



**AL MAZAYA HOLDING CO. K.S.C.P  
HOLDING AND ITS SUBSIDIARIES**

INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION ( UNAUDITED)

30 June 2005



M A Z A Y A

AIM TO LEAD

AL MAZAYA HOLDING COMPANY K.S.C. (CLOSED)  
AND SUBSIDIARIES  
STATE OF KUWAIT

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED JUNE 30, 2005  
(UNAUDITED)

CONTENTS

Review report

Interim condensed consolidated balance sheet (Unaudited)

Interim condensed consolidated statement of income (Unaudited)

Interim condensed consolidated statement of cash flows (Unaudited)

Interim condensed consolidated statement of changes in  
equity (Unaudited)

Exhibit

A

B

C

D

Pages

Notes to the interim condensed consolidated financial statements (Unaudited)

1 - 7

■ P.O. Box 74 Safat  
13001 Safat, Kuwait  
Souk As Safat, 3rd Floor  
Abdullah Mubarak Street

■ Tel: 245 2880  
Fax: 245 6419  
Email: kuwait@kw.evi.com

Member of **RSM** International

Public Accountants

Kuwait Airways Building, 7<sup>th</sup> Floor  
Shuhada Street, P.O. Box 2115 Safat  
13022 – State of Kuwait  
T + 965 2410010  
F + 965 2412761  
www.albazie.com

## Review Report

The Board of Directors  
Al Mazaya Holding Company K.S.C. (Closed)  
State of Kuwait

We have reviewed the accompanying interim condensed consolidated balance sheet of Al Mazaya Holding Company K.S.C. (Closed) – (the parent company) and subsidiaries (the group) as of June 30, 2005 and the related interim condensed consolidated statement of income for the three month and six month periods then ended, and the related interim condensed consolidated statements of cash flows and changes in equity for the period then ended. These interim condensed consolidated financial statements are the responsibility of the parent company's management. Our responsibility is to issue a report on these interim condensed consolidated financial statements based on our review.

We conducted our review in accordance with the International Standard on Review Engagements 2400. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the interim condensed consolidated financial statements are free of material misstatement. A review is limited primarily to inquiries of the parent company's personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not presented fairly, in all material respects, in accordance with International Accounting Standard No. (34). Furthermore, the interim condensed consolidated financial statements are in agreement with the books of account and to the best of our knowledge and belief, no violations of the Commercial Companies Law of 1960, as amended, nor of the parent company's Articles of Association have occurred during the period that might have had a material effect on the financial position of the group or the results of its operations.



Waleed A. Alosaimi  
Licence No. 68-A  
Ernst & Young



Dr. Shuaib A. Shuaib  
Licence No. 33-A  
Albazie & Co.  
Member of RSM International

State of Kuwait

July 26, 2005

AL MAZAYA HOLDING COMPANY K.S.C. (CLOSED)  
AND SUBSIDIARIES  
STATE OF KUWAIT  
INTERIM CONDENSED CONSOLIDATED BALANCE SHEET  
June 30, 2005  
(Unaudited)

	Notes	June 30, 2005 (Unaudited) KD	December 31, 2004 (Audited) KD
<b><u>ASSETS</u></b>			
Cash and cash equivalents	3	4,208,166	4,077,724
Term deposits	4	3,649,000	903,000
Accounts receivable and other debit balances	5	3,026,507	368,182
Rights to certain properties	6	2,189,696	2,882,123
Investment at fair value through income statement	7	1,000,000	-
Investments available for sale		7,147,000	8,126,000
Properties under development		5,959,212	5,677,693
Investment property		184,928	181,855
Property and equipment		14,397,228	13,742,411
		<u>41,761,737</u>	<u>35,958,988</u>
<b><u>LIABILITIES AND EQUITY</u></b>			
Liabilities:			
Accounts payable and other credit balances	8	6,733,271	5,304,960
Wakala payable	9	6,000,000	-
Murabaha payable		4,548,250	4,548,250
Deferred consideration on acquisition of properties		3,260,863	4,910,424
Total liabilities		<u>20,542,384</u>	<u>14,763,634</u>
Equity:			
Capital	10	15,150,000	15,000,000
Share premium	11	30,000	-
Statutory reserve		631,612	631,612
Voluntary reserve		631,612	631,612
Retained earnings		5,308,854	4,932,130
		<u>21,752,078</u>	<u>21,195,354</u>
Treasury shares	12	(532,725)	-
		<u>21,219,353</u>	<u>21,195,354</u>
		<u>41,761,737</u>	<u>35,958,988</u>

Rashid Y. Al-Nafisi  
Chairman

Khalid S. Esbaitah  
Vice Chairman and Managing Director

The accompanying notes are an integral part of the interim condensed consolidated financial statements

AL MAZAYA HOLDING COMPANY K.S.C. (CLOSED)  
AND SUBSIDIARIES  
STATE OF KUWAIT  
INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME  
For the period ended June 30, 2005  
(Unaudited)

	Notes	Three months ended June 30, 2005 (Unaudited) KD	Six months ended June 30, 2005 (Unaudited) KD	Year ended December 31, 2004 (Audited) KD
Profit from sale of properties under development	13	208,496	208,496	-
Management fees and consultancy income		1,533,716	1,867,855	340,590
Profit from sale of held for sale properties		-	-	6,573,738
Profit from sale of rights to certain properties	6	555,402	1,794,278	-
Commission income on sale of properties	14	-	449,857	-
Realized gain from investments available for sale		-	25,000	-
Realized gain on money market fund		-	-	37,348
Other income		4,046	9,346	34,951
Marketing expenses		(250,040)	(338,305)	(141,509)
Administrative expenses		(101,692)	(353,802)	(507,029)
Depreciation		(4,160)	(7,127)	(11,755)
Interest income		42,395	85,253	68,273
Finance cost		(148,852)	(292,117)	(102,672)
Board of Directors' remuneration		-	-	(50,000)
Profit before Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) and National Labor Support Tax		1,839,311	3,448,734	6,241,935
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(16,554)	(31,039)	(56,627)
National Labor Support Tax	15	(40,971)	(40,971)	-
Net profit for the period / year		<u>1,781,786</u>	<u>3,376,724</u>	<u>6,185,308</u>
Earnings per share	16	<u>Fils</u> <u>11.83</u>	<u>Fils</u> <u>22.46</u>	<u>Fils</u> <u>41.24</u>

The accompanying notes are an integral part of the interim condensed consolidated financial statements

AL MAZAYA HOLDING COMPANY K.S.C. (CLOSED)  
AND SUBSIDIARIES  
STATE OF KUWAIT  
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
For the period ended June 30, 2005  
(Unaudited)

	Six months ended June 30, 2005 (Unaudited) KD	Year ended December 31, 2004 (Audited) KD
<b>Cash flows from operating activities:</b>		
Profit for the period / year before contribution to Kuwait Foundation for the Advancement of Sciences and National Labor Support Tax	3,448,734	6,241,935
Adjustment for:		
Depreciation	7,127	11,755
Finance cost	292,117	102,672
Interest income	(85,253)	(68,273)
Realised gain from investments available for sale	(25,000)	-
Profit from sale of rights to certain properties	(1,794,278)	-
Operating profit before changes in operating assets and liabilities	1,843,447	6,288,089
Increase in accounts receivables and other debit balances	(2,650,348)	(361,284)
Increase in accounts payable and other credit balances	1,043,851	5,233,643
Proceeds from sale of rights to certain properties	3,505,214	-
Paid for acquisition of rights to certain properties	(1,018,509)	(2,882,123)
(Decrease) increase in deferred consideration on acquisition of properties	(1,649,561)	4,910,424
Net cash generated from operating activities	1,074,094	13,188,749
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(661,944)	(13,754,166)
Purchase of properties under development	(281,519)	(5,677,693)
Additions to investment property	(3,073)	(181,855)
Proceeds from sale of investments available for sale	1,280,000	-
Purchase of investments available for sale	(276,000)	(8,126,000)
Purchase of investment at fair value through income statement	(1,000,000)	-
Increase in term deposits	(2,746,000)	(903,000)
Interest received	77,276	68,273
Net cash used in investing activities	(3,611,260)	(28,574,441)

AL MAZAYA HOLDING COMPANY K.S.C. (CLOSED)  
AND SUBSIDIARIES  
STATE OF KUWAIT  
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
For the period ended June 30, 2005  
(Unaudited)

	Note	Six months ended June 30, 2005 (Unaudited) KD	Year ended December 31, 2004 (Audited) KD
<b>Cash flows from financing activities:</b>			
Paid up capital		150,000	14,900,000
Share premium received		30,000	-
Paid for purchase of treasury shares		(532,725)	-
Murabaha received		-	4,548,250
Wakala received		6,000,000	-
Cash dividends paid		(2,822,114)	-
Finance cost paid		(157,553)	(102,672)
Net cash generated from financing activities		<u>2,667,608</u>	<u>19,345,578</u>
Net increase in cash and cash equivalents		130,442	3,959,886
Cash and cash equivalents at the beginning of the period / year		4,077,724	117,838
Cash and cash equivalents at the end of the period / year	3	<u>4,208,166</u>	<u>4,077,724</u>

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

## EXHIBIT D

AL MAZAYA HOLDING COMPANY K.S.C. (CLOSED)  
AND SUBSIDIARIES  
STATE OF KUWAIT

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
For the period ended June 30, 2005  
(Unaudited)

	Capital KD	Share premium KD	Statutory reserve KD	Voluntary Reserve KD	Retained earnings KD	Treasury shares KD	Total KD
Balance at December 31, 2003	100,000	-	2,418	2,418	5,210	-	110,046
Increase in capital	14,900,000	-	-	-	-	-	14,900,000
Net profit for the year	-	-	-	-	6,185,308	-	6,185,308
Transfer to reserves	-	-	629,194	629,194	(1,258,388)	-	-
Balance at December 31, 2004	15,000,000	-	631,612	631,612	4,932,130	-	21,195,354
Increase in capital	150,000	-	-	-	-	-	150,000
Share premium	-	30,000	-	-	-	-	30,000
Cash dividends (2004 – 20 fils per share)	-	-	-	-	(3,000,000)	-	(3,000,000)
Net profit for the period	-	-	-	-	3,376,724	-	3,376,724
Purchase of treasury shares	-	-	-	-	-	(532,725)	(532,725)
<b>Balance at June 30, 2005</b>	<b>15,150,000</b>	<b>30,000</b>	<b>631,612</b>	<b>631,612</b>	<b>5,308,854</b>	<b>(532,725)</b>	<b>21,219,353</b>

The accompanying notes are an integral part of the interim condensed consolidated financial statements

AL MAZAYA HOLDING COMPANY K.S.C. (CLOSED)  
AND SUBSIDIARIES  
STATE OF KUWAIT  
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2005  
(Unaudited)

1. Establishment and activities of the Group

Al Mazaya Holding Company K.S.C. (Closed) was incorporated on November 7, 1998 under the Commercial Companies Law No. 15 of 1960 and amendments there to.

The parent company is engaged in investment in local and foreign companies, real estate properties and consultancy services. The registered office of the company is at Salhia complex, Fahad Al Salem Street, P.O. Box 3546, Safat 13036, Kuwait.

The group's wholly owned subsidiary companies are engaged in selling, managing and developing real estate properties and offering consultancy services.

The group primarily operates in the Gulf Co-operation Council countries.

The interim condensed consolidated financial statements of Al Mazaya Holding Company K.S.C. (Closed) (the parent company) and subsidiaries (the group) for the six months period ended June 30, 2005 were authorised for issue in accordance with a resolution of the directors on July 26, 2005.

2. Significant accounting policies

Basis of presentation

These interim condensed consolidated financial statements of the group have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting.

Operating results for the period are not necessarily indicative of the results that may be expected for the year ending December 31, 2005.

The group did not prepare interim financial statements for any prior interim periods and accordingly comparative information are given only for the year ended December 31, 2004.

The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended December 31, 2004 except as discussed in the following paragraph.

In 2003 and 2004, International Accounting Standards Board (IASB) issued a series of new International Financial Reporting Standards (IFRS) and revised International Accounting Standards (IAS). The new IFRS and revised IAS became effective beginning January 1, 2005. All new IFRS and revised IAS have been adopted by the group during the period, however it has no impact on the financial position or results of operations of the group. The main changes in accounting policies arising from the adoption of the new IFRS and revised IAS are summarised as follows:

#### Investments at fair value through income statement

This category includes: (a) financial assets held for trading; (b) those designated at fair value through income statement at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Unrealized and realized gains and losses are included in the income statement.

#### Impairment of investments available for sale

In the case of available for sale investments reversal of previously recognised impairment losses are no longer recorded through the income statement but as increases in cumulative changes in fair value.

#### Derecognition of financial assets

With effect from January 1, 2005 a financial asset (in whole or in part) is derecognised either when the group has transferred substantially all the risks and rewards of ownership or when it has neither transferred or retained substantially all the risks and rewards and when it no longer has control over the asset or a proportion of the asset.

#### IFRS 2 "Share-Based Payment"

IFRS 2 "Share-Based Payment" requires an expense to be recognised where the group buys goods or services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The adoption of IFRS 2 has not resulted in any adjustment to the previously reported amounts as no employees' share options were granted during the period and those exercised during the period (Note 10) had vested by December 31, 2004.

#### Share-based payment transactions

Employees (including directors) of the group receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ("equity-settled transactions").

#### Equity-settled transactions

The cost of equity-settled transactions with employees is measured under the intrinsic value method. Under this method, the cost is determined by comparing the market value of the parent company's shares at each reporting date and the date of final settlement to the exercise price with any changes in intrinsic value recognized in the consolidated statement of income.

The cost of equity settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees exercise their rights. The cumulative expense recognised for equity-settled transactions at each reporting date until the exercise date reflects the extent to which the exercise period has expired and the number of awards that, in the opinion of the directors at that date, based on the best available estimate of the number of equity instruments that will ultimately vest.

3. Cash and cash equivalents

Bank balances and cash include fixed deposits amounting to KD Nil (December 31, 2004: KD 3,227,601) placed with local banks, carrying an average interest rate of Nil% (December 31, 2004: 3.167%) per annum.

4. Term deposits

Term deposits placed with local banks, carries an average interest of 3.75% (December 31, 2004: 2.085%) per annum maturing in March 2006 and are pledged as security against letters of guarantee.

5. Accounts receivable and other debit balances

	June 30, 2005 (Unaudited) KD	December 31, 2004 (Audited) KD
Trade receivables	2,301,627	-
Staff receivables	188,258	-
Due from related parties	213,939	71,840
Advances to suppliers	269,799	261,000
Other receivables	52,884	35,342
	3,026,507	368,182

6. Rights to certain properties

The parent company has made payments to acquire rights to certain land under development (along with certain related parties, discussed below). Under the terms agreed with the seller the parent company will retain the rights to these lands provided it meets future payments scheduled over the following 24 months amounting to KD 11,427,101 (net after deducting the amounts relating to the related parties). At this stage, a final agreement for acquiring these properties has not been executed.

Based on the preliminary agreement, 52% of the rights were assigned to certain related parties who have paid a commission to the company for acquiring these rights (amounting to KD 449,857) and have also fully funded their share of the amounts due. Accordingly, the parent company has only accounted for its share of the rights. Under the terms of the preliminary arrangement, the parent company also earns a management fee from the related parties at the time of sale of their rights; such commission amounted to KD 27,959 for the period ended June 30, 2005.

It is the intention of the parent company to sell the rights prior to the completion of the land development and not acquire the properties. Further, under the preliminary arrangement agreed with the seller, the parent company can forfeit its right if it does not subscribe to future scheduled payments. Consequently, the full future scheduled payments amounting to KD 23,806,461 are not considered as commitments by the management as only a portion of this amount is likely to be funded by the company.

Based on management, certain contracts relating to Dubai Falls Properties transactions are in progress as of the report date and would be finalized before the period ending September 30, 2005.

During the period, the Company sold some of the rights with carrying value of KD 1,710,936 against a consideration amounting to KD 3,505,214 and recognized profit on sale of these rights amounting to KD 1,794,278 in these interim condensed consolidated financial statements.

7. Investment at fair value through income statement

	June 30, 2005 (Unaudited) KD	December 31, 2004 (Audited) KD
Fund designated at fair value through income statement	<u>1,000,000</u>	<u>-</u>

The fair value of the unquoted fund is measured by the Fund Manager.

8. Accounts payable and other credit balances

	June 30, 2005 (Unaudited) KD	December 31, 2004 (Audited) KD
Trade payable	199,272	199,272
Advances received from customers	4,428,667	4,080,234
Due to related parties	985,347	610,537
Dividend payable	177,886	-
Other payables and accrued expenses	942,099	414,917
	<u>6,733,271</u>	<u>5,304,960</u>

9. Wakala payable

Wakala payable represents wakala agreement entered with a related party and maturing on September 7, 2005. The profit rate attributable to wakala payable during the period was 6.5% (December 31, 2004 - Nil) per annum.

10. Capital

The authorized, issued and fully paid-up capital is as follows:

	June 30, 2005 (Unaudited)	December 31, 2004 (Audited)
Capital (KD)	<u>15,150,000</u>	<u>15,000,000</u>
Capital (number of shares)	<u>151,500,000</u>	<u>150,000,000</u>

The annual general meeting of the shareholders held on March 6, 2005 approved the increase of 1% of authorised and paid up capital totalling to 1,500,000 shares at 120 fils, including a share premium of 20 fils, under employees' share option scheme.

11. Share premium

The share premium is not distributed except under specific circumstances as provided in Kuwait Commercial Companies law.

12. Treasury shares

	June 30, 2005 (Unaudited)	December 31, 2004 (Audited)
Number of shares (shares)	1,370,000	-
Percentage of issued shares (%)	0.91%	-
Market value (KD)	527,450	-
Cost (KD)	532,725	-

13. Profit from sale of properties under development

	Three months ended June 30 2005 (Unaudited) KD	Six months ended June 30, 2005 (Unaudited) KD	Year ended December 31, 2004 (Audited) KD
Revenue from sale	1,311,889	1,311,889	-
Cost of sale	(1,103,393)	(1,103,393)	-
Profit from sale of properties under development	<u>208,496</u>	<u>208,496</u>	<u>-</u>

14. Commission income on sale of properties

Commission income primarily relates to certain properties secured for third parties where in substance the company acted as a broker.

15. National Labor Support Tax

In accordance with the National Labor Support Law No. 19 for the year 2000 and the Ministerial resolution No. 26 for the year 2001, tax is provided at the rate of 2.5% on the annual net income of Kuwaiti companies that are listed on the Kuwait Stock Exchange. The Company was listed in the Kuwait Stock Exchange on May 2, 2005, accordingly, the parent company has calculated its tax liability at 2.5% of the profit for the three months ended June 30, 2005, after deducting any cash dividends from listed companies in the Kuwait Stock Exchange for prior years, its contribution to KFAS, Director's remuneration, the 10% transfer to the statutory reserve for the same period.

16. Earnings per share

There are no potential dilutive ordinary shares. Earnings per share is computed by dividing profit for the period / year by the weighted average number of shares outstanding during the period / year as follows:

	Three months ended June 30, 2005 (Unaudited) KD	Six months ended June 30, 2005 (Unaudited) KD	Year ended December 31 2004 (Audited) KD
Net profit for the period / year (KD)	1,781,786	3,376,724	6,185,308
	<u>Shares</u>	<u>Shares</u>	<u>Shares</u>
Weighted average number of issued and fully paid-up shares	150,989,011	150,497,238	150,000,000
Less: weighted average number of treasury shares	(353,078)	(177,514)	-
Weighted average number of shares outstanding	<u>150,635,933</u>	<u>150,319,724</u>	<u>150,000,000</u>
	<u>Fils</u>	<u>Fils</u>	<u>Fils</u>
Earnings per share	<u>11.83</u>	<u>22.46</u>	<u>41.24</u>

17. Related party transactions

These represent transactions with related parties i.e. shareholders, directors and executive officers of the group and entities of which they are principal owners. The group's management approves pricing policies and terms of these transactions. Significant transactions with group's related parties included are as follows:

	June 30, 2005 (Unaudited) KD	December 31, 2004 (Audited) KD
<b>Balance sheet:</b>		
Purchase of property under development	-	210,000
Accounts receivable and other debit balances	104,784	71,840

	Three months ended June 30, 2005 (Unaudited) KD	Six months ended June 30, 2005 (Unaudited) KD	Year ended December 31 2004 (Audited) KD
<b>Income statement:</b>			
Management fee and consultancy income	8,344	45,244	328,597
Commission income	-	449,857	-
Finance cost	56,538	155,073	44,293
Profit from sale of held for sale properties	-	-	6,573,738
<b>Key management compensation:</b>			
Salaries and other short term benefits	30,150	60,300	24,120
Terminal benefits	6,281	12,562	5,025

18. Fiduciary accounts

The group manages projects on behalf of others, and maintains cash balances and notes receivable in fiduciary accounts, which are not reflected in the group's balance sheet. Assets under management at June 30, 2005, amounted to KD 508,240 (December 31, 2004 - KD 1,643,745).

19. Commitments

The group has capital commitments in respect of construction of real estate for KD 10,758,000 (December 31, 2004 - KD 2,300,000) and of purchase commitments in respect of properties for KD 3,260,863 (December 31, 2004 - KD 14,153,616). Commitments under rights to certain properties are disclosed in Note 6.

The group has commitments in respect of sale of properties of KD 25,521,832 (December 31, 2004 - KD 31,356,000).

20. Contingencies

At June 30, 2005 the group had contingent liabilities in respect of bank and other guarantees arising in the ordinary course of business from which it is anticipated that no material liabilities will arise, amounting to KD 3,649,000 (December 31, 2004 - KD 903,000).

21. Comparative figures

Certain prior year figures have been reclassified to conform with the current period presentation. Such reclassifications do not affect previously reported net profit or shareholders' equity.