

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

Kuwait

31 March 2007 (Unaudited)

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Consolidated statement of income

	Note	Three months ended 31 March 2007 (Unaudited) KD	Three months ended 31 March 2006 (Unaudited) KD
Income			
Rental income		96,580	95,280
Profit on sale of property under development	3	-	2,253,860
Unrealised gain from investments at fair value through statement of income		55,332	-
Distribution income from available for sale investments		101,472	144,634
Income from sale of investment properties	8	572,854	675,921
Change in fair value of investment properties	8	2,509,425	-
Management and placement fees		119,535	175,068
Other income	4	526,571	111,783
Foreign exchange (loss)/gain		(10,939)	102,182
		3,970,830	3,558,728
Expenses			
Real estate operating costs		28,478	25,220
Staff costs		127,858	76,431
General and administrative expenses		90,171	78,725
Consultancy and professional fees		26,914	46,148
Finance costs		583,235	329,130
		856,656	555,654
Profit before provision for contribution to KFAS and NLST		3,114,174	3,003,074
Provision for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(28,028)	(27,028)
Provision for National Labour Support Tax (NLST)		(77,857)	(66,893)
Profit for the period		3,008,289	2,909,153
BASIC AND DILUTED EARNINGS PER SHARE	5	10.17 Fils	9.73 Fils

The notes set out on pages 7 to 10 form an integral part of the interim consolidated financial information.

Consolidated balance sheet

	Note	31 March 2007 (Unaudited) KD	31 Dec. 2006 (Audited) KD	31 March 2006 (Unaudited) KD
Assets				
Cash and bank balances		3,110,044	6,581,386	1,881,915
Accounts receivable and other assets	6	2,255,260	10,878,323	13,913,008
Investments at fair value through statement of income		2,274,185	1,493,252	-
Available for sale investments	7	15,491,425	14,426,331	14,758,500
Investment properties	8	67,988,658	59,422,105	38,409,582
Investment in associates		3,304,478	3,304,676	2,451,481
Property under development		-	-	2,147,268
Property and equipment		2,172,623	1,969,047	-
Total assets		96,596,673	98,075,120	73,561,754
Liabilities and equity				
Liabilities				
Due to banks		517,579	547,591	567,279
Accounts payable and other liabilities		10,265,573	10,957,650	1,846,998
Bank loans	9	28,661,446	27,953,564	19,564,523
Total liabilities		39,444,598	39,458,805	21,978,800
Equity attributable to shareholders of the parent company				
Share capital	10	30,056,400	27,324,000	27,324,000
Treasury shares		(2,104,970)	(943,605)	(422,758)
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		273,748	261,468	172,526
Foreign currency translation reserve		9,445	(2,023)	206,215
Cumulative changes in fair value		1,380,203	672,875	684,486
Retained earnings		13,873,192	17,639,543	12,036,252
		52,167,632	53,631,872	47,082,954
Minority interest		4,984,443	4,984,443	4,500,000
Total equity		57,152,075	58,616,315	51,582,954
Total liabilities and equity		96,596,673	98,075,120	73,561,754

Hamad Abdulaziz Al-Shaya
Chairman

Mohammad Ibrahim Al-Farhan
Managing Director

The notes set out on pages 7 to 10 form an integral part of the interim consolidated financial information.

Consolidated statement of changes in equity

	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 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	-	-	-	-	-	-	-	707,328	-	707,328	-	707,328
Foreign currency translation adjustments	-	-	-	-	-	-	11,468	-	-	11,468	-	11,468
Gain on sale of treasury shares	-	-	-	-	-	12,280	-	-	-	12,280	-	12,280
Total income recognised directly in equity	-	-	-	-	-	12,280	11,468	707,328	-	731,076	-	731,076
Profit for the period	-	-	-	-	-	-	-	-	3,008,289	3,008,289	-	3,008,289
Total recognised income for the period	-	-	-	-	-	12,280	11,468	707,328	3,008,289	3,739,365	-	3,739,365
Issue of bonus shares (Note 16)	2,732,400	-	-	-	-	-	-	-	(2,732,400)	-	-	-
Cash dividend (Note 16)	-	-	-	-	-	-	-	-	(4,042,240)	(4,042,240)	-	(4,042,240)
Purchase of treasury shares	-	(1,565,836)	-	-	-	-	-	-	-	(1,565,836)	-	(1,565,836)
Sale of treasury shares	-	404,471	-	-	-	-	-	-	-	404,471	-	404,471
Balance at 31 March 2007	30,056,400	(2,104,970)	2,869,130	3,873,656	1,936,828	273,748	9,445	1,380,203	13,873,192	52,167,632	4,984,443	57,152,075

The notes set out on pages 7 to 10 form an integral part of the interim consolidated financial information.

Consolidated statement of changes in equity (continued)

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 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	-	-	-	-	-	-	-	(55,078)	-	(55,078)	-	(55,078)
Foreign currency translation adjustments	-	-	-	-	-	-	(30,101)	-	-	(30,101)	-	(30,101)
Total expenses recognised directly in equity	-	-	-	-	-	-	(30,101)	(55,078)	-	(85,179)	-	(85,179)
Profit for the period	-	-	-	-	-	-	-	-	2,909,153	2,909,153	-	2,909,153
Total recognised (expense)/income for the period	-	-	-	-	-	-	(30,101)	(55,078)	2,909,153	2,823,974	-	2,823,974
Issue of bonus shares	3,564,000	-	-	-	-	-	-	-	(3,564,000)	-	-	-
Cash dividend	-	-	-	-	-	-	-	-	(2,262,320)	(2,262,320)	-	(2,262,320)
Purchase of treasury shares	-	(172,898)	-	-	-	-	-	-	-	(172,898)	-	(172,898)
Balance at 31 March 2006	27,324,000	(422,758)	2,869,130	2,808,735	1,404,368	172,526	206,215	684,486	12,036,252	47,082,954	4,500,000	51,582,954

The notes set out on pages 7 to 10 form an integral part of the interim consolidated financial information.

Consolidated statement of cash flows

	Note	Three months ended 31 March 2007 (Unaudited) KD	Three months ended 31 March 2006 (Unaudited) KD
OPERATING ACTIVITIES			
Profit for the period		3,114,174	3,003,074
Adjustments for:			
Profit on sale of property under development		-	(2,253,860)
Unrealised gain on investments at fair value through statement of income		(55,332)	-
Distribution income from available for sale investments		(101,472)	(144,634)
Income from sale of investment properties		(572,854)	(675,921)
Change in fair value of investment properties		(2,509,425)	-
Foreign exchange (gain)/loss on non operating assets and liabilities		5,704	(17,161)
Interest income		(38,354)	(19,355)
Finance costs		583,235	329,130
Operating profit before changes in operating assets and liabilities		425,676	221,273
Changes in operating assets and liabilities:			
Accounts receivable and other assets		615,763	2,176,054
Accounts payable and other liabilities		(716,962)	(320,480)
Cash from operations		324,477	2,076,847
Board of directors' remuneration paid		(75,000)	(75,000)
Net cash from operating activities		249,477	2,001,847
INVESTING ACTIVITIES			
Additions to property and equipment		(203,576)	-
Additions to investments at fair value through statement of income		(723,225)	-
Additions to available for sale investments		(360,086)	(163,600)
Additions to investment properties		(7,054,874)	(1,409,078)
Proceeds from sale of investment properties		1,793,138	984,709
Investment in associate		-	(123,951)
Additions to property under development		-	(921,776)
Proceeds from disposal of property under development		7,789,620	-
Distribution income received from available for sale investments		101,472	144,634
Interest income received		38,354	19,355
Net cash from (used in) investing activities		1,380,823	(1,469,707)
FINANCING ACTIVITIES			
Dividend paid		(4,042,240)	(2,262,320)
Purchase of treasury shares		(1,565,836)	(172,898)
Sale of treasury shares		416,751	-
Loans obtained		2,700,000	1,100,000
Loans repaid		(2,000,000)	-
Finance costs paid		(580,305)	(278,586)
Net cash (used in) financing activities		(5,071,630)	(1,613,804)
Net decrease in cash and cash equivalents		(3,441,330)	(1,081,664)
Cash and cash equivalents at beginning of the period		6,033,795	2,396,300
Cash and cash equivalents at end of the period	11	2,592,465	1,314,636

The notes set out on pages 7 to 10 form an integral part of the interim consolidated financial information.

Notes to the interim consolidated financial information

31 March 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 consolidated financial information for issuance on 28 April 2007.

2 Significant accounting policies

Basis of presentation

This interim consolidated financial information of the group has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". The accounting policies used in the preparation of the interim consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2006.

Operating results for the period are not necessarily indicative of the results that may be reported for the year ending 31 December 2007.

3 Profit on sale of property under development

	Three months ended 31 March 2007 (Unaudited) KD	Three months ended 31 March 2006 (Unaudited) KD
Revenue from sale of property	-	9,689,440
Cost of sales	-	(7,435,580)
	-	2,253,860

4 Other income

Other income includes reversal of contingent costs/accruals, on settlement of the final amounts with the contractors, amounting to KD 437,562 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 by the weighted average number of shares outstanding during the period as follows:

	Three months ended 31 March 2007 (Unaudited)	Three months ended 31 March 2006 (Unaudited)
Profit for the period (KD)	3,008,289	2,909,153
Weighted average number of shares outstanding during the period (excluding treasury shares)	295,655,180	298,985,514
Basic and diluted earnings per share	10.17 Fils	9.73 Fils

The weighted average number of shares outstanding during the period ended 31 March 2006 has been restated due to the issue of bonus shares during the period ended 31 March 2007.

6 Accounts receivable and other assets

	31 March 2007 (Unaudited) KD	31 Dec. 2006 (Audited) KD	31 March 2006 (Unaudited) KD
Due from related party	21,442	1,292,137	1,936,530
Due on sale of investment properties	-	-	2,756,454
Due on sale of property under development	-	7,789,620	7,828,483
Payments towards share subscription	610,000	610,000	610,000
Payments towards property purchases	-	220,000	-
Advances to contractors	623,293	264,100	-
Other assets	1,000,525	702,466	781,541
	2,255,260	10,878,323	13,913,008

7 Available for sale investments

Available for sale investments include unquoted investments in real estate entities with a carrying value of KD 2,391,781 (31 December 2006: KD 2,413,056 and 31 March 2006: KD 6,952,710). 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 period the group disposed foreign investment properties for a consideration of KD 1,811,250 resulting in a realised gain of KD 572,854.

During the quarter, the parent company purchased the remaining portion of a jointly owned property from a significant shareholder (related party) at a cost of KD 6,000,000, and revalued its existing share of the jointly owned property based on this transaction and booked a revaluation gain of KD 2,509,425.

9 Bank loans

	Effective interest rate	Security	31 March 2007 (Unaudited) KD	31 Dec. 2006 (Audited) KD	31 March 2006 (Unaudited) KD
Local banks – Kuwaiti Dinar	CBK discount rate + 1.25%	Unsecured	12,000,000	12,000,000	-
Local banks – Kuwaiti Dinar	CBK discount rate + 1.5% - 2.0%	Unsecured	9,000,000	11,000,000	9,737,880
Local banks – U.S. Dollars	LIBOR + 1.75% - 2.5%	Secured	4,961,446	4,953,564	7,502,570
Local banks – U.S. Dollars	LIBOR + 1.5%	Unsecured	2,700,000	-	-
Foreign banks – Bahraini Dinar	BIBOR + 1.5%	Secured	-	-	2,324,073
			28,661,446	27,953,564	19,564,523

The loans are due for repayment as follows:

	31 March 2007 (Unaudited) KD	31 Dec. 2006 (Audited) KD	31 March 2006 (Unaudited) KD
Within one year	13,961,446	15,953,564	12,561,953
One to five years	14,700,000	12,000,000	7,002,570
		28,661,446	19,564,523

Loans from local banks are secured by investment properties with a carrying value of KD 5,050,000 (2006: KD 2,500,000).

10 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 KD 27,324,000 to KD 30,056,400 by way of issuance of 10% bonus shares amounting to KD 2,732,400.

At 31 March 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).

11 Cash and cash equivalents

	31 March 2007 (Unaudited) KD	31 March 2006 (Unaudited) KD
Cash and bank balances	3,110,044	1,881,915
Due to banks	(517,579)	(567,279)
		2,592,465
		1,314,636

12 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 2007 (Unaudited) KD	31 March 2006 (Unaudited) KD	31 March 2007 (Unaudited) KD	31 March 2006 (Unaudited) KD	31 March 2007 (Unaudited) KD	31 March 2006 (Unaudited) KD
Income	3,390,775	2,510,783	580,055	1,047,945	3,970,830	3,558,728
Profit before provision for contribution to KFAS and NLST	2,534,119	1,999,529	580,055	1,003,545	3,114,174	3,003,074

13 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:

	31 March 2007 (Unaudited) KD	31 March 2006 (Unaudited) KD
Consolidated balance sheet:		
Due from related parties (included within accounts receivable and other assets)	21,442	1,981,530
Compensation of key management personnel of the group		
Short-term benefits	63,569	54,566
Employees' end of service benefits	9,368	3,058

14 Capital commitments and contingent liabilities

At the balance sheet date the group had capital commitments of KD 12,893,273 in respect of available for sale investments, investment in associates, investment properties and property under development (31 December 2006: KD 15,213,678 and 31 March 2006 : KD 17,902,520).

At the balance sheet date, the group had contingent liabilities in respect of outstanding bank guarantees amounting to KD 4,817,295 (31 December 2006: KD 3,600,000 and 31 March 2006: KD4,517,295).

15 Fiduciary assets

Fiduciary assets comprise investments managed on behalf of clients amounting to KD 165,184 (31 December 2006 : KD 163,090 and 31 March 2006 : KD323,322).

16 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 KD 4,042,240 and issued 10% bonus shares amounting to KD 2,732,400 for the year ended 31 December 2006.