss)/earnings per share

Basic and diluted (loss)/earnings per share is calculated by dividing the (loss)/profit for the year attributable to the shareholders of the parent company by the weighted average number of shares excluding treasury shares.

	2006	2005
(Loss)/profit for the year attributable to shareholders of the parent company (KD '000)	**(8,985)**	30,522
Weighted average number of shares (excluding treasury shares)	**471,276,511**	472,573,967
Basic and diluted (loss)/earnings per share	**(19)Fils**	65 Fils

The weighted average number of shares for the comparative period have been adjusted to reflect the bonus issue in May 2006 (Note 20).

9 Accounts receivable and other assets

	2006 KD '000	2005 KD '000
Due from Kuwait Clearing Company	**21,370**	2,570
Accrued income	**379**	432
Other assets	**1,437**	545
	23,186	3,547

10 Investments at fair value through statement of income

	2006 KD '000	2005 KD '000
Held for trading		
Local quoted securities	**34,392**	52,250
Local unquoted securities	**165**	-
	34,557	52,250
Designated		
Local quoted securities	**289**	5,724
Local unquoted securities	**6,244**	4,934
Local mutual funds (investing in quoted securities)	**2,021**	2,520
Foreign mutual funds	**1,246**	1,098
Foreign quoted securities	**223**	155
	10,023	14,431
	44,580	66,681

11 Available for sale investments

	2006 KD '000	2005 KD '000
Unquoted investments	**23,966**	5,082

Unquoted investments include investments in private equity funds amounting to KD 5,084 thousand (2005: KD4,516 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 KD3,393 thousand (2005: KD566 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.

An investment with a carrying amount of KD15,489 thousand is carried at fair value based on a valuation performed by an independent professional valuator as of 31 December 2005 using the discounted cash flow method of valuation. Management believes that the fair value has not changed materially during the year based on the financial information available to them.

12 Non-current asset held for sale

This represents holding in a European manufacturing company. 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 sell the investment. The realisation of the sale plan was not achieved during the year due to circumstance beyond the parent company's control. However, during the year, a sale agreement was signed with a related party to dispose of 28% of the parent company's interest in the European manufacturing company. The parent company expects to complete the sale during the year 2007. As at 31 December 2006, the remaining 14.38% has been reclassified and accounted for as an available for sale investment in accordance with the revised IAS 39.

In the opinion of management, the fair value of the investment is not materially different from its carrying amount.

13 Investments in associates

Details of associates are set out below:

Name	Country of incorporation	Voting capital held %	Purpose
Rico GmbH (unquoted)	Germany	23.73	Manufacturing
Coast Investment Fund	Kuwait	28.09	Investing activities
Aqar Real Estate Investment Co. – KSC (Closed) (quoted)	Kuwait	18.92	Real estate activities

During the year, parent company acquired additional shares in Aqar Real Estate Investment Company –KSC (Closed) increasing its equity shares to 18.29%. In addition, the parent company secured the board representation giving it significant influence over Aqar Real Estate Investment Company – KSC (Closed), as a result of which it is classified as investment in associate. In 2005, the investment was accounted under IAS 39 and classified as investment at fair value through statement of income. In accordance with IFRS 3 "Business Combination", the parent company reversed previously recognised fair value adjustments and accounted for share of accumulated retained earnings of Aqar Real Estate Investment Company – KSC (Closed) prior to the combination under IFRS 3 resulting in an adjustment of KD1,545 thousand to retained earnings as of 1 January 2006.

Carrying amount of investments in associates:

	2006	2005
	KD '000	KD '000
Carrying amount as at 1 January	**24,588**	13,451
Additions	**5,855**	4,113
Redemptions during the year	**(1,161)**	(551)
Share of results	**(810)**	7,849
Foreign exchange translation adjustments	**191**	(274)
Carrying amount at 31 December	**28,663**	24,588
Aggregate share of associates' balance sheet:		
Total assets	**30,004**	27,316
Total liabilities	**2,792**	2,728
Net Assets	**27,212**	24,588

13 Investments in associates (continued)

	2006 KD '000	2005 KD '000
Aggregate share of associates' revenue and (loss)/profit:		
(Loss)/revenue	**(717)**	10,475
(Loss)/profit	**(810)**	7,849

The carrying amount in the investment in Aqar Real Estate Investment Company –KSC (Closed) includes goodwill of KD1,451 thousand.

Investments in associates with a carrying value of KD25,476 thousand (2005: KD22,535 thousand) have a fair value of KD25,808 thousand (2005: KD22,535 thousand) based on market bid prices. The fair value of the remaining investment could not be reliably determined.

14 Investment properties

	2006 KD '000	2005 KD '000
Carrying amount at 1 January	**1,107**	1,671
Disposal	**(1,107)**	(564)
Carrying amount at 31 December	**-**	1,107

15 Accounts payable and other liabilities

	2006 KD '000	2005 KD '000
Accrued expenses	**688**	1,228
Other liabilities	**2,303**	3,320
	2,991	4,548

16 Loans payable

	Effective interest rate %	Security	2006 KD '000	2005 KD '000
Loans in KD	7.75	-	**-**	2,390
Loans in KD	8.25-8.75	Unsecured	**54,810**	29,369
Loans in U.S. Dollars	7.36-8.18	Unsecured	**16,014**	18,548
Loans in EURO	5.72	Unsecured	**3,909**	3,567
			74,733	53,874

17 Share capital

	Authorised		Issued and fully paid	
	2006	2005	**2006**	2005
Shares of KD0.100 each	**521,077,627**	434,231,356	**521,077,627**	434,231,356

The annual general meeting of the shareholders held on 3 May 2006 approved the increase in the authorised capital of the parent company from KD43,423 thousand to KD52,108 by issue of 86,846 thousand bonus shares (Note 20).

18 Treasury shares

	2006	2005
Number of shares	**48,701,301**	41,592,000
Percentage of holding	**9.35%**	9.58%
Market value (KD '000)	**8,766**	21,212

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

19 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 before KFAS, NLST and board of directors' remuneration for each year attributable to the shareholders of the parent company 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 before KFAS, NLST and board of directors' remuneration for the year attributable to the shareholders of the parent company 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.

20 Proposed cash dividend and bonus shares

The directors do not propose any dividend for the year ended 31 December 2006.
The proposed cash dividend of 15 Fils per share and bonus shares of 20% for the year ended 31 December 2005 were approved by the shareholders' general assembly held on 3 May 2006 and paid following the approval.

21 Cash and cash equivalents

	2006 KD '000	2005 KD '000
Cash and current accounts	**588**	393
Money at call and short notice	**2,065**	2,831
Due to banks and other financial institutions	**(109)**	(228)
	2,544	2,996

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.

22 Related party transactions

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

	2006 KD '000	2005 KD '000
Transactions included in the consolidated statement of income		
Management fees	**735**	702
Incentive fees	**1,692**	2,884
Key management compensation		
Salaries and other short term benefits	**298**	411
Terminal benefits	**28**	37

23 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	United States of America	Europe	Total
	KD '000	KD '000	KD '000	KD '000
Year ended 31 December 2006				
Segment (loss)/income	**(2,405)**	**422**	**355**	**(1,628)**
Segment result	**(9,711)**	**422**	**355**	**(8,934)**
Foreign exchange loss				**(51)**
Loss for the year				**(8,985)**
As at 31 December 2006				
Segment assets	**99,465**	**3,637**	**51,253**	**154,355**
Segment liabilities	**1,900**	**63**	**-**	**1,963**
Loans payable				**74,733**
Unallocated liabilities				**1,137**
Total liabilities				**77,833**
Net assets employed				**76,522**
Year ended 31 December 2005				
Segment income	34,124	1,597	745	36,466
Segment result	29,416	1,358	712	31,486
Foreign exchange gain				487
Unallocated expenses				(1,370)
Profit for the year				30,603
As at 31 December 2005				
Segment assets	94,786	5,271	51,027	151,084
Segment liabilities	2,779	169	-	2,948
Loans payable				53,874
Unallocated liabilities				1,828
Total liabilities				58,650
Net assets employed				92,434

24 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 2006 amounted to KD270,692 thousand (2005 : KD479,402 thousand).

25 Capital commitments

At the balance sheet date the group had capital commitments of KD 7,217 thousand (2005 : KD4,242 thousand) towards available for sale investments.

26 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 2006 and 31 December 2005 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 2006							
ASSETS							
Cash and bank balances	-	-	-	-	588	588	
Money at call and short notice	1,500	565	-	-	-	2,065	2 – 5
Accounts receivable and other assets	-	-	-	-	23,186	23,186	
Investments at fair value through statement of income	-	-	-	-	44,580	44,580	
Available for sale investments	-	-	-	-	23,966	23,966	
Non-current asset held for sale	-	-	-	-	30,189	30,189	
Investments in associates	-	-	-	-	28,663	28,663	
Property and equipment	-	-	-	-	1,118	1,118	
Total assets	1,500	565	-	-	152,290	154,355	
LIABILITIES							
Due to banks and other financial institutions	109	-	-	-	-	109	7- 8.5
Accounts payable and other liabilities	-	-	-	-	2,991	2,991	
Loans payable	9,392	37,481	14,360	13,500	-	74,733	7 – 8.5
Total liabilities	9,501	37,481	14,360	13,500	2,991	77,833	

26 Interest rate risk (continued)

	Up to 1 month KD '000	1-3 months KD '000	3-12 months KD '000	Over 1 year KD '000	Not exposed to interest rate risk KD '000	Total KD '000	Effective interest rate %
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	-	-	-	-	66,681	66,681	
Available for sale investments	-	-	-	-	5,082	5,082	
Non-current asset held for sale	-	-	-	-	45,678	45,678	
Investments in associates	-	-	-	-	24,588	24,588	
Investment properties	-	-	-	-	1,107	1,107	
Property and equipment	-	-	-	-	1,177	1,177	
Total assets	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
Total liabilities	12,308	24,372	2,392	15,030	4,548	58,650	

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

27 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 management 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:

	2006 KD '000 Equivalent long/(short)	2005 KD '000 Equivalent long/(short)
Euro	**46,414**	46,028
U.S. Dollar	**(11,171)**	(12,279)
Pound Sterling	**115**	2,240
Other currencies	**276**	539

28 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, the parent company's 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 investments at fair value through statement of income, available for sale investments and non-current assets held for sale are based on planned exit dates.

28 Liquidity risk (continued)

The maturity profile of the assets and liabilities at 31 December 2006 and 31 December 2005 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 2006						
ASSETS						
Cash and bank balances	**588**	**-**	**-**	**-**	**-**	**588**
Money at call and short notice	**1,500**	**565**	**-**	**-**	**-**	**2,065**
Accounts receivable and other assets	**1,082**	**20,706**	**1,398**	**-**	**-**	**23,186**
Investments at fair value through statement of income	**-**	**2,608**	**39,951**	**233**	**1,788**	**44,580**
Available for sale investments	**-**	**-**	**23,966**	**-**	**-**	**23,966**
Non-current asset held for sale	**-**	**-**	**30,189**	**-**	**-**	**30,189**
Investments in associates	**-**	**-**	**-**	**-**	**28,663**	**28,663**
Property and equipment	**-**	**-**	**-**	**-**	**1,118**	**1,118**
	3,170	**23,879**	**95,504**	**233**	**31,569**	**154,355**
LIABILITIES						
Due to banks and other financial institutions	**109**	**-**	**-**	**-**	**-**	**109**
Accounts payable and other liabilities	**2**	**242**	**2,747**	**-**	**-**	**2,991**
Loans payable	**9,392**	**37,481**	**14,360**	**-**	**13,500**	**74,733**
	9,503	**37,723**	**17,107**	**-**	**13,500**	**77,833**
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	2,021	498	66,681
Available for sale investments	-	-	5,082	-	-	5,082
Non-current asset held for sale	-	-	45,678	-	-	45,678
Investments in associates	-	-	-	-	24,588	24,588
Investment properties	-	-	361	746	-	1,107
Property and equipment	-	-	-	-	1,177	1,177
	2,780	11,623	107,651	2,767	26,263	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

29 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 equity and real estate investments.

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

30 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.

31 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 2006 and 2005 approximated their fair values except for available for sale investments carried at cost in Note 11.

32 Comparative figures

The comparative figures for investments at fair value through statement of income and investments in associates have been decreased/increased by KD22,535 thousand respectively as a result of reclassification of an investment from investments at fair value through statement of income to investments in associates during the current and prior year. This reclassification does not affect previously reported profit and equity.