

Interim condensed consolidated financial information and review report
Injazzat Real Estate Development Company – KSC (Closed)
and Subsidiaries

Kuwait

30 June 2007 (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 consolidated balance sheet of Injazzat Real Estate Development Company – KSC (Closed) (the “parent company”) and subsidiaries (the “group”) as at 30 June 2007 and the related consolidated statements of income for the three month and six month periods then ended, and the related consolidated statements of changes in equity and cash flows for the six month period then ended. The directors of the parent company are 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 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 six month period ended 30 June 2007 that might have had a material effect on the business of the group or on its financial position.

Abdullatif M. Al-Aiban (CPA)
(Licence No. 94-A)
of Grant Thornton – Anwar Al-Qatami & Co.

Waleed A. Al Osaimi
(Licence No. 68-A)
of Ernst & Young

Kuwait
18 July 2007

Consolidated statement of income

	Note	Three months ended		Six months ended	
		30 June 2007 (Unaudited) KD	30 June 2006 (Unaudited) KD	30 June 2007 (Unaudited) KD	30 June 2006 (Unaudited) KD
Income					
Rental income		94,530	97,880	191,110	193,160
Profit on sale of property under development	3	-	504,956	-	2,758,816
Unrealized gain from investment at fair value through statement of income		33,280	-	88,612	-
Profit from sale of available for sale investments		-	806,312	-	806,312
Distribution income from available for sale investments		175,177	708,128	276,649	852,762
Income from sale of investment properties	8	4,408,724	-	4,981,578	675,921
Change in fair value of investment properties	8	4,461,565	-	6,970,990	-
Management and placement fees		46,641	115,260	166,176	290,328
Other income	4	125,024	112,860	651,595	224,643
Foreign exchange gain		46,056	95,493	35,117	197,675
		9,390,997	2,440,889	13,361,827	5,999,617
Expenses					
Real estate operating costs		39,247	12,984	67,725	38,204
Staff costs		213,172	189,862	341,030	266,293
General and administrative expenses		83,867	48,342	174,038	127,067
Consultancy and professional fees		-	69,482	26,914	115,630
Finance costs		703,934	202,737	1,287,169	531,867
		1,040,220	523,407	1,896,876	1,079,061
Profit before provision for contribution to KFAS and NLST		8,350,777	1,917,482	11,464,951	4,920,556
Provision for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(75,157)	(17,257)	(103,185)	(44,285)
Provision for National Labour Support Tax (NLST)		(208,767)	(42,712)	(286,624)	(109,605)
Profit for the period		8,066,853	1,857,513	11,075,142	4,766,666
Attributable to:					
Shareholders of the parent company		8,066,904	1,857,513	11,075,193	4,766,666
Minority interest		(51)	-	(51)	-
		8,066,853	1,857,513	11,075,142	4,766,666
BASIC AND DILUTED EARNINGS PER SHARE	5	28.15 Fils	6.22 Fils	38.05 Fils	15.95 Fils

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

Consolidated balance sheet

	Note	30 June 2007 (Unaudited) KD	31 Dec. 2006 (Audited) KD	30 June 2006 (Unaudited) KD
Assets				
Cash and cash equivalents	13	11,314,216	6,581,386	3,912,601
Accounts receivable and other assets	6	13,055,283	10,878,323	15,954,179
Investments at fair value through statement of income		3,017,497	1,493,252	-
Available for sale investments	7	19,082,666	14,426,331	10,309,773
Investment properties	8	79,007,294	59,422,105	37,757,443
Investment in associates		3,304,083	3,304,676	2,450,223
Property under development		-	-	4,362,043
Property and equipment		2,150,273	1,969,047	-
Total assets		130,931,312	98,075,120	74,746,262
Liabilities and equity				
Liabilities				
Due to banks		218,138	547,591	633,462
Accounts payable and other liabilities	9	13,259,206	10,957,650	1,614,467
Bank loans	10	53,917,202	27,953,564	20,010,835
Total liabilities		67,394,546	39,458,805	22,258,764
Equity attributable to shareholders of the parent company				
Share capital	11	30,056,400	27,324,000	27,324,000
Treasury shares	12	(3,725,012)	(943,605)	(369,575)
Share premium		2,869,130	2,869,130	2,869,130
Statutory reserve		3,873,656	3,873,656	2,808,735
Voluntary reserve		1,936,828	1,936,828	1,404,368
Gain on sale of treasury shares reserve		273,976	261,468	201,343
Foreign currency translation reserve		(22,976)	(2,023)	(45,242)
Cumulative changes in fair value		1,350,276	672,875	3,286
Retained earnings		21,940,096	17,639,543	13,791,453
		58,552,374	53,631,872	47,987,498
Minority interest		4,984,392	4,984,443	4,500,000
Total equity		63,536,766	58,616,315	52,487,498
Total liabilities and equity		130,931,312	98,075,120	74,746,262

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 these interim condensed consolidated financial information.

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	Gain on sale of treasury shares reserve KD	Foreign currency translation reserve KD	Cumulative changes in fair value KD	Retained earnings KD	Sub-total KD	Minority interest KD	Total KD
Balance at 1 January 2007	27,324,000	(943,605)	2,869,130	3,873,656	1,936,828	261,468	(2,023)	672,875	17,639,543	53,631,872	4,984,443	58,616,315
Change in fair value of available for sale investments	-	-	-	-	-	-	-	677,401	-	677,401	-	677,401
Foreign currency translation adjustments	-	-	-	-	-	-	(20,953)	-	-	(20,953)	-	(20,953)
Gain on sale of treasury shares	-	-	-	-	-	12,508	-	-	-	12,508	-	12,508
Total income/ (expense) recognised directly in equity	-	-	-	-	-	12,508	(20,953)	677,401	-	668,956	-	668,956
Profit /(loss) for the period	-	-	-	-	-	-	-	-	11,075,193	11,075,193	(51)	11,075,142
Total recognised (expense)/income for the period	-	-	-	-	-	12,508	(20,953)	677,401	11,075,193	11,744,149	(51)	11,744,098
Issue of bonus shares (Note 11)	2,732,400	-	-	-	-	-	-	-	(2,732,400)	-	-	-
Cash dividend (Note 19)	-	-	-	-	-	-	-	-	(4,042,240)	(4,042,240)	-	(4,042,240)
Purchase of treasury shares	-	(3,199,930)	-	-	-	-	-	-	-	(3,199,930)	-	(3,199,930)
Sale of treasury shares	-	418,523	-	-	-	-	-	-	-	418,523	-	418,523
Balance at 30 June 2007	30,056,400	(3,725,012)	2,869,130	3,873,656	1,936,828	273,976	(22,976)	1,350,276	21,940,096	58,552,374	4,984,392	63,536,766

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

Consolidated statement of changes in equity (continued)

	Equity attributable to shareholders of the parent company											Total KD
	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 changes in fair value KD	Retained earnings KD	Sub-total KD	Minority interest KD	
Balance at 1 January 2006	23,760,000	(249,860)	2,869,130	2,808,735	1,404,368	172,526	236,316	739,564	14,953,419	46,694,198	4,500,000	51,194,198
Change in fair value of available for sale investments	-	-	-	-	-	-	-	6,385	-	6,385	-	6,385
Realised on sale of available for sale investment	-	-	-	-	-	-	-	(590,702)	-	(590,702)	-	(590,702)
Foreign currency translation adjustments	-	-	-	-	-	-	(281,558)	(151,961)	-	(433,519)	-	(433,519)
Gain on sale of treasury shares	-	-	-	-	-	28,817	-	-	-	28,817	-	28,817
Net income/ (expense) recognised directly in equity	-	-	-	-	-	28,817	(281,558)	(736,278)	-	(989,019)	-	(989,019)
Profit for the period	-	-	-	-	-	-	-	-	4,766,666	4,766,666	-	4,766,666
Total recognised income/ (expense) for the period	-	-	-	-	-	28,817	(281,558)	(736,278)	4,766,666	3,777,647	-	3,777,647
Issue of bonus shares	3,564,000	-	-	-	-	-	-	-	(3,564,000)	-	-	-
Cash dividend	-	-	-	-	-	-	-	-	(2,364,632)	(2,364,632)	-	(2,364,632)
Purchase of treasury shares	-	(172,897)	-	-	-	-	-	-	-	(172,897)	-	(172,897)
Sale of treasury shares	-	53,182	-	-	-	-	-	-	-	53,182	-	53,182
	3,564,000	(119,715)	-	-	-	-	-	-	(5,928,632)	(2,484,347)	-	(2,484,347)
Balance at 30 June 2006	27,324,000	(369,575)	2,869,130	2,808,735	1,404,368	201,343	(45,242)	3,286	13,791,453	47,987,498	4,500,000	52,487,498

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

Consolidated statement of cash flows

	Note	Six months ended 30 June 2007 (Unaudited) KD	Six months ended 30 June 2006 (Unaudited) KD
OPERATING ACTIVITIES			
Profit before provision for contribution to KFAS and NLST		11,464,951	4,920,556
Adjustments for:			
Profit on sale of property under development		-	(2,758,816)
Unrealized gain from investment at fair value through statement of income		(88,612)	-
Income from sale of available for sale investments		-	(806,312)
Distribution income from available for sale investments		(276,649)	(852,762)
Profit from sale of investment properties		(4,981,578)	(675,921)
Change in fair value of investment properties		(6,970,990)	-
Foreign exchange (gain)/loss on non operating assets and liabilities		(24,769)	37,127
Interest income		(214,033)	(224,643)
Finance costs		1,287,169	531,867
Depreciation		42,857	-
		238,346	171,096
Changes in operating assets and liabilities:			
Accounts receivable and other assets		(4,590,890)	2,403,507
Accounts payable and other liabilities		(1,215,687)	(862,111)
Cash (used in)/ from operations		(5,568,231)	1,712,492
Board of directors' remuneration paid		(75,000)	(75,000)
Net cash (used in)/from operating activities		(5,643,231)	1,637,492
INVESTING ACTIVITIES			
Additions to property and equipment		(224,083)	-
Additions to investment at fair value through statement of income		(1,435,633)	-
Additions to available for sale investments		(3,978,934)	(163,600)
Proceeds from redemption/sale of available for sale investments		-	2,354,108
Additions to investment properties		(13,435,073)	(2,547,681)
Proceeds from sale of investment properties		3,676,480	1,827,094
Investment in associate		-	(123,951)
Additions to property under development		-	(2,611,155)
Proceeds from sale of property under development		7,789,620	458,650
Payment for subsidiary under formation		-	(1,000,000)
Distribution income received from available for sale investments		276,649	852,762
Interest income received		214,033	224,643
Net cash used in investing activities		(7,116,941)	(729,130)
FINANCING ACTIVITIES			
Dividend paid		(4,042,240)	(2,364,632)
Purchase of treasury shares		(3,199,930)	(172,897)
Proceeds from sale of treasury shares		431,031	81,999
Loans obtained		27,989,000	1,862,120
Loans repaid		(2,000,000)	(218,750)
Finance costs paid		(1,355,406)	(213,363)
Net cash from/(used in) financing activities		17,822,455	(1,025,523)
Net increase/ (decrease) in cash and cash equivalents		5,062,283	(117,161)
Cash and cash equivalents at beginning of the period		6,033,795	2,396,300
Cash and cash equivalents at end of the period	13	11,096,078	2,279,139

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

Notes to the interim condensed consolidated financial information

30 June 2007

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 (the group) are engaged in various types of real estate investment activities.

The address of the parent company's registered office is PO Box 970, Safat 1, State of Kuwait.

The board of directors of the parent company approved this interim condensed consolidated financial information for issuance on 18 July 2007.

2 Significant accounting policies

Basis of presentation

This 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 interim condensed consolidated financial information are consistent with those used in preparation of annual consolidated financial statements for the year ended 31 December 2006.

This 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 management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included.

Operating results for the three months and six months ended 30 June 2007 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2007. For further details, refer to the consolidated financial statements and its related disclosures for the year ended 31 December 2006.

3 Profit on sale of property under development

	Three months ended		Six months ended	
	30 June 2007 (Unaudited)	30 June 2006 (Unaudited)	30 June 2007 (Unaudited)	30 June 2006 (Unaudited)
	KD	KD	KD	KD
Revenue from sale of property	-	1,677,128	-	11,366,569
Cost of sales	-	(1,172,172)	-	(8,607,753)
	-	504,956	-	2,758,816

4 Other income

Other income includes reversal of contingent costs/accruals, on settlement of the final amounts with the contractors, amounting to KD437,562 carried by the parent company in relation to a property which was developed and sold during the year ended 31 December 2006.

5 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		Six months ended	
	30 June 2007 (Unaudited)	30 June 2006 (Unaudited)	30 June 2007 (Unaudited)	30 June 2006 (Unaudited)
Profit for the period attributable to the shareholders of the parent company (KD)	8,066,904	1,857,513	11,075,193	4,766,666
Weighted average number of shares outstanding during the period (excluding treasury shares)	286,570,948	298,693,390	291,081,782	298,899,663
Basic and diluted earnings per share	28.15 Fils	6.22 Fils	38.05 Fils	15.95 Fils

The weighted average number of shares outstanding during the period ended 30 June 2006 has been restated due to the issue of bonus shares during the period ended 30 June 2007.

6 Accounts receivable and other assets

	30 June 2007 (Unaudited) KD	31 Dec. 2006 (Audited) KD	30 June 2006 (Unaudited) KD
Due from sale of available for sale investment	-	-	1,892,531
Due from related parties	16,802	1,292,137	1,553,161
Due on sale of investment properties	5,595,690	-	1,914,624
Due on sale of property under development	-	7,789,620	9,046,961
Payments towards share subscription	610,000	610,000	610,000
Payments towards property purchases	5,404,450	220,000	-
Advances to contractors	349,504	264,100	-
Other assets	1,078,837	702,466	936,902
	13,055,283	10,878,323	15,954,179

7 Available for sale investments

Available for sale investments represent foreign unquoted investments and includes investments in real estate entities with a carrying value of KD3,754,779 (31 December 2006: KD2,413,056 and 30 June 2006: KD2,281,686). These entities represent temporary special purpose entities established to facilitate the group's investments in certain foreign real estate projects. These projects are managed by independent specialist property development managers. As a result, investments in these entities have been classified as available for sale investments.

8 Investment properties

During the three months ended 31 March 2007, the group disposed of foreign investment properties for a consideration of KD1,811,250 resulting in a realised gain of KD572,854.

During the three months ended 31 March 2007, the parent company purchased the remaining portion of a jointly owned property from a significant shareholder (related party) at a cost of KD6,000,000, and revalued its existing share of the jointly owned property based on this transaction and booked a revaluation gain of KD2,509,425.

During the three months ended 30 June 2007, the group disposed of 50% of a foreign investment property for a consideration of KD7,460,920 which resulted in a gain of KD4,408,724, and revalued its remaining share of 50% in the jointly owned property based on this transaction and booked a revaluation gain of KD4,461,565.

9 Accounts payable and other liabilities

	30 June 2007 (Unaudited) KD	31 Dec. 2006 (Audited) KD	30 June 2006 (Unaudited) KD
Accounts payable	2,299,174	3,837,384	279,355
Due on purchase of investment properties	7,956,318	4,717,468	-
Accrued expenses and other liabilities	3,003,714	2,402,798	1,335,112
	13,259,206	10,957,650	1,614,467

Included within "due on purchase of investment properties" is an amount of KD3,249,718 (31 December 2006: KD3,265,939 and 30 June 2006: KD Nil) which is due after more than one year.

10 Bank loans

	Effective interest rate	Security	30 June 2007 (Unaudited) KD	31 Dec. 2006 (Audited) KD	30 June 2006 (Unaudited) KD
Local banks – Kuwaiti Dinar	CBK discount rate + 1.25%	Unsecured	12,000,000	12,000,000	12,756,760
Local banks – Kuwaiti Dinar	CBK discount rate + 1% -1.5%	Unsecured	17,000,000	11,000,000	-
Local banks – U.S. Dollars	LIBOR + 1.75% - 2%	Secured	4,937,457	4,953,564	4,953,564
Local banks – U.S. Dollars	LIBOR + 1.4% - 1.5%	Unsecured	19,979,745	-	-
Foreign banks – Bahraini Dinar	BIBOR + 1.5%	Secured	-	-	2,300,511
			53,917,202	27,953,564	20,010,835

10 Bank loans (continued)

The loans are due for repayment as follows:

	30 June 2007 (Unaudited) KD	31 Dec. 2006 (Audited) KD	30 June 2006 (Unaudited) KD
Within one year	26,226,457	15,953,564	7,254,075
One to five years	27,690,745	12,000,000	12,756,760
	53,917,202	27,953,564	20,010,835

Loans from local banks are secured by investment properties with a carrying value of KD5,050,000 (2006: KD2,500,000).

11 Share capital

The general assembly meeting of the shareholders of the parent company held on 19 February 2007 approved an increase in the share capital from KD27,324,000 to KD30,056,400 by way of issuance of 10% bonus shares amounting to KD 2,732,400.

At 30 June 2007, the authorised, issued and paid up capital of the parent company comprised 300,564,000 shares of 100 fils each (2006: 273,240,000 shares).

12 Treasury shares

At 30 June 2007 the parent company held 16,933,052 (31 December 2006 : 3,697,320 and 30 June 2006 : 1,737,320) of its own shares, equivalent to 5.6% (31 December 2006 : 1.35% and 30 June 2006 : 0.64%) of the total issued share capital at that date. The market value of these shares at the balance sheet date was KD4,487,259 (31 December 2006 : KD1,035,250 and 30 June 2006 : KD503,822). Reserves of the parent company equivalent to the cost of the treasury shares have been earmarked as non-distributable.

13 Cash and cash equivalents

	30 June 2007 (Unaudited) KD	31 Dec. 2006 (Audited) KD	30 June 2006 (Unaudited) KD
Cash and bank balances	3,243,632	6,581,386	3,912,601
Investment in money market fund managed by a local financial institution	8,070,584	-	-
Cash and cash equivalents	11,314,216	6,581,386	3,912,601
Less: Due to banks	(218,138)	(547,591)	(633,462)
Blocked balances	-	-	(1,000,000)
Cash and cash equivalent for the purpose of cash flow statement	11,096,078	6,033,795	2,279,139

14 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	
	30 June 2007 (Unaudited) KD	30 June 2006 (Unaudited) KD	30 June 2007 (Unaudited) KD	30 June 2006 (Unaudited) KD	30 June 2007 (Unaudited) KD	30 June 2006 (Unaudited) KD
Three months						
Income	187,227	712,179	9,203,770	1,728,710	9,390,997	2,440,889
Profit/(loss) before provision for contribution to KFAS and NLST	(852,295)	160,899	9,203,072	1,756,583	8,350,777	1,917,482
Six months						
Income	3,364,188	3,222,962	9,997,639	2,776,655	13,361,827	5,999,617
Profit before provision for contribution to KFAS and NLST	1,468,010	2,160,428	9,996,941	2,760,128	11,464,951	4,920,556

15 Related party transactions

Related parties represent, major shareholders, directors and key management personnel of the parent company and companies of which they are principal owners or over which they are able to exercise significant influence or joint control. Pricing policies and terms of transaction with related parties are approved by the parent company's management.

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

	30 June 2007 (Unaudited) KD	30 June 2006 (Unaudited) KD
Consolidated balance sheet:		
Due from related parties (refer Note 6)	16,802	1,553,161
	Six months ended 30 June 2007 (Unaudited) KD	Six months ended 30 June 2006 (Unaudited) KD
Compensation of key management personnel of the group		
Short-term benefits	193,247	114,598
Employees' end of service benefits	9,250	6,149

16 Subsequent event

The parent company is in the process of finalising an Islamic financing arrangement whereby the parent company will issue through a special purpose vehicle Trust certificates (Ijara Sukuk) of US Dollars 60,000,000 (equivalent to KD17,289,000) at an issue price of 100% of their principal amount which are due in 5 yrs from the date of issue. The certificate holders will be entitled to a periodic profit distribution at the rate of 3 months LIBOR plus 1.25% per annum to be distributed quarterly.

17 Capital commitments and contingent liabilities

At the balance sheet date the group had capital commitments of KD23,411,085 in respect of available for sale investments, investment in associates and investment properties (31 December 2006: KD15,213,678 and 30 June 2006 : KD22,831,496).

At the balance sheet date, the group had contingent liabilities in respect of outstanding bank guarantees amounting to KD1,800,000 (31 December 2006: KD 3,600,000 and 30 June 2006: KD4,817,295).

18 Fiduciary assets

Fiduciary assets comprise investments managed on behalf of clients amounting to KD165,899 (31 December 2006 : KD163,090 and 30 June 2006 : KD209,235).

19 Dividend distribution

Following approval by the annual general assembly on 19 February 2007 the parent company made a cash distribution of 15 Fils per share amounting to KD4,042,240 and issued 10% bonus shares amounting to KD2,732,400 for the year ended 31 December 2006.