

Interim condensed consolidated financial information and review report

**Injazzat Real Estate Development Company – KSC (Closed)**

**and Subsidiaries**

**Kuwait**

31 March 2009 (Unaudited)

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## Review report

To the directors of  
Injazzat Real Estate Development Company – KSC (Closed)  
Kuwait

### Report on review of interim condensed consolidated financial information

#### Introduction

We have reviewed the accompanying interim condensed consolidated financial position of Injazzat Real Estate Development Company – KSC (Closed) (the “Parent Company”) and subsidiaries (collectively the “Group”) as at 31 March 2009 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three month period then ended. The management of the Parent Company is responsible for the preparation and presentation of the interim condensed consolidated financial information in accordance with International Accounting Standard 34, “Interim Financial Reporting”. Our responsibility is to express a conclusion on the interim condensed consolidated financial information based on our review.

#### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, “Interim Financial Reporting”.

#### Report on review of other legal and regulatory requirements

Based on our review, the interim condensed consolidated financial information is in agreement with the books of the Parent Company. We further report that, to the best of our knowledge and belief, no violations of the Commercial Companies Law of 1960, or of the articles of association of the Parent Company, as amended, have occurred during the three month period ended 31 March 2009 that might have had a material effect on the business of the Group or on its financial position.

WALEED A. AL OSAIMI  
LICENCE NO. 68-A  
OF ERNST & YOUNG

ABDULLATIF M. AL-AIBAN (CPA)  
(LICENCE NO. 94-A)  
OF GRANT THORNTON –  
AL-QATAMI, AL-AIBAN & PARTNERS

19 April 2009  
Kuwait

## Interim condensed consolidated statement of income

	Note	Three months ended 31 March 2009 (Unaudited) KD	31 March 2008 (Unaudited) KD
<b>Income</b>			
Rental income		878,728	589,585
Unrealised loss from investments at fair value through statement of income		-	(223,928)
Distribution income from available for sale investments		3,529,048	489,194
Income from sale of investment properties		-	1,647,192
Change in fair value of investment properties		-	2,463,396
Management and placement fees		207,847	881,413
Share of results of associates		(193,848)	58,111
Other income		314,500	206,667
Foreign exchange (loss)/gain		(1,774,594)	926,390
		<b>2,961,681</b>	<b>7,038,020</b>
<b>Expenses</b>			
Real estate operating costs		37,826	66,287
Staff costs		202,933	432,628
Depreciation		51,074	46,005
General and administrative expenses		111,619	78,702
Consultancy and professional fees		28,202	36,193
Finance costs		1,094,768	1,571,288
		<b>1,526,422</b>	<b>2,231,103</b>
<b>Profit before provision for contribution to KFAS, Zakat and NLST</b>		<b>1,435,259</b>	<b>4,806,917</b>
Provision for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(14,797)	(43,200)
Provision for Zakat		(16,415)	(50,461)
Provision for National Labour Support Tax (NLST)		(36,010)	(120,401)
<b>Profit for the period</b>		<b>1,368,037</b>	<b>4,592,855</b>
<b>Attributable to:</b>			
Shareholders of the Parent Company		1,373,175	4,601,967
Minority interest		(5,138)	(9,112)
		<b>1,368,037</b>	<b>4,592,855</b>
<b>BASIC &amp; DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY</b>	<b>3</b>	<b>4 Fils</b>	<b>14 Fils</b>

*The notes set out on pages 7 to 12 form an integral part of this interim condensed consolidated financial information.*


## Interim condensed consolidated statement of comprehensive income

	Three months ended	
	31 March 2009 (Unaudited) KD	31 March 2008 (Unaudited) KD
Profit for the period	1,368,037	4,592,855
<b>Other comprehensive income</b>		
Net movement in cumulative change in fair value	(2,871,321)	(626,723)
Exchange differences arising on translation of foreign operations	1,504,401	(392,652)
<b>Other comprehensive income for the period included in equity</b>	<b>(1,366,920)</b>	<b>(1,019,375)</b>
<b>Total comprehensive income for the period</b>	<b>1,117</b>	<b>3,573,480</b>
<b>Attributable to:</b>		
Shareholders of the Parent Company	6,255	3,582,592
Minority interest	(5,138)	(9,112)
	<b>1,117</b>	<b>3,573,480</b>

*The notes set out on pages 7 to 12 form an integral part of this interim condensed consolidated financial information.*

## Interim condensed consolidated financial position

	Note	31 March 2009 (Unaudited) KD	31 Dec. 2008 (Audited) KD	31 March 2008 (Unaudited) KD
<b>Assets</b>				
Cash and cash equivalents	10	17,856,408	22,882,098	2,689,362
Accounts receivable and other assets	4	8,724,657	9,587,827	21,593,118
Investments at fair value through statement of income		-	-	2,228,327
Available for sale investments	5	25,349,871	28,143,013	23,517,935
Investment properties	6	125,598,046	125,232,295	109,377,460
Investment in associates		15,248,544	15,291,669	12,884,755
Property and equipment		1,851,424	1,888,997	1,996,341
<b>Total assets</b>		<b>194,628,950</b>	<b>203,025,899</b>	<b>174,287,298</b>
<b>Liabilities and equity</b>				
<b>Liabilities</b>				
Due to banks		-	-	484,402
Accounts payable and other liabilities	7	11,836,525	14,067,570	14,285,491
Ijara sukuk payable		17,502,000	16,581,000	15,954,000
Bank loans	8	83,515,756	81,962,562	74,944,406
<b>Total liabilities</b>		<b>112,854,281</b>	<b>112,611,132</b>	<b>105,668,299</b>
<b>Equity attributable to shareholders of the Parent Company</b>				
Share capital	9	34,564,860	34,564,860	34,564,860
Treasury shares		-	-	(4,519,462)
Share premium		2,869,130	2,869,130	2,869,130
Statutory reserve		7,209,059	7,209,059	5,591,024
Voluntary reserve		3,604,530	3,604,530	2,795,512
Treasury shares reserve		4,505,130	4,505,130	1,114,475
Retained earnings		21,632,268	28,900,308	20,603,457
Foreign currency translation reserve		1,313,019	(191,382)	(1,035,246)
Cumulative changes in fair value		972,374	3,843,695	1,715,155
		<b>76,670,370</b>	<b>85,305,330</b>	<b>63,698,905</b>
Minority interest		5,104,299	5,109,437	4,920,094
<b>Total equity</b>		<b>81,774,669</b>	<b>90,414,767</b>	<b>68,618,999</b>
<b>Total liabilities and equity</b>		<b>194,628,950</b>	<b>203,025,899</b>	<b>174,287,298</b>

  
Hamad Abdulaziz Al-Shaya  
Chairman

  
Mohammad Ibrahim Al-Farhan  
Managing Director

*The notes set out on pages 7 to 12 form an integral part of this interim condensed consolidated financial information.*

## Interim condensed consolidated statement of changes in equity

### Equity attributable to shareholders of the Parent Company

	Share capital KD	Treasury shares KD	Share premium KD	Statutory reserve KD	Voluntary reserve KD	Treasury shares reserve KD	Retained earnings KD	Foreign currency translation reserve KD	Cumulative change in fair value KD	Sub-total KD	Minority interest KD	Total KD
Balance at 1 January 2009	34,564,860	-	2,869,130	7,209,059	3,604,530	4,505,130	28,900,308	(191,382)	3,843,695	85,305,330	5,109,437	90,414,767
Cash dividend (Note 15)	-	-	-	-	-	-	(8,641,215)	-	-	(8,641,215)	-	(8,641,215)
Total comprehensive income	-	-	-	-	-	-	1,373,175	1,504,401	(2,871,321)	6,255	(5,138)	1,117
<b>Balance at 31 March 2009</b>	<b>34,564,860</b>	<b>-</b>	<b>2,869,130</b>	<b>7,209,059</b>	<b>3,604,530</b>	<b>4,505,130</b>	<b>21,632,268</b>	<b>1,313,019</b>	<b>972,374</b>	<b>76,670,370</b>	<b>5,104,299</b>	<b>81,774,669</b>
Balance at 1 January 2008	30,056,400	(4,734,000)	2,869,130	5,591,024	2,795,512	875,250	24,767,865	(642,594)	2,341,878	63,920,465	4,929,206	68,849,671
Issue of bonus shares	4,508,460	-	-	-	-	-	(4,508,460)	-	-	-	-	-
Cash dividend (Note 15)	-	-	-	-	-	-	(4,257,915)	-	-	(4,257,915)	-	(4,257,915)
Purchase of treasury shares	-	(642,377)	-	-	-	-	-	-	-	(642,377)	-	(642,377)
Sale of treasury shares	-	856,915	-	-	-	239,225	-	-	-	1,096,140	-	1,096,140
Total comprehensive income	-	-	-	-	-	-	4,601,967	(392,652)	(626,723)	3,582,592	(9,112)	3,573,480
<b>Balance at 31 March 2008</b>	<b>34,564,860</b>	<b>(4,519,462)</b>	<b>2,869,130</b>	<b>5,591,024</b>	<b>2,795,512</b>	<b>1,114,475</b>	<b>20,603,457</b>	<b>(1,035,246)</b>	<b>1,715,155</b>	<b>63,698,905</b>	<b>4,920,094</b>	<b>68,618,999</b>

The notes set out on pages 7 to 12 form an integral part of this interim condensed consolidated financial information.

## Interim condensed consolidated statement of cash flows

	Note	Three months ended 31 March 2009 (Unaudited) KD	Three months ended 31 March 2008 (Unaudited) KD
<b>OPERATING ACTIVITIES</b>			
Profit before provision for contribution to KFAS, Zakat and NLST		1,435,259	4,806,917
Adjustments for:			
Depreciation		51,074	46,005
Unrealised loss on investments at fair value through statement of income		-	223,928
Distribution income from available for sale investments		(3,529,048)	(489,194)
Income from sale of investment properties		-	(1,647,192)
Change in fair value of investment properties		-	(2,463,396)
Share of results of associates		193,848	(58,111)
Foreign exchange loss (gain) on non operating assets and liabilities		1,774,694	(970,725)
Interest income (include in other income)		(255,590)	(206,667)
Finance costs		1,094,768	1,571,288
		<b>764,905</b>	<b>812,853</b>
Changes in operating assets and liabilities:			
Accounts receivable and other assets		1,102,801	(12,512,500)
Accounts payable and other liabilities		(194,977)	(7,675,987)
Cash from/(used in) operations		<b>1,672,729</b>	<b>(19,375,634)</b>
Board of directors' remuneration paid		(100,000)	(100,000)
<b>Net cash from/(used in) operating activities</b>		<b>1,572,729</b>	<b>(19,475,634)</b>
<b>INVESTING ACTIVITIES</b>			
Additions to property and equipment		(14,381)	(6,596)
Additions to available for sale investments		(82,866)	(1,451,127)
Proceeds from redemption of available for sale investments		-	148,326
Additions to investment properties		(1,008,003)	(5,842,541)
Proceeds from sale of investment properties		-	2,987,061
Additions to investment in associates		-	27,640
Distribution income received from available for sale investments		3,529,048	1,129,194
Interest income received		255,590	206,667
<b>Net cash from/(used in) investing activities</b>		<b>2,679,388</b>	<b>(2,801,376)</b>
<b>FINANCING ACTIVITIES</b>			
Dividend paid		(8,641,215)	(3,855,777)
Purchase of treasury shares		-	(642,377)
Proceeds from sale of treasury shares		-	1,096,140
Loans obtained		-	15,000,000
Finance costs paid		(1,091,838)	(1,357,118)
<b>Net cash (used in)/from financing activities</b>		<b>(9,733,053)</b>	<b>10,240,868</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(5,480,936)</b>	<b>(12,036,142)</b>
Foreign currency translation on cash and cash equivalents		455,246	-
Cash and cash equivalents at beginning of the period		22,882,098	14,241,102
<b>Cash and cash equivalents at end of the period</b>	10	<b>17,856,408</b>	<b>2,204,960</b>

The notes set out on pages 7 to 12 form an integral part of this interim condensed consolidated financial information.

# **Notes to the interim condensed consolidated financial information**

**31 March 2009**

## **1 Incorporation and Activities**

Injazzat Real Estate Development Company – KSC (Closed) (the Parent Company) was established in August 1998 and listed on the Kuwait Stock Exchange on 17 June 2002. The Parent Company and subsidiaries (the Group) are primarily engaged in real estate development and investment activities.

The address of the Parent Company's registered office is PO Box 970, Safat 13010, State of Kuwait.

The Board of Directors of the Parent Company approved the interim condensed consolidated financial information for issue on 19 April 2009.

## **2 Significant accounting policies**

### **Basis of presentation**

The interim condensed consolidated financial information of the Group has been prepared in accordance with International Financial Reporting Standard 34 "Interim Financial Reporting".

The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in preparation of annual consolidated financial statements for the year ended 31 December 2008 except for the adoption of new and revised International Financial Reporting Standards discussed below:

### **Adoption of new and revised International Financial Reporting Standards**

During the period, the Group adopted the following standards effective for the annual periods beginning on or after 1 January 2009.

### **IFRS 8 Operating Segments**

The new standard which replaced IAS 14 'Segment reporting' requires a management approach for segment reporting under which segment information is presented on the same basis as that used for internal reporting purposes. However, the application of the revised standard has had no impact on designation of the Group's reporting segments as it has previously been consistent with the internal reporting provided to the chief operating decision maker.

## 2 Significant accounting policies (continued)

### IAS 1 (revised 2007) Presentation of Financial Statements

The revised IAS 1 Presentation of Financial Statements requires an entity to present all non-owner changes in equity either in one statement of comprehensive income or in two separate statements (i.e. a statement of income and a statement of comprehensive income). Components of comprehensive income such as change in fair value of available for sale investments and exchange differences arising from translating the financial statements of foreign operations may not be presented in the statement of changes in equity.

### IAS 23 (Revised 2007) Borrowing Costs

IAS 23 Borrowing Costs been amended resulting in elimination of the previously available option to expense all borrowing costs when incurred. Under the revised standard, all borrowing costs that are directly attributable to qualifying assets are to be capitalised. The application of the revised standard did not have a material impact on the interim condensed consolidated financial information because it has always been the Group's accounting policy to capitalise borrowing costs incurred on qualifying assets.

The interim condensed consolidated financial information does not include all information and disclosures required for complete financial statements prepared in accordance with the International Financial Reporting Standards. In the opinion of the Parent Company's management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included.

Operating results for the three months period ended 31 March 2009 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2009. For further details, refer to the consolidated financial statements and its related disclosures for the year ended 31 December 2008.

## 3 Basic and diluted earnings per share

Earnings per share is calculated by dividing the profit for the period attributable to shareholders of the Parent Company by the weighted average number of shares outstanding during the period as follows:

	Three months ended	
	31 March 2009 (Unaudited)	31 March 2008 (Unaudited)
Profit for the period attributable to the shareholders of the Parent Company (KD)	1,373,175	4,601,967
Weighted average number of shares outstanding during the period (excluding treasury shares)	345,648,600	325,986,794
Basic and diluted earnings per share	4 Fils	14 Fils

**4 Accounts receivable and other assets**

	31 March 2009 (Unaudited) KD	31 Dec. 2008 (Audited) KD	31 March 2008 (Unaudited) KD
<b>Financial assets</b>			
Due from associate company	1,802,387	2,258,546	-
Due from related parties	124,016	475,378	9,851,790
Due on sale of investment property	4,411,356	4,242,856	5,976,980
Other financial assets	1,252,216	1,454,671	856,879
	<b>7,589,975</b>	<b>8,431,451</b>	<b>16,685,449</b>
<b>Non-financial assets</b>			
Payments towards property purchases	90,961	81,367	3,438,295
Advances to contractors	773,494	850,888	526,954
Prepayment and other assets	270,227	224,121	942,420
	<b>1,134,682</b>	<b>1,156,376</b>	<b>4,907,669</b>
	<b>8,724,657</b>	<b>9,587,827</b>	<b>21,593,118</b>

**5 Available for sale investments**

Available for sale investments primarily represent investments in real estate development projects and portfolios through specialised real estate investment managers. Due to the nature of these investments, the unpredictability of their cash flows and the absence of an active market for these investments, fair value is not reliably measurable. As a result, such investments are carried at cost less impairment, if any.

**6 Investment properties**

	31 March 2009 (Unaudited) KD	31 Dec. 2008 (Audited) KD	31 March 2008 (Unaudited) KD
Opening carrying value	125,232,295	102,411,392	102,411,392
Additions during the period/year	1,008,003	18,294,503	5,842,541
Disposals during the period/year	-	(5,514,534)	(1,314,005)
Reversal on termination of a purchase contract	(1,578,934)	-	-
Change in fair value	-	9,952,528	2,463,396
Foreign currency translation adjustment	936,682	88,406	(25,864)
Ending carrying value	<b>125,598,046</b>	<b>125,232,295</b>	<b>109,377,460</b>

During the period, the Parent Company terminated a contract entered into during the year ended 31 December 2008 in relation to a property purchase.

**7 Accounts payable and other liabilities**

	31 March 2009 (Unaudited) KD	31 Dec. 2008 (Audited) KD	31 March 2008 (Unaudited) KD
<b>Financial liabilities</b>			
Accounts payable	3,546,262	3,104,427	2,566,140
Due on purchase of investment properties	5,654,784	7,002,270	4,013,598
Accrued expenses	923,903	2,272,092	2,177,541
Due to associate company	66,173	-	-
Due to other related parties	265,018	251,625	1,731,495
Other liabilities	1,380,385	1,437,156	3,796,717
	<b>11,836,525</b>	<b>14,067,570</b>	<b>14,285,491</b>

Included within "due on purchase of investment properties" is an amount of KD1,607,461 (31 December 2008: KD1,452,797 and 31 March 2008: KD2,703,264) which is due after more than one year.

**8 Bank loans**

	Effective interest rate	Security	31 March 2009 (Unaudited) KD	31 Dec. 2008 (Audited) KD	31 March 2008 (Unaudited) KD
Local banks – Kuwaiti Dinar	CBK discount rate + 1.25% - 2.50%	Unsecured	54,000,000	54,000,000	54,000,000
Local banks – U.S. Dollars	3.25% - 5.50%	Unsecured	29,515,756	27,962,562	20,944,406
			<b>83,515,756</b>	<b>81,962,562</b>	<b>74,944,406</b>

The loans are due for repayment as follows:

	31 March 2009 (Unaudited) KD	31 Dec. 2008 (Audited) KD	31 March 2008 (Unaudited) KD
Within one year	55,971,861	52,722,005	11,000,000
One to five years	27,543,895	29,240,557	63,944,406
	<b>83,515,756</b>	<b>81,962,562</b>	<b>74,944,406</b>

**9 Share capital**

At 31 March 2009, the authorised, issued and paid up capital of the Parent Company comprised 345,648,600 (31 December 2008: 345,648,600 and 31 March 2008:345,648,600) shares of 100 fils each.

**10 Cash and cash equivalents**

	31 March 2009 (Unaudited) KD	31 Dec. 2008 (Audited) KD	31 March 2008 (Unaudited) KD
Cash and bank balances	4,524,114	2,095,610	2,689,362
Short term deposits	13,332,294	20,786,488	-
Cash and cash equivalents per financial position	17,856,408	22,882,098	2,689,362
Less: Due to banks	-	-	(484,402)
Cash and cash equivalent for the purpose of cash flow statement	<b>17,856,408</b>	<b>22,882,098</b>	<b>2,204,960</b>

## 11 Segmental analysis

The Group primarily operates in one business segment: real estate investments. Although management of the Group is based primarily on business segments, the Group operates in two geographical segments: Domestic and International. The geographical analysis of segment information is as follows:

	Domestic		International		Total	
	31 March 2009 (Unaudited) KD	31 March 2008 (Unaudited) KD	31 March 2009 (Unaudited) KD	31 March 2008 (Unaudited) KD	31 March 2009 (Unaudited) KD	31 March 2008 (Unaudited) KD
Three months ended Income	515,652	1,488,331	2,446,029	5,549,689	2,961,681	7,038,020
(Loss)/profit before provision for contribution to KFAS, Zakat and NLST	(1,008,948)	(742,580)	2,444,207	5,549,497	1,435,259	4,806,917

## 12 Related party transactions

Related parties represent major shareholders, associates, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

Details of significant related party transactions and balances are as follows:

	31 March 2009 (Unaudited) KD	31 Dec. 2008 (Audited) KD	31 March 2008 (Unaudited) KD
<b>Consolidated financial position:</b>			
Due from associate company (refer Note 4)	1,802,387	2,258,546	-
Due from other related parties (refer Note 4)	124,016	475,378	9,851,790
Due to associate company (refer Note 7)	66,173	-	-
Due to other related parties (refer Note 7)	265,018	251,625	1,731,495
			Three months ended
			31 March 2009 (Unaudited) KD
			31 March 2008 (Unaudited) KD
<b>Consolidated statement of income</b>			
Income from sale of investment properties		-	975,843
Management and placement fees		146,605	794,471
<b>Compensation of key management personnel of the Group</b>			
Short-term benefits		92,216	73,934
Employees' end of service benefits		5,567	6,473
		97,783	80,407

## 13 Capital commitments and contingent liabilities

At the financial position date the Group had capital commitments of KD3,898,812 in respect of investment properties (31 December 2008 : KD4,577,575 and 31 March 2008 : KD14,083,883).

At the financial position date, the Group had contingent liabilities in respect of outstanding bank guarantees amounting to KD900,000 (31 December 2008: KD900,000 and 31 March 2008 : KD600,000).

**14 Fiduciary assets**

Fiduciary assets comprise investments managed on behalf of clients amounting to KD165,066(31 December 2008: KD166,225 and 31 March 2008: KD172,235)

**15 Dividend distribution**

Following approval of the annual general assembly of the shareholders on 18 February 2009 the Parent Company distributed cash dividend of 25 Fils (2007: 15 Fils) per share amounting to KD8,641,215 (2007: KD4,257,915).