

Consolidated financial statements and auditors' report

Tamdeen Real Estate Company – KSC (Closed)

and Subsidiary

Kuwait

31 December 2004

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Auditors' report

To the shareholders of
Tamdeen Real Estate Company – KSC (Closed)

We have audited the accompanying consolidated balance sheet of Tamdeen Real Estate Company (A Kuwaiti Closed Shareholding Company) and its subsidiary (the group) as at 31 December 2004, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended. 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.

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

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the group as at 31 December 2004, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

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

Fawzia Mubarak Al-Hassawi
(Licence No. 80-A)
of Al-Fouz International Audit Bureau

Kuwait
14 February 2005

Consolidated statement of income

	Notes	Year ended 31 Dec. 2004 KD'000	Year ended 31 Dec. 2003 KD'000
Income			
Real estate rental income		3,780	3,657
Real estate depreciation and expenses	4	(745)	(865)
Net real estate rental income		3,035	2,792
Other real estate income	5	1,007	353
Management fees from real estate and investment portfolios		50	413
Profit on sale of investments in land and real estate held for trading		53	898
Permanent decline in value of investments in land and real estate held for trading		-	(117)
Profit on sale of real estate properties	14	1,048	-
Impairment in value of available for sale investments		(105)	(131)
Decline in value of projects in progress	14	-	(53)
Net investments income	6	5,533	6,542
Share of profit in associated company		556	-
Other income		-	24
Foreign exchange loss		(574)	(508)
		10,603	10,213
Expenses and other charges			
Goodwill amortisation		-	215
Staff costs		1,123	918
General and administrative expenses		1,077	1,814
Finance costs		2,536	1,855
		4,736	4,802
Net operating profit before minority interest		5,867	5,411
Minority interest		(637)	(490)
Net profit from operations		5,230	4,921
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(36)	(48)
Board of directors' remuneration		(100)	(51)
Provision for National Labour Support Tax		(78)	(95)
Net profit for the year		5,016	4,727
EARNING PER SHARE	7	16.6 Fils	17.1 Fils

The notes set out on pages 6 to 16 form an integral part of these consolidated financial statements.

Consolidated balance sheet

	Notes	Year ended 31 Dec. 2004 KD'000	Year ended 31 Dec. 2003 KD'000
Assets			
Current assets			
Cash and bank balances		328	452
Short-term deposits		35	884
Accounts receivable and other debit balances	8	693	544
Investments in land and real estate held for trading	9	8,594	130
Trading investments	10	2,959	3,504
		12,609	5,514
Non-current assets			
Available for sale investments	11	97,744	72,284
Investment in associated companies	12	31,611	3,797
Investment properties	13	35,133	35,434
Projects in progress	14	25,101	13,476
Machines and equipment	15	51	20
		189,640	125,011
Total asset		202,249	130,525
Shareholders' equity, liabilities and minority interest			
Shareholders' equity			
Issued and fully paid share capital – 320,000,000 shares (251,690,360 at 31 December 2003) of Kuwaiti Fils 100 each		32,000	25,169
Treasury shares	16	(34)	(34)
Reserve of profit on sale of treasury shares		715	715
Legal reserve	17	3,055	2,553
Share premium		11,132	2,728
Voluntary reserve	17	4,453	3,951
Retained earnings		8,021	5,897
Cumulative changes in fair values		57,243	29,905
		116,585	70,884
Liabilities			
Current liabilities			
Bank facilities	18	7,713	1,012
Accounts payable and other credit balances	19	5,602	3,087
Current portion of term loans	20	10,318	6,118
		23,633	10,217
Non-current liabilities			
Term loans	20	51,620	40,291
Refundable rental deposits		1,806	883
Provision for end of service indemnity		323	229
		53,749	41,403
Total liabilities		77,382	51,620
Minority interest		8,282	8,021
Total shareholders' equity, liabilities and minority interest		202,249	130,525

Mohammed Jassim Al-Marzuk
Chairman and Managing Director

Ali Yacoub Ghafil Aryan
Vice-Chairman

The notes set out on pages 6 to 16 form an integral part of these consolidated financial statements.

Consolidated statement of changes in shareholders' equity

	Share capital KD'000	Treasury shares KD'000	Reserve of profit on sale of treasury shares KD'000	Legal reserve KD'000	Share premium KD'000	Voluntary reserve KD'000	Retained earnings KD'000	Cumulative changes in fair values KD'000	Total KD'000
Balance as at 31 December 2002	25,169	-	456	2,080	2,728	3,478	4,126	3,360	41,397
Dividends paid to shareholders	-	-	-	-	-	-	(2,010)	-	(2,010)
Purchase of treasury share	-	(3,423)	-	-	-	-	-	-	(3,423)
Sale of treasury shares	-	3,389	-	-	-	-	-	-	3,389
Profit on sale of treasury shares	-	-	259	-	-	-	-	-	259
Changes in fair value of available for sale investments	-	-	-	-	-	-	-	26,545	26,545
Net profit for the year	-	-	-	-	-	-	4,727	-	4,727
Transfer to reserves	-	-	-	473	-	473	(946)	-	-
Balance as at 31 December 2003	25,169	(34)	715	2,553	2,728	3,951	5,897	29,905	70,884
Dividends paid to shareholders (Note 21)	1,888	-	-	-	-	-	(1,888)	-	-
Increase in share capital (Note 21)	4,943	-	-	-	8,404	-	-	-	13,347
Changes in fair value of available for sale investments	-	-	-	-	-	-	-	27,338	27,338
Net profit for the year	-	-	-	-	-	-	5,016	-	5,016
Transfer to reserves	-	-	-	502	-	502	(1,004)	-	-
Balance as at 31 December 2004	32,000	(34)	715	3,055	11,132	4,453	8,021	57,243	116,585

The notes set out on pages 6 to 16 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Notes	Year ended 31 Dec. 2004 KD'000	Year ended 31 Dec. 2003 KD'000
OPERATING ACTIVITIES			
Net profit from operations		5,230	4,921
Adjustments:			
Depreciation		330	316
Provision for end of service indemnity		114	101
Profit on sales real estate properties		(1,048)	-
Profit on sale of investments in land and real estate held for trading		(53)	(898)
Permanent decline in value of projects in progress		-	53
Net investments income		(5,533)	(6,542)
Share of profit in associated company		(556)	-
Finance costs		2,536	1,855
		1,020	(194)
End of service indemnity paid		(20)	(40)
Operating profit/(losses) before changes in operating assets and liabilities		1,000	(234)
Changes in operating assets and liabilities:			
Accounts receivable and other debit balances		(149)	(108)
Accounts payable and other credit balances		2,301	3,738
Refundable rental deposits		923	(17)
Net cash from operating activities		4,075	3,379
INVESTING ACTIVITIES			
Proceeds from sale of real estate project		1,650	-
Proceeds from sale of investments in land and real estate held for trading		153	7,816
Investment in land and real estate held for trading		(8,564)	-
Net sale/(purchase) of trading investments		545	(1,926)
Net sale/(purchase) of available for sale investments		1,879	(27,531)
Project in progress		(12,227)	(6,371)
Investment in associated companies		(27,259)	(3,797)
Investment in subsidiary company	22	-	(9,872)
Net purchase of machines and equipment		(60)	(33)
Net investments income		5,533	6,542
Net cash used in investing activities		(38,350)	(35,172)
FINANCING ACTIVITIES			
Cash dividend paid		-	(2,010)
Increase in capital		13,347	-
Change in minority interest		261	8,021
Change in bank facilities		6,701	3,237
Purchase of treasury shares		-	(3,423)
Sale of treasury shares		-	3,648
Change in term loans		15,529	25,226
Finance costs paid		(2,536)	(1,855)
Net cash from financing activities		33,302	32,844
Net (decrease)/increase in cash and cash equivalents		(973)	1,051
Cash and cash equivalents at the beginning of the year		1,336	285
Cash and cash equivalents at the end of the year	23	363	1,336

The notes set out on pages 6 to 16 form an integral part of these financial statements.

Notes to the consolidated financial statements

31 December 2004

1 Incorporation and Activities

The parent company was incorporated in Kuwait on 16 December 1982 in accordance with the Commercial Companies Law. Its shares are listed on the Kuwait Stock Exchange

The principal activities of the parent company are investing in land and real estate both inside and outside the State of Kuwait, for the purposes of ownership, resale, leasing and renting. The parent company is also engaged in the development and construction of buildings and real estate projects, managing the properties of others, establishing and managing real estate funds, real estate studies and consultancy, and investing in companies with activities similar to its own and in portfolios managed by professional fund managers. The subsidiary company is engaged in holding investments for trading and long-term purposes both inside and outside Kuwait.

At 31 December 2004, the parent company and its subsidiary employed 109 people (124 people at 31 December 2003).

The address of the parent company's registered office is PO Box 21816, Safat 13079, State of Kuwait.

The consolidated financial statements for the year ended 31 December 2004 were authorised for issue by the parent company's board of directors on 14 February 2005 and are subject to the approval of the general assembly of the shareholders.

2 Significant Accounting Policies

Preparation of the consolidated financial statements

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards under the historical cost convention except for the investments measured at fair value as explained below.

Basic of consolidation

Upon consolidation of the financial statements, inter-company balances and transactions are eliminated including inter-company realised and unrealised profits and losses. The consolidated financial statements have been prepared using unified accounting policies for similar transactions and other transactions occurred under similar circumstances and based on the latest audited financial statements of the subsidiary company.

Recognition of income and expenditure

Profits and losses on sale of investments are recognised as and when they are realised. Dividend income is recognised when the right to receive payment is established. Other income and expenditure are accounted for under the accrual basis.

2 Significant Accounting Policies (Continued)

Finance cost

Finance costs are recognised in the consolidated statement of income for the year on a time proportion basis over the maturity period of the related liabilities.

Investment in associated company

An associate is an enterprise over which the company is in a position to exercise significant influences, through participation in the financial and operating policies of the investee. The equity method of accounting was used to account for this investment. Any impairment in value is recognised as and when it occurs.

Good will

Good will arising on consolidation represents the excess of the cost of acquisition over the parent company's interest in the fair value of the identifiable assets and liabilities of the acquired subsidiary company at the date of acquisition. Goodwill is recognised as an asset and amortised in full during the year of acquisition.

Investments in land and real estate held for trading

Investments in land and real estate held for trading are regarded as current assets, and are stated at the lower of cost and market value, assessed on an individual investment basis. Realised gains and losses, and change in carrying value in cases of decline are taken to the consolidated statement of income

Investment in securities

The parent company and its subsidiary classify investments in securities as follows:

- i) Trading investment
- ii) Available for sale investments

All investments are initially recognised at cost, being the fair value of the consideration given including acquisition charges associated with the investment. After initial recognition, investments are measured at fair value, unless fair value cannot be reliably measured.

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

For investments where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to an earnings multiple, an industry specific earnings multiple or a value based on a similar publicly traded company, or is based on the expected cash flows of the investment, or the underlying net asset base of the investment. Fair value estimates take into account liquidity constraints and assessment for any permanent impairment.

Gains and losses arising from measurement to fair value for trading investments are taken to the consolidated statement of income.

In relation to investments which are available for sale, any gain or loss arising from a change in fair value of such investments are recognised directly within equity in the "cumulative changes in fair values" until the investment is sold, collected, or otherwise disposed of, or until the investment is determined to be impaired at which time the cumulative gain or loss previously recognised in the "cumulative changes in fair values" is included in the consolidated statement of income for the year.

Trade and settlement date accounting

All "regular way" purchase 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.

2 Significant Accounting Policies (Continued)

Fair value

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

Investment properties

Investment properties are valued at cost less accumulated depreciation and any impairment losses. Investment properties are valued on an individual basis annually by an independent evaluator.

Treasury share

In accordance with the instructions from Ministry of Commerce and Industry the company's holding in its treasury shares is stated at cost and as a deduction of shareholders' equity, with no entitlement to cash dividends that the company may distribute. Gains/(losses) resulting from the company trading in its own shares are credited/(debited) directly to shareholders' equity as "reserve of profit on sale of treasury shares".

Where the "reserve of profit on sale of treasury shares" fall short of any losses from the sale of treasury shares, the difference is charged initially to retained profits and then reserves; subsequently, should profits arise upon the sale of treasury shares an amount is transferred to retained profits and reserves equivalent to the loss previously charged to these accounts.

Machines and equipment

Machines and equipment are stated at cost less accumulated depreciation and any impairment losses. Machines and equipment are depreciated at annual rates estimated to fully depreciate the cost of the assets over their expected useful lives.

Related party transactions

Related parties consist of directors, executive officers, their close family members and companies of which they are principal owners. All related party transactions are conducted on an arm's length basis and are approved by management.

End of service indemnity

Provision for end of service indemnity is computed on the basis of employees' accumulated periods of service at the balance sheet date, in accordance with Kuwait labour law for the private sector bye-laws.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are retranslated into Kuwaiti Dinars using the rates of exchange prevailing at the consolidated balance sheet date. Foreign currency transactions during the year are translated into Kuwaiti Dinars at the rates of exchange prevailing at the time of transaction. Exchange differences arising from translation are taken to the statement of income.

Cash and cash equivalent

Cash and cash equivalents as stated in the consolidated statement of cash flows are represented by bank and cash balances and short term bank deposits.

3 Financial instruments

Credit risk

Financial assets, which potentially subject the company to concentrations of credit risk, consist principally of investments, accounts receivable, and bank and cash balances. The investments of the parent company and its subsidiary are presented at fair value and accounts receivable are presented net of any provisions for doubtful debts. Bank accounts are placed with high credit quality financial institutions.

Interest rate risk

The bank overdrafts and loans bear interest at commercial rates. The overdraft accounts are repayable upon demand whilst the loans are due for repayment upon fixed dates.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign currency exchanges rates.

Currency risk is managed on the basis of limits determined by the parent company's board of director and a continuous assessment of the company's open positions and current and expected exchange rate movements. The company does not engage in foreign exchange trading and where necessary matches currency exposures inherent in certain assets with liabilities in the same correlated currency.

The group had the following net foreign currency exposures at 31 December:

	2004 KD'000	2003 KD'000
U.S. Dollar	88,763	60,885
Sterling Pound	421	389
Euro	(7,610)	(6,477)
Japanese Yen	(3,847)	(3,728)

Fair values

At 31 December 2004 and 2003 the carrying amounts of financial assets and liabilities approximated their fair values.

Derivative financial instruments

The parent company and its subsidiary do not speculate in or engage in the trading of derivative financial instruments.

4 Real estate depreciation and expenses

	2004 KD'000	2003 KD'000
Staff cost	75	83
Investment properties depreciation (Note 13)	301	301
Other real estate expense	369	481
	745	865

5 Other real estate income

	2004 KD'000	2003 KD'000
Car park and yacht membership revenue	216	163
Project management fees	63	45
Services revenue – Kutt complex	371	-
Other miscellaneous revenue	357	145
	1,007	353

6 Net investments income

	2004 KD'000	2003 KD'000
Profit on sale of available for sale investments	1,479	3,548
Unrealised profit from trading investments	394	1,632
Dividend income	3,610	1,334
Interest income	50	28
	5,533	6,542

7 Earning per share

	2004	2003
Net profit for the year (KD'000)	5,016	4,727
Weighted average shares (excluding treasury shares) (in thousand)	301,558	276,814
Earnings per share	16.6 Fils	17.1 Fils

Bonus shares have been added to the weighted average shares for the purpose of calculating earning per share for 2004 and 2003.

8 Accounts receivable and other debit balances

	2004 KD'000	2003 KD'000
Receivable from tenants	320	262
Staff receivable	119	21
Real estate investment fund	-	275
Other debit balances	472	251
	911	809
Provision for doubtful debts	(218)	(265)
	693	544

9 Investments in land and real estate held for trading

	2004 KD'000	2003 KD'000
Cost		
At 1 January	130	7,047
Additions	8,564	-
Disposals	(100)	(6,800)
	8,594	247
Decline in value	-	(117)
	8,594	130

During the year, the parent company participated in the purchase of land in Kuwait, part of a real estate portfolio, with a value of KD8,564 thousand, this investment is managed by the subsidiary company.

10 Trading investments

	2004 KD'000	2003 KD'000
Investment real estate fund	-	797
Local managed portfolios	17	21
Investment in funds managed by others	2,942	2,686
	2,959	3,504

During the year the parent company was liquidated the investment real estate fund that expired during June 2004.

11 Available for sale investments

	2004 KD'000	2003 KD'000
Local managed portfolios and funds	5,198	5,146
Equity participation in unquoted local company shares	1,698	118
Participations in capital of companies located outside Kuwait	90,848	67,020
	97,744	72,284

Participation in capitals of companies outside Kuwait mainly include subsidiary investments having a fair value of KD90,848 thousand (2003 : KD66,968 thousand) as at the consolidated balance sheet date, representing quoted investments in foreign markets. Included in these participation, is an investment by the subsidiary in the shares of a Gulf quoted financial institution with a total market value of KD77,433 thousand (2003 : KD61,858 thousand) with cumulative change in fair value of KD43,785 thousand (2003 : KD28,211 thousand) at the end of the year all of which certain investments have been provided as security for term loans (Note 20).

12 Investment in associated companies

This caption comprises of the following:

	Place of incorporation	2004		2003	
		Holding percentage %	Value KD'000	Holding percentage %	Value KD'000
Kuwait National Cinema Company - KSC	Kuwait	30.07	26,023	9.85	3,797
Ajmal Holding Company - BSC	Bahrain	38	5,588	-	-
			31,611		3,797

During the month of December 2004, the parent company and its subsidiary participated in the incorporation of a closed shareholding company in Bahrain under the name of Ajmal Holding Company. The parent company and its subsidiary participated in 19% each in the paid up share capital of the new company. This investment is managed by the subsidiary company through a fund.

13 Investment properties

	Land KD'000	Buildings KD'000	Machinery and equipment KD'000	2004 Total KD'000	2003 Total KD'000
Cost					
At 1 January	26,750	9,488	1,965	38,203	38,203
At 31 December	26,750	9,488	1,965	38,203	38,203
Accumulated depreciation					
At 1 January	-	1,880	889	2,769	2,468
Charge for the year (Note 4)	-	170	131	301	301
At 31 December	-	2,050	1,020	3,070	2,769
Net book value					
At 31 December	26,750	7,438	945	35,133	35,434
Fair value				55,059	50,059

Investment properties include: Land, buildings, machinery and equipment, and they depreciate them as following:

Buildings	50 years
Machinery and equipment	15 years

The above fair value has been assessed by an independent valuer. The investment properties have been totally provided as security for term loan (see Note 20).

14 Projects in progress

	2004 KD'000	2003 KD'000
Cost		
At 1 January	14,136	7,765
Additions	12,227	6,371
Disposals	(602)	-
At 31 December	25,761	14,136
Provision for decline in value		
At 1 January	660	607
Additions	-	53
At 31 December	660	660
Net book value at 31 December	25,101	13,476

During the year, the parent company sold the land of Tamdeen building project in sharq area for a total amount of KD1,650 thousand which generated profits of KD1,048 thousand.

15 Machines and equipment

	Machines and equipment KD'000	Furniture, fixtures, and office equipment KD'000	2004 Total KD'000	2003 Total KD'000
Cost				
At 1 January	39	227	266	236
Additions	16	45	61	33
Disposals	-	(1)	(1)	(3)
At 31 December	55	271	326	266
Accumulated depreciation				
At 1 January	20	226	246	234
Charge for the year	10	19	29	15
Related to disposals	-	-	-	(3)
At 31 December	30	245	275	246
Net book value				
At 31 December	25	26	51	20

The parent company and its subsidiary depreciate machines and equipment using the following annual rates:

Machines and equipment	20%
Furniture, fixtures and office equipment	20% - 33.33%

16 Treasury shares

At the consolidated balance sheet date the parent company owned 161,250 (2003 : 150,000 shares) of its own shares equivalent to 0.05% (2003 : 0.06%) of the total shares issued. The market value of these shares accordingly to purchase orders at the consolidated balance sheet date was KD63 thousand (2003 : KD52 thousand).

17 Reserves

In accordance with the Commercial Companies Law of Kuwait, 10% of the net profit of each year is transferred to the legal reserve until such time that the balance of the reserve account equals 50% of the balance of the paid up share capital.

Distribution of the legal 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 insufficient for the payment of a dividend of that amount.

Transfers to the voluntary reserve are made in accordance with the recommendation of the board of directors to the general assembly.

18 Bank facilities

Bank facilities in a form of overdraft facilities are granted to the parent company and the subsidiary by local banks to finance working capital and real estate activities. They are completely repayable on different dates during the year 2005 (renewable), with annual interest rate ranging between 1% to 2% over the Central Bank of Kuwait discount rate (2003 :4.25% and 1% over the Central Bank of Kuwait discount rate).

19 Accounts payable and other credit balances

	2004 KD'000	2003 KD'000
Retentions for executed works	2,040	1,093
Income received in advance	1,990	-
Accrued leave and expenses	909	920
Uncollected dividends to shareholders	105	134
Other credit balances	558	940
	5,602	3,087

20 Term loans

	2004 KD'000	2003 KD'000
Denominated in Japanese Yen with annual interest rate ranging between 1% to 2.25% over LIBOR (1% at 31 December 2003)	3,847	3,728
Denominated in U.S. Dollar with annual interest rate ranging between 1% to 2.25% over LIBOR (1% to 1.125 at 31 December 2003)	6,371	6,680
Denominated in Kuwaiti Dinars with annual interest rate ranging between 0.75% to 1.25% over KIBOR (1% to 1.25% at 31 December 2003)	44,100	28,900
Denominated in Euro with annual interest rate ranging between 1% to 2.25% over LIBOR (1% at 31 December 2003)	7,620	7,101
	61,938	46,409
The loans are due for repayment as follows:		
Within one year	10,318	6,118
From one to five years	51,620	40,291
	61,938	46,409

All of the term loans are granted for the parent and subsidiary company by local banks. The total amount of the instalments relating to the loans which are due to be repaid within twelve months from the consolidated balance sheet date are shown as a current liability.

Loans are granted for parent company against the mortgage of investment properties with a book value of KD35,133 thousand (2003 : KD35,434 thousand) (Note 13). Loans are granted for subsidiary company against the mortgage of investments in shares with a fair value of KD79,194 thousand (2003 : KD63,472 thousand) (Note 11).

21 Proposed appropriations

The board of directors proposed to distribute cash dividends of 10 Kuwaiti Fils per share and to distribute KD100 thousands as remuneration to the board of directors (KD51 thousand in 2003). This proposal is subject to the approval of the general assembly of shareholders.

On 7 April 2004, the general assembly of shareholders approved that the share capital of the parent company will increase from KD25,169 thousand (251,690,360 shares) to KD32,000 thousand (320,000,000 shares). This increase will be achieved by providing free bonus shares for the year ended 31 December 2003 by 7.5% from the capital, and by issuing 49,432,863 shares of 100 Fills each, added to it 170 Fils premium share for the shareholders approved in the parent company when the general assembly was established.

22 Investment in subsidiary

Investment in subsidiary represents the parent company's investment in 55.7% of the share capital of Tamdeen Investment Co. – KSC (Closed) (previously called Gulf Projects Investment Co.) which was acquired effectively at the beginning of 2003.

22 Investment in subsidiary (continued)

The consolidated financial statements incorporated the financial statements of the subsidiary company at 31 December as follows:

	2004 KD'000	2003 KD'000
Assets	97,326	70,027
Liabilities	(24,481)	(23,857)
Net asset	72,845	46,170
Net profit	1,438	1,106

23 Cash and cash equivalents

Cash and cash equivalents included in the consolidated statement of cash flows comprise of following consolidated balance sheet balances:

	2004 KD'000	2003 KD'000
Cash and bank balances	328	452
Short-term deposits	35	884
	363	1,336

24 Segmental analysis

The parent company and its subsidiary principal trading activities are all carried out within the State of Kuwait. With the exception of participation in capital of companies outside Kuwait (Note 11), all of the assets and liabilities are located in Kuwait.

A segmental analysis of total income and net profit, total assets, total liabilities and net assets employed by activity is as follows:

	Real estate KD'000	Investment KD'000	Total KD'000
Year ended at 31 December 2004			
Income	5,144	5,459	10,603
Net profit for the year	1,584	3,432	5,016
Total asset	69,935	132,314	202,249
Total liabilities	(52,900)	(24,482)	(77,382)
Minority interest	-	(8,282)	(8,282)
Net assets employed	17,035	99,550	116,585
Year ended at 31 December 2003			
Income	4,215	5,998	10,213
Net profit for the year	518	4,209	4,727
Total asset	50,940	79,585	130,525
Total liabilities	(27,763)	(23,857)	(51,620)
Minority interest	-	(8,021)	(8,021)
Net assets employed	23,177	47,707	70,884

25 Related party transactions

Included in the transactions carried out by the subsidiary company, certain transactions with related parties within the normal activities of the company involving shareholders who are represented in the board of directors in addition to other major shareholders. These transactions were incorporated in the consolidated financial statements as follows:

	2004 KD'000	2003 KD'000
Consolidated balance sheet		
Term loans and bank facilities	20,000	20,000
Consolidated income statement		
Interest on term loans and bank facilities	742	850
Management fees of portfolio owned by others (major shareholders)	32	20
General and administrative expense (board of directors salary and remuneration)	25	19
Contra accounts – off consolidated balance sheet items		
Net book value of portfolios (major shareholders')	19,131	17,551

26 Commitments and contingent liabilities

At the consolidated balance sheet date the parent company had outstanding letters of guarantee of KD1,250 thousand (2003 : KD1,250 thousand), and commitments for investments for KD1,266 thousand (2003 : KD1,894 thousand) relating to the subsidiary company.

27 Contra accounts – off consolidated balance sheet items

The subsidiary company manages investment portfolios for third parties which had a net book value of KD24,278 thousand at 31 December 2004 (2003 : KD18,875 thousand). These balances are not included in the consolidated balance sheet

28 Comparative figures

Certain comparative amounts have been reclassified to conform to the current year's presentation of the consolidated financial statements.