Interim condensed consolidated financial information and review report

Injazzat Real Estate Development Company – KSC (Closed)

and Subsidiaries

Kuwait

31 March 2010 (Unaudited)

Injazzat Real Estate Development Company – KSC (Closed)
and Subsidiaries
Kuwait

Contents

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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 2010 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 this 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 2010 that might have had a material effect on the business of the Group or on its financial position.

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Kuwait
12 May 2010

Interim condensed consolidated statement of income

	Note	Three months ended 31 March 2010 (Unaudited) KD	31 March 2009 (Unaudited) KD
Income			
Rental income		**675,146**	878,728
Income from available for sale investments		**546,081**	3,529,048
Profit from sale of investment property	5a	**16,491**	-
Management fees		**363,058**	207,847
Share of results of associates		**(210,145)**	(193,848)
Other income		**426,758**	314,500
Foreign exchange loss		**(314,435)**	(1,774,594)
		1,502,954	2,961,681
Expenses and other charges			
Real estate operating costs		**67,846**	37,826
Staff costs		**208,827**	202,933
Depreciation		**49,335**	51,074
General and administrative expenses		**47,210**	111,619
Consultancy and professional fees		**22,851**	28,202
Finance costs		**1,106,649**	1,094,768
		1,502,718	1,526,422
Profit before KFAS, Zakat and NLST		**236**	1,435,259
Provision for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		**(24)**	(14,797)
Provision for Zakat		**(27)**	(16,415)
Provision for National Labour Support Tax (NLST)		**(66)**	(36,010)
Profit for the period		**119**	1,368,037
Attributable to:			
Owners of the Parent Company		**2,537**	1,373,175
Non- Controlling interests		**(2,418)**	(5,138)
		119	1,368,037
BASIC & DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY	3	**Nil**	4 Fils

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 2010 (Unaudited) KD	Three months ended 31 March 2009 (Unaudited) KD
Profit for the period	**119**	1,368,037
Other comprehensive income/(loss):		
Net movement in cumulative change in fair value of available for sale investments	**(119,290)**	(2,871,321)
Exchange differences arising on translation of foreign operations	**188,374**	1,504,401
Other comprehensive income/(loss) for the period	**69,084**	(1,366,920)
Total comprehensive income for the period	**69,203**	1,117
Attributable to:		
Owners of the Parent Company	**71,621**	6,255
Non – Controlling interests	**(2,418)**	(5,138)
	69,203	1,117

Interim condensed consolidated financial position

	Note	31 March 2010 (Unaudited) KD	31 Dec. 2009 (Audited) KD	31 March 2009 (Unaudited) KD
Assets				
Cash and cash equivalents	9	**15,192,540**	16,316,287	17,856,408
Accounts receivable and other assets		**6,719,176**	6,342,361	8,724,657
Available for sale investments	4	**16,710,633**	16,754,445	25,349,871
Investment properties	5	**106,478,452**	110,494,405	125,598,046
Investment in associates	5a	**23,223,409**	19,077,339	15,248,544
Property and equipment		**1,665,620**	1,711,999	1,851,424
Total assets		**169,989,830**	170,696,836	194,628,950
Liabilities and equity				
Liabilities				
Due to banks		**-**	488,766	-
Accounts payable and other liabilities	6	**8,027,727**	9,132,742	11,836,525
Ijara sukuk payable	7	**17,352,000**	17,232,000	17,502,000
Bank loans	8	**84,262,793**	83,560,422	83,515,756
Total liabilities		**109,642,520**	110,413,930	112,854,281
Equity				
Equity attributable to owners of the Parent Company				
Share capital		**34,564,860**	34,564,860	34,564,860
Treasury shares		**(564,751)**	(559,894)	-
Share premium		**2,869,130**	2,869,130	2,869,130
Statutory reserve		**7,209,059**	7,209,059	7,209,059
Voluntary reserve		**3,604,530**	3,604,530	3,604,530
Gain on sale of treasury shares reserve		**4,511,312**	4,511,254	4,505,130
Foreign currency translation reserve		**1,193,460**	1,005,086	1,313,019
Cumulative changes in fair value		**1,219,946**	1,339,236	972,374
Retained earnings		**64,965**	62,428	21,632,268
		54,672,511	54,605,689	76,670,370
Non- controlling interests		**5,674,799**	5,677,217	5,104,299
Total equity		**60,347,310**	60,282,906	81,774,669
Total liabilities and equity		**169,989,830**	170,696,836	194,628,950

Mohammed A. Latif Alshaya
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 owners of the Parent Company											
	Share Capital KD	Treasury shares KD	Share premium KD	Statutory reserve KD	Voluntary reserve KD	Gain on sale of treasury shares reserve KD	Foreign currency translation reserve KD	Cumulative change in fair value KD	Retained earnings KD	Sub-total KD	Non-controlling interests KD	Total KD
Balance at 1 January 2010	34,564,860	(559,894)	2,869,130	7,209,059	3,604,530	4,511,254	1,005,086	1,339,236	62,428	54,605,689	5,677,217	60,282,906
Purchase of treasury shares	-	(73,147)	-	-	-	-	-	-	-	(73,147)	-	(73,147)
Disposal of treasury shares	-	68,290	-	-	-	58	-	-	-	68,348	-	68,348
Transactions with owners	-	(4,857)	-	-	-	58	-	-	-	(4,799)	-	(4,799)
Profit/(loss) for the period	-	-	-	-	-	-	-	-	2,537	2,537	(2,418)	119
Other comprehensive income/(loss) for the period	-	-	-	-	-	-	188,374	(119,290)	-	69,084	-	69,084
Total comprehensive income for the period	-	-	-	-	-	-	188,374	(119,290)	2,537	71,621	(2,418)	69,203
Balance at 31 March 2010	**34,564,860**	**(564,751)**	**2,869,130**	**7,209,059**	**3,604,530**	**4,511,312**	**1,193,460**	**1,219,946**	**64,965**	**54,672,511**	**5,674,799**	**60,347,310**
Balance at 1 January 2009	34,564,860	-	2,869,130	7,209,059	3,604,530	4,505,130	(191,382)	3,843,695	28,900,308	85,305,330	5,109,437	90,414,767
Cash dividend	-	-	-	-	-	-	-	-	(8,641,215)	(8,641,215)	-	(8,641,215)
Transactions with owners	-	-	-	-	-	-	-	-	(8,641,215)	(8,641,215)	-	(8,641,215)
Profit/(loss) for the period	-	-	-	-	-	-	-	-	1,373,175	1,373,175	(5,138)	1,368,037
Other comprehensive income/(loss) for the period	-	-	-	-	-	-	1,504,401	(2,871,321)	-	(1,366,920)	-	(1,366,920)
Total comprehensive income for the period	-	-	-	-	-	-	1,504,401	(2,871,321)	1,373,175	6,255	(5,138)	1,117
Balance at 31 March 2009	34,564,860	-	2,869,130	7,209,059	3,604,530	4,505,130	1,313,019	972,374	21,632,268	76,670,370	5,104,299	81,774,669

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 2010 (Unaudited) KD	Three months ended 31 March 2009 (Unaudited) KD
OPERATING ACTIVITIES			
Profit before KFAS, Zakat and NLST		**236**	1,435,259
Adjustments for:			
Depreciation		**49,335**	51,074
Income from available for sale investments		**(546,081)**	(3,529,048)
Profit from sale of investment properties		**(16,491)**	-
Share of results of associates		**210,145**	193,848
Foreign exchange loss on non operating liabilities		**322,371**	1,774,594
Interest income		**(159,587)**	(255,590)
Finance costs		**1,106,649**	1,094,768
		966,577	764,905
Changes in operating assets and liabilities:			
Accounts receivable and other assets		**97,765**	1,102,801
Accounts payable and other liabilities		**(903,488)**	260,269
Cash from operations		**160,854**	2,127,975
Board of directors' remuneration paid		**-**	(100,000)
Net cash from operating activities		**160,854**	2,027,975
INVESTING ACTIVITIES			
Net additions to property and equipment		**(2,956)**	(14,381)
Additions to available for sale investments		**(111,719)**	(82,866)
Additions to investment properties		**(145,381)**	(1,008,003)
Investment in associates		**(59,110)**	-
Distribution income received from available for sale investments		**-**	3,529,048
Interest income received		**159,587**	255,590
Net cash (used in)/from investing activities		**(159,579)**	2,679,388
FINANCING ACTIVITIES			
Dividend paid		**-**	(8,641,215)
Purchase of treasury shares		**(73,147)**	-
Sale of treasury shares		**68,348**	-
Bank loans obtained		**1,000,000**	-
Bank loans repaid		**(500,000)**	-
Finance costs paid		**(1,131,457)**	(1,091,838)
Net cash used in financing activities		**(636,256)**	(9,733,053)
Net decrease in cash and cash equivalents		**(634,981)**	(5,025,690)
Cash and cash equivalents at beginning of the period		**15,827,521**	22,882,098
Cash and cash equivalents at end of the period	9	**15,192,540**	17,856,408

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 2010

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 its subsidiaries (collectively "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 12 May 2010.

The annual consolidated financial statements for the year ended 31 December 2009 were approved by the Board of Directors on 25 March 2010 and it was approved by the shareholders at the Annual General Meeting held on 29 April 2010.

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 2009 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 new standards, revisions and amendments to IFRS issued by the International Accounting Standards Board, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2010. Certain other amendments to standards have been made and certain new standards and interpretations have been issued but they are not expected to have a material impact on the Group's financial statements.

- IFRS 3 Business Combinations (Revised 2008)
- IAS 27 Consolidated and Separate Financial Statements (Revised 2008)
- IAS 28 Investments in Associates (Revised 2008)
- IFRIC 17 Distribution of Non Cash Assets to Owners

2 Significant accounting policies (continued)

- IFRS 3 Business Combinations (Revised 2008) and IAS 27 Consolidated and Separate Financial Statements (Revised 2008)

IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after 1 January 2010. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

IAS 27 (Revised) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well.

The changes by IFRS 3 (Revised) and IAS 27 (Revised) will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests. The change in accounting policy was applied prospectively.

- IAS 28 Investments in Associates (Revised 2008)

The revised standard introduces changes to the accounting requirements for the loss of significant influence of an associate and for changes in the Group's interest in associates. Consequently, when significant influence is lost, the investor measures any investment retained in the former associate at fair value, with any consequential gain or loss recognized in profit or loss. These changes will be applicable for future acquisitions and disposals.

- IFRIC 17 Distribution of Non-Cash Assets to Owners

The Interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its owners. This interpretation will be applicable for future non-cash distributions made to the owners.

Following revised standards have been issued but not yet effective and have not been adopted by the Group in the current period:

- IFRS 9 Financial Instruments (effective from 1 January 2013)

Although early application of this standard is permitted, the Technical Committee of the Ministry of Commerce and Industry of Kuwait decided during December 2009, to postpone this allowed early application until further notice.

- IAS 24 (Revised) "Related party disclosures" (effective for annual periods beginning from 1 January 2011)

- IAS 32 Financial Instruments: Presentation (effective for annual period beginning from 1 February 2010)

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for annual period beginning 1 July 2010).

The interim condensed consolidated financial information does not include all information and disclosures required for complete consolidated 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.

2 Significant accounting policies (continued)

Operating results for the three months period ended 31 March 2010 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2010. For further details, refer to the consolidated financial statements and its related disclosures for the year ended 31 December 2009.

3 Basic and diluted earnings per share

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

	Three months ended 31 March 2010 (Unaudited)	Three months ended 31 March 2009 (Unaudited)
Profit for the period attributable to owners of the Parent Company (KD)	**2,537**	1,373,175
Weighted average number of shares outstanding during the period (excluding treasury shares)	**342,457,711**	345,648,600
Basic and diluted earnings per share	**Nil**	4 Fils

4 Available for sale investments

	31 March 2010 (Unaudited) KD	31 Dec. 2009 (Audited) KD	31 March 2009 (Unaudited) KD
Real estate funds	**892,544**	892,545	1,166,229
Special purposes real estate entities	**4,803,932**	4,632,706	8,898,864
Unquoted shares	**9,271,934**	9,552,280	13,542,936
Debt financing	**1,742,223**	1,676,914	1,741,842
	16,710,633	16,754,445	25,349,871

Available for sale investments include 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 and the carrying amount of such investments amounted to KD5,599,049 (31 December 2009: KD5,390,580 and 31 March 2009: KD9,763,280).

5 Investment properties

	31 March 2010 (Unaudited) KD	31 Dec. 2009 (Audited) KD	31 March 2009 (Unaudited) KD
Opening carrying value	**110,494,405**	125,232,295	125,232,295
Additions during the period/year	**145,381**	5,796,335	1,008,003
Disposals during the period/year	**(4,280,614)**	(781,000)	-
Reversal on termination of a purchase contract	**-**	(1,578,934)	(1,578,934)
Change in fair value	**-**	(18,885,647)	-
Foreign currency translation adjustment arising on consolidation	**119,280**	711,356	936,682
Ending carrying value	**106,478,452**	110,494,405	125,598,046

a. During the period, the Group disposed one of its foreign properties to a foreign associate for a net consideration of KD4,297,105, realising a gain of KD16,491. The associate will develop this property for future rental and/or sale and the sales consideration due to the group has been considered as part of the group's investment in this associate and included in "investment in associates".

6 Accounts payable and other liabilities

	31 March 2010 (Unaudited) KD	31 Dec. 2009 (Audited) KD	31 March 2009 (Unaudited) KD
Financial liabilities			
Accounts payable	**1,853,295**	1,974,665	3,546,262
Due on purchase of investment properties	**3,904,775**	4,328,043	5,654,784
Accrued expenses	**544,992**	687,246	923,903
Due to associate company	**-**	-	66,173
Due to other related parties	**599,192**	603,270	265,018
Rent received in advance	**106,005**	434,400	483,909
Other liabilities	**1,019,468**	1,105,118	896,476
	8,027,727	9,132,742	11,836,525

Included within "due on purchase of investment properties" is an amount of KD1,271,332 (31 December 2009: KD1,804,708 and 31 March 2009: KD1,607,461) which is due after more than one year.

7 Ijara Sukuk payable

On 25 July 2007 the parent company issued 5-year trust certificates (Ijara Sukuk) amounting to US Dollars 60,000,000 at par through a special purpose vehicle. The certificate holders are entitled to a quarterly profit distribution at 3-months LIBOR plus 1.25% per annum. The carrying value of these certificates as at the reporting date was equivalent to KD17,352,000 (31 December 2009: KD17,232,000 and 31 March 2009: KD17,502,000). As at 31 December 2009 and 31 March 2010, the Parent Company has not complied with certain covenants stipulated in the initial sukuk agreement. The Parent Company's management is currently renegotiating the terms and conditions of the sukuk agreement with the lead manager representing the sukuk holders (primarily local banks).

8 Bank loans

	Security	31 March 2010 (Unaudited) KD	31 Dec. 2009 (Audited) KD	31 March 2009 (Unaudited) KD
Local banks – Kuwaiti Dinar	Unsecured	**55,000,000**	54,500,000	54,000,000
Local banks – U.S. Dollars	Unsecured	**29,262,793**	29,060,422	29,515,756
		84,262,793	83,560,422	83,515,756

The loans are due for repayment as follows:

	31 March 2010 (Unaudited) KD	31 Dec. 2009 (Audited) KD	31 March 2009 (Unaudited) KD
Within one year	**28,383,643**	27,820,132	55,971,861
One to five years	**55,879,150**	55,740,290	27,543,895
	84,262,793	83,560,422	83,515,756

The Parent Company has not complied with certain covenants on one bank loan. The Parent Company is currently negotiating consolidation of its loans (totalling KD 15,500,000) from the same lender with amended covenants.

9 Cash and cash equivalents

	31 March 2010 (Unaudited) KD	31 Dec. 2009 (Audited) KD	31 March 2009 (Unaudited) KD
Cash and bank balances	2,756,593	3,728,995	4,524,114
Short term deposits	12,435,947	12,587,292	13,332,294
Cash and cash equivalents per statement of financial position	15,192,540	16,316,287	17,856,408
Less: Due to banks	-	(488,766)	-
Cash and cash equivalent for the purpose of cash flow statement	15,192,540	15,827,521	17,856,408

10 Segmental analysis

The Group activities are concentrated in real estate investments and geographically the Group activities are concentrated in two main segments: Domestic and International (Kingdom of Bahrain, United Arab Emirates, Saudi Arabia, Qatar, Europe and USA). The following is the segments information, which conforms with the internal reporting presented to management:

	Domestic		International		Total	
	31 March 2010 (Unaudited) KD	31 March 2009 (Unaudited) KD	31 March 2010 (Unaudited) KD	31 March 2009 (Unaudited) KD	31 March 2010 (Unaudited) KD	31 March 2009 (Unaudited) KD
Three months ended						
Income	331,701	515,652	1,171,253	2,446,029	1,502,954	2,961,681
(Loss)/profit before KFAS, Zakat and NLST	(1,146,911)	(1,008,948)	1,147,147	2,444,207	236	1,435,259
Total assets	78,966,361	90,549,467	91,023,469	104,079,483	169,989,830	194,628,950

11 Related party transactions

Related parties represent associates, directors and key management personnel of the Group, and other related parties such as major shareholders and companies in which directors and key management personnel of the Group are principal owners or over which they are able to exercise significant influence or joint control. 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 2010 (Unaudited) KD	31 Dec. 2009 (Audited) KD	31 March 2009 (Unaudited) KD
Balances included in interim condensed consolidated financial position:			
Due from associate company (included in accounts receivable and other assets)	737,224	733,326	1,802,387
Due from other related parties (included in accounts receivable and other assets)	151,555	58,616	124,016
Due to associate company (refer Note 6)	-	-	66,173
Due to other related parties (refer Note 6)	599,192	603,270	265,018

11 Related party transactions (continued)

	Three months ended 31 March 2010 (Unaudited) KD	Three months ended 31 March 2009 (Unaudited) KD
Transactions included in interim consolidated statement of income		
Profit from sale of investment properties (refer note 5a)	**16,491**	-
Management fees	**12,000**	146,605
Compensation of key management personnel of the Group		
Short-term benefits	**86,048**	92,216
Employees' end of service benefits	**5,375**	5,567
	91,423	97,783

12 Capital commitments

At the financial position date the Group had capital commitments of KD1,657,238 in respect of investment properties (31 December 2009 : KD1,631,051 and 31 March 2009 : KD3,898,812).

13 Fiduciary assets

Fiduciary assets comprise investments managed on behalf of clients amounting to KD165,478 (31 December 2009: KD176,272 and 31 March 2009: KD165,066)