CONSOLIDATED FINANCIAL STATEMENTS
& INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2005

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The Investment Dar Company K.S.C. (Closed)
State of Kuwait

Independent Auditors' Report to the Shareholders

We have audited the accompanying consolidated balance sheet of The Investment Dar Company K.S.C. - (Closed) ("the Parent Company") and its subsidiaries (together referred to as "the Group") as of 31 December 2005 and the related consolidated statements of income, changes in equity and cash flows for the year then ended.

Respective responsibilities of management and auditors

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

Basis of Opinion

We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement; an audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

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

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

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 organization of banking business, and its related regulations during the year ended 31 December 2005.

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License No. 62A
Bader & Co. PricewaterhouseCoopers

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Member firm of Moore Stephens International

Kuwait, 8 March 2006

CONSOLIDATED BALANCE SHEET

AS OF 31 DECEMBER 2005
(All amounts are in Kuwaiti Dinars)

	Note	2005	2004 (Restated)
Assets			
Cash and cash equivalents	3	27,351,764	26,174,935
Murabaha investments	4	14,301,595	540,101
Investments at fair value through profit and loss	5	114,191,889	37,299,080
Investments available for sale	6	127,345,216	5,346,057
Receivables	7	161,801,804	189,452,589
Other receivables	8	71,914,093	18,283,557
Land and real estate held for trading		316,944	511,990
Investment properties	9	66,918,658	26,218,687
Land and real estate under development	10	24,196,155	22,611,662
Investment in associates	11	52,279,921	989,542
Investment in unconsolidated subsidiaries	12	665,000	-
Intangible assets	13	2,724,367	2,490,361
Property and equipment	14	5,621,276	4,534,072
Total Assets		**669,628,682**	**334,452,633**
Liabilities and Equity			
Liabilities			
Payables and other credit balances	15	114,635,065	10,020,361
Murabaha and Wakala payable	16	331,796,023	209,185,409
Islamic Sokok	17	28,573,255	-
Employees' end of service indemnity		789,062	699,974
Total Liabilities		**475,793,405**	**219,905,744**
Equity			
Equity attributable to the shareholders of the Parent Company			
Share capital	18	50,718,995	50,718,995
Share premium		25,674,252	25,674,252
Treasury shares	19	(2,936,352)	(443,707)
Statutory reserve	20, 21	14,527,648	6,267,927
Voluntary reserve	20, 21	13,430,755	6,267,927
General reserve	20, 21	9,026,178	1,000,000
Other reserves	20, 21	3,242,609	819,738
Gain on sale of treasury shares		-	109,556
Retained earnings		63,331,317	21,390,184
		177,015,402	111,804,872
Minority interests		16,819,875	2,742,017
Total Equity		193,835,277	114,546,889
Total liabilities and Equity		**669,628,682**	**334,452,633**

The accompanying notes (1) to (38) form an integral part of these consolidated financial statements.

Adnan A. Al-Musallam
Chairman and Managing Director

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2005
(All amounts are in Kuwaiti Dinars)

	Note	2005	2004 (Restated)
Revenue			
Finance income		20,118,472	14,468,310
Investments income	22	33,675,438	6,121,624
Gain on partial disposal of a subsidiary		6,648,684	-
Group's share from associates' profits	11	5,318,593	29,207
Investment services income	23	14,654,328	4,941,284
Income from land and real estate	24	38,499,722	25,944,169
Other income	25	1,895,314	1,152,145
		120,810,551	**52,656,739**
Expenses and other charges			
Finance cost		17,883,511	14,118,981
General and administrative expenses	26	11,405,436	7,375,105
Provision for doubtful debts		2,824,543	2,193,932
Depreciation and amortization		1,092,180	680,660
Kuwait Foundation for the Advancement of Science ("KFAS")		393,500	198,734
National Labor support tax		1,562,771	615,132
Board of Directors' remuneration		150,000	110,000
		35,311,941	25,292,544
Net profit for the year		**85,498,610**	**27,364,195**
Attributable to:			
Shareholders of the parent Company		80,490,935	26,948,048
Minority interest		5,007,675	416,147
Net profit for the year		**85,498,610**	**27,364,195**
Earnings per share attributable to the shareholders of the parent company (fils)	27	**161.72**	55.50

The accompanying notes (1) to (38) form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2005
(All amounts are in Kuwaiti Dinars)

	Equity Attributable to the Shareholders of the Parent Company							Minority interests	Total equity
	Share capital (Note 18)	Share premium	Treasury shares (Note 19)	Reserves (Note 20,21)	Gain on sale of treasury shares	Retained earnings	Total equity attributable to the shareholders of the parent company		
Balance at 31 December 2003 as previously reported	35,513,570	13,860,181	(329,254)	7,184,111	69,916	11,153,351	67,451,875	287,942	67,739,817
Effect of change in accounting policy (note 34)	-	-	-	(124,621)	-	124,621	-	-	-
Balance at 31 December 2003 (Restated)	35,513,570	13,860,181	(329,254)	7,059,490	69,916	11,277,972	67,451,875	287,942	67,739,817
Distribution of bonus shares for 2003	5,327,033	-	-	-	-	(5,327,033)	-	-	-
Cash dividends for 2003	-	-	-	-	-	(3,551,357)	(3,551,357)	-	(3,551,357)
Increase in capital – cash	9,878,392	11,814,071	-	-	-	-	21,692,463	-	21,692,463
Purchase of treasury shares	-	-	(232,453)	-	-	-	(232,453)	-	(232,453)
Sale of treasury shares	-	-	118,000	-	39,640	-	157,640	-	157,640
Net movement in subsidiaries	-	-	-	-	-	-	-	2,037,928	2,037,928
Change in fair value of investments available for sale	-	-	-	767,467	-	-	767,467	-	767,467
Foreign currency translation reserve	-	-	-	(7,813)	-	-	(7,813)	-	(7,813)
Total profit recognized directly in equity	-	-	-	759,654	39,640	-	799,294	-	799,294
Net profit for the year	-	-	-	-	-	26,948,048	26,948,048	416,147	27,364,195
Total recognized profit of the year	-	-	-	759,654	39,640	26,948,048	27,747,342	416,147	28,163,489
Transfer to reserves	-	-	-	6,536,448	-	(6,536,448)	-	-	-
Balance at 31 December 2004	50,718,995	25,674,252	(443,707)	14,355,592	109,556	22,811,182	113,225,870	2,742,017	115,967,887
Effect of acquiring an associate (Note 11)	-	-	-	-	-	(1,420,998)	(1,420,998)	-	(1,420,998)
Balance at 31 December 2004 (Restated)	50,718,995	25,674,252	(443,707)	14,355,592	109,556	21,390,184	111,804,872	2,742,017	114,546,889

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(continued)*

FOR THE YEAR ENDED DECEMBER 31, 2005
(All amounts are in Kuwaiti Dinars)

	Equity Attributable to the Shareholders of the Parent Company							Minority interests	Total equity
	Share capital (Note 18)	Share premium	Treasury shares (Note 19)	Reserves (Note 20,21)	Gain on sale of treasury shares	Retained earnings	Total equity attributable to the shareholders of the parent company		
Balance at 31 December 2004 as previously reported	50,718,995	25,674,252	(443,707)	14,669,889	109,556	22,496,885	113,225,870	2,742,017	115,967,887
Effect of change in accounting policy (Note 34)	-	-	-	(314,297)	-	314,297	-	-	-
Effect of acquiring an associate (Note 11)	-	-	-	-	-	(1,420,998)	(1,420,998)	-	(1,420,998)
Balance at 31 December 2004 (Restated)	50,718,995	25,674,252	(443,707)	14,355,592	109,556	21,390,184	111,804,872	2,742,017	114,546,889
Cash dividends for year 2004	-	-	-	-	-	(12,520,580)	(12,520,580)	-	(12,520,580)
Dividends in kinds for year 2004	-	-	-	-	-	(9,509,780)	(9,509,780)	-	(9,509,780)
Transferred for Zakat for year 2004	-	-	-	(1,096,893)	-	-	(1,096,893)	-	(1,096,893)
Purchase of treasury shares	-	-	(12,614,197)	-	-	-	(12,614,197)	-	(12,614,197)
Sale of treasury shares	-	-	10,121,552	-	7,916,622	-	18,038,174	-	18,038,174
Net movement in subsidiaries	-	-	-	-	-	-	-	9,070,183	9,070,183
Change in fair value of investments available for sale	-	-	-	2,665,275	-	-	2,665,275	-	2,665,275
Recycling of the investments sold during the year	-	-	-	(219,455)	-	-	(219,455)	-	(219,455)
Foreign currency translation reserve	-	-	-	(22,949)	-	-	(22,949)	-	(22,949)
Total profit recognized directly in equity	-	-	-	2,422,871	7,916,622	-	10,339,493	-	10,339,493
Net profit for the year	-	-	-	-	-	80,490,935	80,490,935	5,007,675	85,498,610
Total recognized profit of the year	-	-	-	2,422,871	7,916,622	80,490,935	90,830,428	5,007,675	95,838,103
Transfer to reserves	-	-	-	24,545,620	(8,026,178)	(16,519,442)	-	-	-
Balance at 31 December 2005	50,718,995	25,674,252	(2,936,352)	40,227,190	-	63,331,317	177,015,402	16,819,875	193,835,277

The accompanying notes (1) to (38) form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2005

(All amounts are in Kuwaiti Dinars)

	Note	2005	2004 (Restated)
Cash flows from operating activities			
Operating income before changes in working capital	29	65,962,469	27,649,337
Receivables		25,141,446	(21,871,919)
Other receivables		(60,694,462)	1,710,069
Investments at fair value through profit or loss		(86,402,589)	(19,909,153)
Land and real estate held for trading		195,046	(4,490)
Payables and other credit balances		104,290,289	(9,233,051)
Payment of employees end of service indemnity		(215,685)	(163,615)
Net cash used in operating activities		48,276,514	(21,822,822)
Payment for Kuwait Foundation for the Advancement of Sciences		(198,734)	(112,847)
Payment for National Labour Support Tax		(615,132)	-
Net cash generated from/ (used in) operating activities		**47,462,648**	**(21,935,669)**
Cash flows from investing activities			
Payment for purchase of investment in associate		(45,540,314)	(199,900)
Murabaha investments		(13,761,494)	(2,642)
Investments available for sale		(119,826,288)	(8,382,437)
Cash used in acquisition of a subsidiary		(665,000)	(4,365,733)
Net change in land and real estate under development		(35,970,845)	(10,465,825)
Payment for purchase of property and equipment		(4,559,651)	(3,789,192)
Proceeds from sale of property and equipment		-	634,713
Payments for purchase of intangible assets		(363,706)	-
Net change in investment properties		14,828,589	8,982,755
Murabaha and dividends received		1,320,600	667,753
Net cash used in investing activities		**(204,538,109)**	**(16,920,508)**
Cash flows from financing activities			
Net receipts from murabaha and wakala payables		122,610,614	25,292,690
Proceeds from issuance of islamic sokok		28,573,255	-
Proceeds from share capital increase		-	9,878,392
Proceeds from issue premium		-	11,814,071
Net movement of treasury shares		5,423,977	(74,813)
Payment of dividends		(12,433,414)	(3,551,357)
Net cash from financing activities		144,174,432	43,358,983
Net change in minority interest		14,077,858	1,835,879
Net increase in cash and cash equivalents		**1,176,829**	**6,338,685**
Cash and cash equivalents at beginning of the year		26,174,935	19,836,250
Cash and cash equivalents at end of the year	3	**27,351,764**	**26,174,935**

The accompanying notes (1) to (38) form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

(All amounts are in Kuwaiti Dinars unless otherwise stated)

1. Incorporation of the Group

The Investment Dar Company ("The Parent Company") is a Closed Kuwaiti Shareholding Company established in Kuwait in 1994 and is registered as an investment company with the Central Bank of Kuwait on 27 August 1995. The shares of the Parent Company were listed on Kuwait Stock Exchange on April 1999. The Parent Company's headquarter office is domiciled at Ahmed Al-Jaber Street, Sharq, Kuwait.

The consolidated financial statements include the financial statements of the Parent company and its subsidiaries (17 subsidiary) (Together referred as The Group).

The activities of the Group are carried out in accordance with Noble Islamic Sharia principles. The principal activities of the Group are selling and leasing of motor vehicles and real estate properties to consumers based on Musawama, Murabaha, Ijara and Wakala contracts. The Group is also engaged in Murabaha investments with local Islamic financial institutions, trading in land and real estate and managing financial portfolios and investment funds for others.

The consolidated financial statements consist of the financial statements of the parent company and its subsidiaries which are as follows:

Company	Legal Form	Ownership % 2005	Ownership % 2004	
Masha'er General Trading & Contracting Co.	W.L.L	100	100	by virtue of letter of renunciation
ManaFe'a Real Estate Co.	W.L.L	100	100	by virtue of letter of renunciation
Al Madar Finance & Investment Co. (Formerly Al Dar Finance)	K.S.C.C.	72	96.5	Out of which 2% by virtue of letter of renunciation
Al Shomokh Al Arabi General Trading & Contracting Co.	W.L.L	72	96.5	Out of which 2% by virtue of letter of renunciation
Bawabet Elemar for General Trading & Contracting Co.	W.L.L	72	96.5	Out of which 2% by virtue of letter of renunciation
Dar Al Thoraya Real Estate Company	K.S.C.C.	72	96.5	Out of which 2% by virtue of letter of renunciation
Al Raya Kuwait Real Estate Company	W.L.L	100	100	Out of which 50% by virtue of letter of renunciation
Al Dar Holding Co.	K.S.C.C.	100	98	Out of which 2% by virtue of letter of renunciation
Kuwait & Al Rafdeen Holding Co.	K.S.C.C.	100	98	Out of which 2% by virtue of letter of renunciation
Al Dar International Fund Collection Co.	K.S.C.C.	100	98	Out of which 2% by virtue of letter of renunciation
Al Dar Investment Assets Management Co.	K.S.C.C.	99.8	93.7	-
ADAM Real Estate Co.	B.S.C.C.	100	100	Out of which 10% by virtue of letter of renunciation
Al Dar International For Studies & Consultants	K.S.C.C.	-	50.5	Out of which 2% by virtue of letter of renunciation
Al Dar Regional for Trading & Construction Works	K.S.C.C.	100	99	Out of which 2% by virtue of letter of renunciation
Manazel Tameer Company (Formerly Al Dar International Real Estate Co.)	K.S.C.C.	-	99	Out of which 1% by virtue of letter of renunciation
Credit Rating and Collection Co.	K.S.C.C.	86.1	94	-
Wared Lease and Finance Company *	K.S.C.C.	100	-	Out of which 4% by virtue of letter of renunciation

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005
(All amounts are in Kuwaiti Dinars unless otherwise stated)

Company	Legal Form	Ownership % 2005	2004	
International Education Services Company *	K.S.C.C.	51	-	-
Al Dar Vehicles International Company *	K.S.C.C.	100	-	Out of which 4% by virtue of letter of renunciation
First Dar Health Company *	K.S.C.C.	100	-	Out of which 4% by virtue of letter of renunciation
Ancient heritage for General Trading & Contracting Co.*	W.L.L.	100	-	Out of which 1% by virtue of letter of renunciation
Premium Choice for General Trading & Contracting Co*	W.L.L.	100	-	Out of which 1% by virtue of letter of renunciation
Premium opportunities for General Trading & Contracting Co.*	W.L.L.	100	-	Out of which 1% by virtue of letter of renunciation

The parent Company effectively controls the ownership of the above-mentioned subsidiaries. Legal formalities to complete transferring the ownership of shares owned by virtue of letter of renunciation indicated above were not complete as of the balance sheet date. All subsidiaries had been established in Kuwait except ADAM Real Estate Co., (B.S.C. – Closed) which was established in Bahrain.

Investment Dar Company's sharing in Al Dar Financing Co. (K.S.C.C.) decreased because of dividends paid by Investment Dar for the year ended in December 31, 2004. 75 shares of Al Dar financing for every 1000 shares of Investment Dar's shares.

Accordingly Investment Dar's sharing decreased in Al Shomokh Al Arabi General Trading & Contracting Co., (W.L.L) and Bawabet Elemar for General Trading & Contracting Co., (W.L.L) and Dar Al Thoraya Real Estate Company (K.S.C.C.) as those are subsidiaries of Al Dar Financing Co.

During the year ended December 31, 2005, the Group has sold its investment in Manzel (K.S.C.C.) completely (formerly a subsidiary company).

During the year ended December 31, 2005, the Group's share in Al-Dar International For Studies & Consultants (K.S.C.- closed) has been diluted to 50% (formerly a subsidiary company). The Group currently does not have control over this company, nevertheless it has a significant influence, and accordingly this investment has been reclassified as investment in an associate.

* New companies were established during the year ended December 31, 2005.

The Group has employed 329 employee as of December 31, 2005 (311 employee as at December 31, 2004).

The consolidated financial statements were authorised for issue by the Board of Directors on 8 March 2006.
The shareholders have the authority to amend these consolidated financial statements in the assembly meeting of shareholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(All amounts are in Kuwaiti Dinars unless otherwise stated)

2. Basis of preparation and significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented in these financial statements, unless what stated in Note (2.3). The effect of the changes in accounting policies has been explained in note (34).

2.1 Basis of preparation
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use by the Government of Kuwait for financial institutions regulated by the Central Bank of Kuwait. These regulations require adoption of all IFRS except for the IAS 39 requirements for collective provisions, which has been replaced by the Central Bank of Kuwait's requirements for a minimum general provisions as described in Note (2.3).

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

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

2.2 Consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than 50% of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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

Associates

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

Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss before 31 March 2004) (see Note 2.8).

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(All amounts are in Kuwaiti Dinars unless otherwise stated)

Basis of preparation and significant accounting policies *(continued)*

2.3 Financial instruments

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

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

Financial assets at fair value through profit and loss

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

Receivables

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

Available for sale assets

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

Recognition and De-recognition

Regular purchases and sales of financial asset are recognised on settlement date – the date on which the Group delivers or receives the asset. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Measurement

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005
(All amounts are in Kuwaiti Dinars unless otherwise stated)

Basis of preparation and significant accounting policies *(continued)*

Fair value

The fair values of financial instruments in regular financial market are based on last bid prices.

For the unquoted investment, the group establishes fair value by reference to other instruments that are substantially the same, or by using the expected discounted cash flow analysis after adjustment to reflect the same circumstances of the issuing company. Available for sale investments, which its fair value have not been determined, are carried at cost less impairment losses.

Impairment in value

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

A specific provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts of receivables. The amount of the specific provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, including amounts recoverable from guarantees and collateral, discounted at the effective rate of return. The amount of the provision is recognised in the income statement.

In addition, in accordance with Central Bank of Kuwait instructions, a minimum general provision of 2% of all receivables net of certain restricted categories of collateral and not subject to specific provision after disposal of some categories of guarantees that are under the instruction of Central Bank of Kuwait is provided.

2.4 Cash and cash equivalents

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

2.5 Land and real estate held for trading

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

2.6 Investment properties

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

Investment properties are stated at cost on acquisition and re-measured at fair value. Fair value is determined by an independent registered valuer on each balance sheet date. Gains or losses arising from change in fair value are recognised in the income statement.

2.7 Land and real estate under development

Land and real estate under development are recognized at cost, which includes development costs. When the development process is completed, the land and real estate are classified either as investment property or land and real estate held for trading or as property for the Group's self-occupation as per management intention regarding the future use of these properties.

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Basis of preparation and significant accounting policies *(continued)*

2.8 Intangible assets

Â ***Goodwill***

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Â ***Computer Software***

Costs of computer software, which are expected to have useful lives of more than one year, are carried out at cost and amortized on a straight-line basis over their expected useful lives of 3 years. All other software costs are charged to statement of income.

Â ***Leasehold right of land***

Cost incurred to acquire leasehold rights are carried at cost and amortized on a straight-line basis over their expected useful lives up to 20 years.

2.9 Property and equipment

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

2.10 Impairment of non financial assets

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

2.11 Murabha and Wekala payables

These are financial liabilities created by Murabaha and Wakala contracts. They are recognized initially at fair value, net of transactions costs incurred. Murabaha and Wekala payables are subsequently re-measured and carried out at amortised cost using the effective yield method. Cost of Murabaha and Wekala payables is expensed on a time proportion basis.

2.12 End of service's indemnity

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

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

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Basis of preparation and significant accounting policies *(continued)*

2.13 Treasury shares

Treasury shares represent the Parent Company's own shares that have been issued, subsequently required by the Group and not yet reissued or cancelled. Treasury shares are accounted for using the cost method. Under the cost method, the total cost of the shares acquired is reported as a contra account within equity. When the treasury shares reissued, gains are credited to a separate undistributable account in equity "gain on sale of treasury shares". Any realised losses are charged to retained earnings and then to reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in reserves, retained earnings and the losses on sale of treasury shares.

2.14 Revenue recognition

Murabaha, musawama, wakala and ijara income are recognised on a time proportion basis using the effective rate of return.

Operating lease income is recognised on a straight-line basis over the lease term.

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

Revenue from sale of land and real estate is recognised on the completion of the sale contract & Management fees are recognised when earned.

2.15 Accounting for leases

Leases of assets under which a significant portion of the risks and benefits of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of income on a straight-line basis over the period of the lease.

2.16 Foreign currencies

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

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

2.17 Zakat

Based on the recommendation of the Sharia Supervisory Board , the Group started to calculate Zakat based on Weaa Al-Zakat which consists of assets and liabilities that are subject to Zakat. Zakat is deducted from the voluntary reserve.

2.18 Fiduciary assets

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

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3. Cash and cash equivalents

	2005	2004
Cash on hand	80,471	45,102
Cash with banks and financial institutions	19,042,669	26,129,833
Cash in investment portfolios	8,228,624	-
	27,351,764	26,174,935

4. Murabah investments

This balance represents the amounts deposited in local financial institutions in accordance with Murabah agreements. The average effective rate of return on this balance as of 31 December 2005 is 8.33% (7.54% - 31 December 2004).

5. Investments at fair value through profit and loss

	2005	2004 (Restated)
Held for trading investments	13,751,501	1,575,669
Investments designated at fair value at inception	100,440,388	35,723,411
	114,191,889	37,299,080

	2005	2004 (Restated)
Investments in local shares-quoted	43,174,818	4,362,835
Investments in local shares-unquote	51,074,130	21,583,293
Investments in foreign shares-quote	78,396	1,887,669
Investments in foreign shares-unquote	662,342	954,713
Investments in local funds-quote	843,071	1,994,453
Investments in local funds-unquote	16,347,244	6,516,117
Investments in foreign funds-unquote	2,011,888	-
	114,191,889	37,299,080

Investments at fair value through profit and loss include investments in equity instruments with an amount of KD 56,401,971. These investments represent the Group's share in the capital of the investees with a percentage over 20%. As the Group, does not have a significant influence over the investee's financial and operating policies in addition, the Group's intention is to trade over this investments rather than holding a significant influence, these investments have been classified as investments at fair value through profit and loss.

6. Investments available for sale

	2005	2004 (Restated)
Investments in local shares – quoted	2,215,632	2,387,800
Investments in local shares – unquoted	122,739,244	1,584,255
Investments in foreign shares –unquote	2,135,340	1,374,002
Investments in local funds-unquoted	255,000	-
	127,345,216	5,346,057

Investments available for sale include an amount of KD 124,874,584 as at 31 December 2005 (KD 2,696,152 as at 31 December 2004) represented in unquoted investments carried at cost less impairment loss, since it was not possible to reliability measure their fair values as at 31 December 2005.

Investment available for sale include investment in shares with KD 121,830,000. This investment represents the Group share in the capital of some companies with percentage more than 20%. As the Group does not have significant influence on the financial and operating policies of these companies. These investments have been classified as available for sale investment.

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These investments have been classified as available for sale investment.

7. Receivables

	2005	2004
Cost	177,406,449	202,547,895
Provision for doubtful debts	(15,604,645)	(13,095,306)
	161,801,804	**189,452,589**

The average yield rate on trade receivables is 13.27% as at 31 December 2005 (12.27% as at 31 December 2004). Following is the breakdown of the provision for doubtful debts:

	Specific	General	Total
At 1 January 2005	9,248,346	3,846,960	13,095,306
Amounts written off	(315,205)	-	(315,205)
Charged during the year	2,084,752	739,792	2,824,544
At 31 December 2005	11,017,893	4,586,752	15,604,645
At 1 January 2004	7,551,366	3,223,447	10,774,813
Amounts written of	(71,439)	-	(71,439)
Charged during the year	1,768,419	623,513	2,391,932
At 31 December 200	9,248,346	3,846,960	13,095,306

8. Other receivables

	2005	2004
Suppliers – advance payments	1,103,659	8,025,408
Advances to purchase land & real estate	10,023,764	-
Accrued income	9,010,686	54,634
Due from related parties	7,207,602	829,799
Receivables and investment transactions	5,000,000	-
Other debit balances	39,568,382	9,373,716
	71,914,093	18,283,557

Suppliers – advance payments represent advances paid for purchasing goods under cancellable contracts. Due from related parties comprises of amounts paid on behalf of other parties on investment transactions.

Other debit balances are mainly represented in the advance payment of an investment operation and amounts paid on behalf of an investee company.

9. Investment properties

	2005	2004
Opening balance	26,218,687	24,113,767
Additions	21,145,990	21,904,747
Disposals	(35,610,521)	(30,887,502)
Transferred from land and real estate under development	41,223,028	9,286,822
Transferred from property and equipment	2,509,967	-
Change in fair value	11,431,507	1,800,853
	66,918,658	26,218,687

The investment properties include properties amounting to KD Nil as at 31 December 2005 (KD 3,256,511 – as at 31 December 2004) registered in the name of a member of The Board of Directors. The investment properties are carried by fair value which has been determined by lands amounting to independent valuators.

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10. Land and real estate under development

Land and real estate under development include lands amounting to KD 2,115,792 as at 31 December 2005 (KD 848,808 – as at 31 December 2004) are registered in the name of a member of the Board of Directors. There is a letter of assignment to utilise these properties in the favour of the parent Company.

11. Investments in associates

	Ownership %	2005	2004
Investment House Co (Q.S.C – closed)	-	-	789,642
Proman for Projects Management Co (W.L.L)	49.9	49,900	49,900
Brand Integrated Marketing Communication Advertising Co (K.S.C-closed)	42.86	760,542	150,000
Al Dar International For Studies and Consultancy Co. (K.S.C-closed)	50	1,203,003	-
Wethaq Insurance Co. (K.S.C-closed)	40.72	6,003,481	-
Al Dar First Holding Co (K.S.C-closed)	22.80	19,325,107	-
Bahrain Islamic Bank (B.S.C)	25.88	24,937,888	-
		52,279,921	**989,542**

During the year ended 31 December 2005, the Group has completed the acquisition of 40.72% of the share capital of Wethaq Insurance Co. (KSCC), accordingly the Group has become exercising significant influence over this investee. The Group has reclassified this investment from investments at fair value through profit and loss to investment in an associate.

The effect of the reclassification is as follows:

- Recognizing investment in associate by an amount of KD 5,068,424 which includes a goodwill balance arising from the acquisition with an amount of KD 2,356,055.

- Reducing the opening balance of the retained earnings by an amount of KD 1,420,998 represents changes in the fair value of this investment and which have been recognized through the statement of income in the previous years.

During the year ended 31 December 2005, the Group has completed the acquisition of 22.8% of the share capital of AlDar First Holding Company. The Group has become exercising significant influence over the investee. Accordingly, the Group has reclassified this investment as investment in an associate from the investments at fair value through profit and loss. The balance of this investment include goodwill amounting to KD 2,299,832 as of 31 December 2005.

During the year ended 31 December 2005, the Group has acquired 25.88 % of the share capital of Bahrain Islamic Bank. The group now is in the process of allocating the cost of the investments over the fair value of the identifiable assets and liabilities of the investee bank. The difference between the cost of the acquisition and the Group's share in the net assets of the Bank as of 30 September 2005 amounted to KD 12,111,899.

The Group has recorded its share of profit from the associates amounted to KD 4,940,067 in the following companies / Brand Integrated marketing / Al Dar International for Studies & Consultancy / Al Dar First Holding based on unaudited management accounts prepared by the managements of these companies. The Group's share of the Wethaq Insurance Company which amounted to KD 308,526 has been recorded based on the latest reviewed interim financial statements for the period ended 30 September 2005.

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During the year, the Group has realized profit with an amount of KD 512,491 from sale one of its associate.The following is a summary of the net assets & result of operation of the associates:

Associate Name	Fair value	Net assets	Net Profit
Proman for Projects Management Co (WLL)	Unquoted	49,900	-
Brand Integrated Marketing Communication Advertising Co., (WLL)	Unquoted	760,542	610,542
Al Dar International For Studies and Consultancy Co. (KSCC)	Unquoted	1,203,003	771,532
Wethaq Insurance Co (KSCC)	7,407,477	3,647,426	308,526
Al Dar First Holding Co (KSCC)	Unquoted	17,025,275	3,115,502
Bahrain Islamic Bank	26,647,443	12,825,989	-

12. Investment in unconsolidated subsidiaries

This item represents the cost of the investment in Integrated International Education Services Company's share capital with 51%. This subsidiary has not been consolidated as this subsidiary is immaterial and did not commence its activities yet.

13. Intangible assets

- Intangible assets include net book value of Leasehold land of KD 1,016,987 as at 31 December 2005 (KD 1,077,632- as at 31 December 2004) on which the parent company's building in Shewikh is built. The lease contract is renewable annually.

- Intangible assets include, goodwill of KD 1,325,462 as of 31 December 2005 (KD 1,276,064 – as at 31 December 2004) resulted from the acquisition of a subsidiary.

- During the year ended 31 December 2005, the Group increased its shares in Al Dar Assets Management Company (ADAM) from 92.75% to 98.75%. This acquisition has resulted to a goodwill amounted to KD 310,467. The book value of the net assets of this subsidiary almost equals the its fair value at the date of acquisition.

14. Property and equipment

This item includes work in progress amounting to KD 1,430,034 represents the cost of constructing a building and the cost of leasehold land in Al Ray.

15. Payables and other credit balances

	2005	2004
Trade payables	2,254,813	4,843,499
Accrued expenses	767,310	2,002,646
Accrued Zakat	320,475	2,726
Kuwait Foundation for the Advancement of Science	393,500	198,734
National labour support tax	1,562,771	912,838
Board of directors' remuneration	150,000	110,000
Advances under option contracts	100,000,000	-
Others	9,186,196	1,949,918
	114,635,065	**10,020,361**

The advances under option contracts are represented in amounts received in accordance with agreements that give the purchaser (Oqyana Real Estate) the right to purchase group of properties (World Island Project) when the technical and economic studies of these properties are finalised.

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16. Murabaha and wakala payables

These represent murabaha and wakala contracts that mature over a period of two to four years. The average effective yield rate is 7.20 % as at 31 December 2005 (5.07% as at 31 December 2004).

17. Islamic sokok

During the year, the group obtained Islamic Sokok of USD 100 Million for five years with yield of 2% over Libor, which is to be paid every six months. The Group has mortgaged receivable amounted to KD 30,495,918 as at 31 December 2005 against these Sokok.

18. Share capital

The issued and fully paid up capital is amounting to KD 50,718,995 distributed over 507,189,952 shares of 100 fils per value as at 31 December 2005. (KD 50,718,995 distributed over 507,189,952 shares of 100 fils per value as at 31 December 2004).

On 8 March 2005, the Board of Directors of the parent Company proposed to increase the parent Company's capital by cash with 20% of the paid up share capital. The increase will be 100 fils per shares in addition to a share premium with an amount of 900 fils per share. This proposal is subject to the approval of general assembly and the public authorities.

19. Treasury shares

	2005	**2004**
Number of treasury shares (shares)	4,450,500	1,248,000
Ownership percentage	0.88%	%0.25
Cost (KD)	2,936,352	443,707
Market value (KD)	**7,832,880**	**736,320**

As at 31 December 2005 all treasury shares are owned by some of the subsidiaries.

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20. Reserves

	Statutory Reserve	Voluntary Reserve	General Reserve	Foreign Currency Translation Reserve	Available for Sale Investments Unrealised Gain Revaluation	Total
Balance at 31 December 2003 as previously reported	3,499,703	3,499,703	-	38,023	146,682	7,184,111
Effect of change in accounting policy (Note 34)	-	-	-	-	(124,621)	(124,621)
Balance at 31 December 2004 (Restated)	3,499,703	3,499,703	-	38,023	22,061	7,059,490
Changes in fair value of investments available for sale (Restated)	-	-	-	-	767,467	767,467
Foreign currency translation differences	-	-	-	(7,813)	-	(7,813)
Transfers to reserves	2,768,224	2,768,224	1,000,000	-	-	6,536,448
Balance at 31 December 2004 (Restated)	**6,267,927**	**6,267,927**	**1,000,000**	**30,210**	**789,528**	**14,355,592**
Balance at 31 December 2004 as previously reported	6,267,927	6,267,927	1,000,000	30,210	1,103,825	14,669,889
Effect of change in accounting policy (Note 34)	-	-	-	-	(314,297)	(314,297)
Balance at 31 December 2004 (Restated)	6,267,927	6,267,927	1,000,000	30,210	789,528	14,355,592
Charged for Zakat for year 2004 (Note 37)	-	(1,096,893)	-	-	-	(1,096,893)
Change in fair value of investments available for sale	-	-	-	-	2,665,275	2,665,275
Recycling of the investments sold during the year	-	-	-	-	(219,455)	(219,455)
Foreign currency translation reserve	-	-	-	(22,949)	-	(22,949)
Transferred to reserves (Note 21)	8,259,721	8,259,721	8,026,178	-	-	24,545,620
Balance at 31 December 2005	**14,527,648**	**13,430,755**	**9,026,178**	**7,261**	**3,235,348**	**40,227,190**

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21. Statutory, voluntary, and general reserves

Statutory reserve

In accordance with the Commercial Companies Law and the Parent Company's Articles of Association, 10% of net profit before KFAS and National Labour Support Tax and Board of Directors remuneration is transferred to statutory reserve. Statutory reserve is not distributable to shareholders; however, the reserve could be utilized to secure payment of a dividend of 5% of share capital in years when retained earnings are not sufficient for the payment of a dividend of that amount. When the balance of the reserve exceeds 50% of share capital, the General Assembly is permitted to utilize amounts in excess of 50% of the share capital in aspects seen appropriate for the benefit of the Parent Company and its shareholders.

Voluntary reserve

In accordance with the Parent Company's Articles of Association, a percentage of Group's net profit for the year as proposed by the Board of Directors and approved by the General Assembly is transferred to voluntary reserve. Such annual transfers may be discontinued by a resolution of the General Assembly based on the proposal put forward by the Board of Directors. The Board of Directors proposed a transfer of 10% of net profit before KFAS, National labour Support Tax and Board of Directors remuneration for the year ended 31 December 2005 (10%- 31 December 2004).

General reserve

In accordance with the Parent Company's Articles of Association, an amount of net profit proposed by the Board of Directors and approved by the General Assembly is transferred to general reserve. Such transfer may be discontinued by a resolution of the General Assembly based on a proposal put forward by the Board of Directors. The Board of Directors proposed a transfer of KD 8,026,178 of net profit for the year ended 31 December 2005 (KD 1,000,000 - year ended 31 December 2004).

22. Investments Income

	2005	2004 (Restated)
Profit from sale of investments at fair value through profit and loss	8,795,481	1,858,668
Profit from change in the fair value of investments at fair value through profit and loss	23,629,357	3,595,203
Impairment in value for available for sale	(70,000)	-
Dividends income	913,382	598,433
Murabaha Income	407,218	69,320
	33,675,438	**6,121,624**

Profit from change in the fair value of investments at fair value through profit and loss for the year ended 31 December 2005 resulted from quoted investments.

23. Investment services income

	2005	2004
Management fees on portfolios and investments	3,737,880	359,932
Subscription Fees	9,441,066	3,207,810
Funds' management fees	743,246	762,760
Commissions	144,560	450,000
Researches and consultancy	587,576	160,782
	14,654,328	**4,941,284**

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24. Income from land and real estate

	2005	2004
Gain on sale of land and real estate	26,810,899	23,965,189
Rent income	257,316	178,127
Change in Fair value of investment properties	11,431,507	1,800,853
	38,499,722	**25,944,169**

25. Other income

	2005	2004
Collection fees	194,322	292,278
Gain on sale of property and equipment	1,418	41,095
Operating lease income	671,139	239,044
Collection of receivables written off in previous years	327,192	443,650
Miscellaneous income	701,243	136,078
	1,895,314	**1,152,145**

26. General and administrative expenses

General and administrative expenses included staff costs of KD 3,077,082 for the year ended 31 December 2005 (KD 5,213,332 – 2004).

27. Earnings per share

Earnings per share are calculated by dividing the net profit attributable to the shareholders of the parent company by the weighted average number of outstanding shares during the year.

	2005	2004 (Restated)
Net profit for the year attributable to the shareholders of the parent company	80,490,935	26,948,048
Weighted average No. of outstanding shares during the year / (share)	497,722,527	485,551,751
Earnings per share (fils)	161.72	55.50

28. Proposed dividends

Board of directors proposed cash dividends of 35 fils per share for the year ended 31 December 2005, in addition to 70 subsidiary's owned shares (Madar for Investment and Finance Company K.S.C.C.) per 1000 shares of the Investment Dar Company after deducting treasury shares. Where the amount of distribution shall be determined based on Madar's share price on the date of the General Assembly of The Investment Dar.

The Board of Directors also proposed the dividends of bonus shares with 20% of the paid up capital with 20 shares for each 100 shares of the Investment Dar Company.

This proposal are subject to the approval of the shareholders in the general assembly and the public authorities.

The general assembly approved cash dividend of 25 fils in addition to 75 subsidiary's owned shares (Madar for Investment and Finance Company K.S.C.C) per 1000 shares of the Investment Dar Company for the year ended 31 December 2004.

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29. Cash flows from operating activities

	2005	2004 (Restated)
Net profit for the year	80,490,935	26,948,048
Adjustments:		
Depreciation and amortization	1,092,180	680,660
Provision for doubtful debts	2,509,339	2,193,932
Group's share from associates' profits	(5,318,593)	(29,207)
Murabaha income	(1,320,600)	(667,753)
Change in fair value of investment properties	(11,795,565)	(1,800,853)
Gain on sale of property and equipment	-	(41,095)
End of service indemnity expense	304,773	365,605
Operating income before changes in working capital	65,962,469	27,649,337

30. Related parties transactions

Related parties represents Group's shareholders who have representatives in the Board of Directors, members of the Board of Directors and Senior Management. In the normal course of business, the Group entered into transactions with related parties during the year ended 31 December 2005.

The related parties transactions and outstanding balances relating to these related parties are as follows:

	2005	2004
Transactions		
Finance income	1,833,901	-
Finance cost	69,164	406,145
Purchase for resale	6,082,393	28,424,918

	2005	2004
Balances		
Trade payable	17,970	164,517
Murabaha payable	11,779,696	30,659,409
Suppliers - advance payment	44,490	8,684
Trade receivables	47,161	916,928
Receivables of investment transactions	7,207,602	829,799

The Parent Company also manages portfolios on behalf of a related party. Assets of these portfolios amounted to KD 52,589,361 as at 31 December 2005 (KD 1,031,789 as of31 December 2004), and are held as off balance sheet items.

All related parties transactions are subject to the approval of the general assembly meeting of the shareholders.

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31. Segment distribution

The group carries out most of its activities in Kuwait through three major business segments:

- Finance segment: represented in supplying consumers and companies of all their miscellaneous needs as per contracts complying with the Islamic Sharia principles.
- Real estate segment: represented in sale of land and real estate held for trading or after developing them, cash or through Istesnaa' contracts.
- Investment segment: represented in management of real estate portfolios and investment funds on behalf of third parties and management of the Group's investments.

An information analysis according to segments for the financial year 2004 / 2005 is as follows:

	Finance		Real Estate		Investment		Unallocated items		Total	
	2005	**2004**	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**
Revenues	22,013,786	15,620,455	38,499,722	25,944,169	60,297,043	11,092,115	-	-	120,810,551	52,656,739
Expenses	(8,161,499)	(8,570,085)	(9,333,757)	(10,590,215)	(14,618,233)	(4,527,718)	(3,198,452)	(1,604,526)	(35,311,941)	(25,292,544)
Results	13,852,287	7,050,370	29,165,965	15,353,954	45,678,810	6,564,397	(3,198,452)	(1,604,526)	85,498,610	27,364,195
Assets	162,905,463	197,477,997	91,431,757	49,342,339	379,034,240	54,387,169	36,257,222	33,245,128	669,628,682	334,452,633
Liabilities	90,691,791	130,359,945	49,205,175	30,861,462	313,168,347	35,966,700	22,728,098	22,717,637	475,793,405	219,905,744

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32. Geographical distribution of assets and liabilities

	Assets as at 31 December		Liabilities as at 31 December	
	2005	**2004**	**2005**	**2004**
State of Kuwait	620,175,755	313,519,217	474,230,616	215,950,175
Other GCC countries	46,391,405	14,489,154	1,562,789	3,955,569
Europe	445,503	354,439	-	-
North America	162,265	4,108,399	-	-
Other countries	2,453,754	1,981,424	-	-
	669,628,682	**334,452,633**	**475,793,405**	**219,905,744**

33. Financial risk management

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

Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arms length transaction. The fair values of these financial instruments approximate their book values.

Credit risk

Credit risk is the risk that one party to a financial instrument may fail to discharge an obligation on maturity date and cause the other party to incur a financial loss. Trade receivables are considered the most of the assets exposed to credit risk. The Group mitigate this risk by dealing with a large number of customers, setting up credit limits, monitoring periodically the outstanding balances and by securing appropriate collaterals when deemed necessary.

Foreign currency risk

Represented in the risk of fluctuations in foreign exchange rates that may adversely affect the cash flows of the Group or values of assets and liabilities in foreign currencies. Generally, the Group mitigate this risk through concentration of its business transactions in the local currency.

Rate of return risk

Rate of returns risk arises from changes in market rates of profit and financing costs. The Group's exposure to this risk is minimal as all contracts are either at fixed rates or setting up a ceilings for the effective rate of return on that contracts.

Liquidity risk

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

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The maturity analysis of financial assets and liabilities as at 31 December 2005 is as follows:

	Within 3 months	From 3 months to 1 year	From 1 5 years	More than 5 years	Total
Assets					
Cash and cash equivalents	27,351,764	-	-	-	27,351,764
Murabaha investments	2,488,149	10,529,638	1,283,808	-	14,301,595
Investments at fair value through profit and loss	-	13,751,501	100,440,388		114,191,889
Investments available for sale	-	-	127,345,216	-	127,345,216
Receivables	42,944,111	79,709,047	19,302,442	19,846,204	161,801,804
Other receivables	71,467,864	444,559	1,670	-	71,914,093
Land and real estate held for trading	-	316,944	-	-	316,944
Investment propertie	-	-	66,918,658	-	66,918,658
Land and real estate under development	-	-	-	24,196,155	24,196,155
Investments in associates	-	-	-	52,279,921	52,279,921
Investments in subsidiaries (unconsolidated)	-	-	665,000	-	665,000
Other assets	-	-	5,257,195	3,088,448	8,345,643
Total assets	**144,251,888**	**104,751,689**	**321,214,377**	**99,410,728**	**669,628,682**
Liabilities					
Payables and other credit balances	14,635,065	-	100,000,000	-	114,635,065
Murabaha and wakala payables	109,492,688	129,400,449	86,266,966	6,635,920	331,796,023
Islamic Sokok	-	3,852,022	24,721,233	-	28,573,255
Employee's end of service indemnity	-	-	789,062	-	789,062
Total liabilities	**124,127,753**	**133,252,471**	**211,777,261**	**6,635,920**	**475,793,405**
Net liquidity gap	**20,124,135**	**(28,500,782)**	**109,437,116**	**92,774,808**	**193,835,277**

The maturity analysis of financial assets and liabilities as at 31 December 2004 is as follows:

	Within 3 months	From 3 months to 1 year	From 1 5 years	More than 5 years	Total
Assets					
Cash and cash equivalents	26,174,935	-	-	-	26,174,935
Murabaha investments	-	-	540,101	-	540,101
Investments at fair value through profit and loss	-	37,299,080	-	-	37,299,080
Investments available for sale	-	-	5,346,057	-	5,346,057
Receivables	50,397,610	62,946,492	67,741,017	8,367,470	189,452,589
Other receivables	2,861,720	8,585,161	6,836,676	-	18,283,557
Land and real estate held for trading	-	511,990	-	-	511,990
Investment properties	-	-	26,218,687	-	26,218,687
Land and real estate under development	-	-	-	22,611,662	22,611,662
Investments in associates	-	-	989,542	-	989,542
Other assets	-	-	5,748,369	1,276,064	7,024,433
Total assets	79,434,265	109,342,723	113,420,449	32,255,196	334,452,633
Liabilities					
Payables and other credit balances	10,020,361	-	-	-	10,020,361
Murabaha and wakala payables	61,127,762	75,246,768	72,810,879	-	209,185,409
End of service indemnity	-	-	-	699,974	699,974
Total liabilities	**71,148,123**	**75,246,768**	**72,810,879**	**699,974**	**219,905,744**
Net liquidity gap	**8,286,142**	**34,095,955**	**40,609,570**	**31,555,222**	**114,546,889**

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34. Effect of adopting the amendments on IFRS

As a result of adopting the amendments that took place over IAS (32) (Financial Instruments: Presentation & Disclosures) and IAS (39) (Recognition & Measurement), the Group has reclassified some of its investments as of 1 January 2005. According to the transition requirements of IAS (39), the adoption has been applied retrospectively. This has resulted to the following:

Effect on current year financial statements

Increase in the net profit by an amount of KD Nil and an increase in the earnings per share byan amount of Nil fils. This has resulted also to an increase in the opining balance of the retained earnings with an amount of KD 314,297 and a decrease in the fair value reserve with the same amount.

Effect on previous year financial statements

Increase the net profit for the year ended 31 December 2004 with an amount of KD 110,018 and increase in the earnings per share with 0.2 fils.

Increase in the opining balance of the retained earnings as of 1 January 2004 with an amount of KD 124,621 and a decrease in the fair value reserve with the same amount.

35. Capital commitments

	2005	2004
New headquarter project	-	2,400,000
Cost of development of land and real estates	12,773,045	1,363,988
Uncalled capital instalments of investment in securities	52,000	82,626
	12,825,045	**3,846,614**

36. Off balance sheet items

The Group manages portfolios on behalf of others and the balances of these portfolios are not included in the balance sheet of the Group. The net assets of these portfolios amounted to KD 272,491,241 as at 31 December 2005 (KD 55,658,649 - as at 31 December 2004).

37. Zakat

Based on Board of Directors proposal, the group deduct Zakat amounted to KD 2,684,329 from the voluntary reserve. This proposal is subject to the approval of the general assembly of the shareholders.

38. Comparative figures

Comparative figures have been reclassified to conform with the current presentation of the consolidated financial statements as at 31 December 2005.