

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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2006
(UNAUDITED)
WITH REVIEW REPORT

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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2006
(UNAUDITED)

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Review report

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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, 2006 and the related interim condensed consolidated statement of income, changes in equity and statements of cash flows 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.

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Member of the International Group
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Dr. Shuaib A. Shuaib
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State of Kuwait
July 24, 2006

AL MAZAYA HOLDING COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)
JUNE 30, 2006
(All amounts are in Kuwaiti Dinars)

		June 30, 2006	December 31, 2005	June 30, 2005 (Restated)
<u>ASSETS</u>				
Cash and cash equivalents	3	5,702,048	3,230,198	4,208,166
Term deposits		-	-	3,649,000
Investments at fair value through income statement	4	15,499,297	13,841,470	9,782,000
Accounts receivable and other debit balances		9,825,385	7,003,659	3,026,507
Rights to certain properties	5	-	1,571,528	2,189,696
Investments in unconsolidated subsidiaries	1	-	8,994,603	-
Properties under development	5	20,040,836	11,266,402	5,959,212
Investment properties	6	21,775,012	400,925	184,928
Work in progress		6,313,203	4,674,797	14,328,481
Fixed assets		165,814	110,304	68,747
		<u>79,321,595</u>	<u>51,093,886</u>	<u>43,396,737</u>
<u>LIABILITIES AND OWNERS' EQUITY</u>				
Liabilities:				
Accounts payable and other credit balances	7	10,430,186	6,885,812	6,733,271
Term loan		830,000	830,000	-
Wakala payable		6,000,000	6,000,000	6,000,000
Murabaha payable		-	-	4,548,250
Deferred consideration on acquisition of properties	8	15,209,047	5,964,853	3,260,863
Total liabilities		<u>32,469,233</u>	<u>19,680,665</u>	<u>20,542,384</u>
Owners' Equity:				
Capital	9	23,245,409	15,150,000	15,150,000
Share premium	10	10,799,771	30,000	30,000
Statutory reserve		2,073,451	2,073,451	631,612
Voluntary reserve		2,073,451	2,073,451	631,612
Gain on sale of treasury shares		97,258	-	-
Retained earnings		13,765,300	13,456,881	6,943,854
		<u>52,054,640</u>	<u>32,783,783</u>	<u>23,387,078</u>
Treasury shares	11	(5,202,278)	(1,370,562)	(532,725)
		<u>46,852,362</u>	<u>31,413,221</u>	<u>22,854,353</u>
		<u>79,321,595</u>	<u>51,093,886</u>	<u>43,396,737</u>

Rashid Y. Al-Nafisi
Chairman

Khalid S. Esbaitah
Vice Chairman and Managing Director

The accompanying notes 1 to 23 are an integral part of the interim condensed consolidated financial statements

AL MAZAYA HOLDING COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)
FOR THE PERIOD ENDED JUNE 30, 2006
(All amounts are in Kuwaiti Dinars)

	Notes	Three months ended June 30,		Six months ended June 30,	
		2006	2005 (Restated)	2006	2005 (Restated)
Profit from sale of properties under development	12	2,820,098	208,496	7,016,475	208,496
Management fees, commission and consultancy income	13	1,394,841	1,533,716	2,038,411	2,317,712
(Loss) profit from sale of right to certain properties	14	(47,579)	555,402	(118,187)	1,794,278
Net investments income (loss)	15	184,613	(45,000)	25,628	1,260,000
Other income		43,731	4,046	69,667	9,346
Marketing expenses		(102,382)	(250,040)	(224,761)	(338,305)
Administrative expenses		(335,017)	(101,692)	(560,806)	(353,802)
Depreciation		(5,563)	(4,160)	(14,708)	(7,127)
Interest income		2,158	42,395	2,460	85,253
Finance charges		(146,822)	(148,852)	(294,398)	(292,117)
Profit for the period before Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) and National Labor Support Tax		3,808,078	1,794,311	7,939,781	4,683,734
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(34,273)	(16,554)	(71,458)	(31,039)
National Labor Support Tax		(84,825)	(40,971)	(176,859)	(40,971)
Net profit for the period		<u>3,688,980</u>	<u>1,736,786</u>	<u>7,691,464</u>	<u>4,611,724</u>
Earnings per share	16	<u>Fils</u> <u>17.70</u>	<u>Fils</u> <u>8.69</u>	<u>Fils</u> <u>38.04</u>	<u>Fils</u> <u>23.12</u>

The accompanying notes 1 to 23 are an integral part of the interim condensed consolidated financial statements

AL MAZAYA HOLDING COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE PERIOD ENDED JUNE 30, 2006
(All amounts are in Kuwaiti Dinars)

	Capital	Share premium	Statutory reserve	Voluntary reserve	Gain on sale of treasury shares	Retained earnings (Restated)	Treasury shares	Total
Balance at December 31, 2005	15,150,000	30,000	2,073,451	2,073,451	-	13,456,881	(1,370,562)	31,413,221
Gain on sale of treasury shares	-	-	-	-	97,258	-	-	97,258
Net income recognized directly in equity	-	-	-	-	97,258	-	-	97,258
Net profit for the period	-	-	-	-	-	7,691,464	-	7,691,464
Total recognized income for the period	-	-	-	-	97,258	7,691,464	-	7,788,722
Increase in capital (Note 9)	4,307,909	-	-	-	-	-	-	4,307,909
Share premium	-	10,769,771	-	-	-	-	-	10,769,771
Bonus shares (2005 – 25%) (Note 9)	3,787,500	-	-	-	-	(3,787,500)	-	-
Cash dividends (2005 – 25 fils per share) (Note 18)	-	-	-	-	-	(3,595,545)	-	(3,595,545)
Purchase of treasury shares	-	-	-	-	-	-	(5,544,010)	(5,544,010)
Sale of treasury shares	-	-	-	-	-	-	1,712,294	1,712,294
Balance at June 30, 2006	<u>23,245,409</u>	<u>10,799,771</u>	<u>2,073,451</u>	<u>2,073,451</u>	<u>97,258</u>	<u>13,765,300</u>	<u>(5,202,278)</u>	<u>46,852,362</u>
Balance at December 31, 2004	15,000,000	-	631,612	631,612	-	5,332,130	-	21,595,354
Net profit for the period	-	-	-	-	-	4,611,724	-	4,611,724
Total recognized income for the period	-	-	-	-	-	4,611,724	-	4,611,724
Increase in capital	150,000	-	-	-	-	-	-	150,000
Share premium	-	30,000	-	-	-	-	-	30,000
Cash dividend (2004 – 20 fils per share)	-	-	-	-	-	(3,000,000)	-	(3,000,000)
Purchase of treasury shares	-	-	-	-	-	-	(532,725)	(532,725)
Balance at June 30, 2005	<u>15,150,000</u>	<u>30,000</u>	<u>631,612</u>	<u>631,612</u>	<u>-</u>	<u>6,943,854</u>	<u>(532,725)</u>	<u>22,854,353</u>

The accompanying notes 1 to 23 are an integral part of the interim condensed consolidated financial statements

AL MAZAYA HOLDING COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE PERIOD ENDED JUNE 30, 2006
(All amounts are in Kuwaiti Dinars)

		For the six months ended June 30,	
	Notes	2006	2005 (Restated)
Cash flows from operating activities:			
Profit for the period before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) and National Labor Support Tax		7,939,781	4,683,734
Adjustments for:			
Net investments income		(25,628)	(1,260,000)
Depreciation		14,708	7,127
Interest income		(2,460)	(85,253)
Finance charges		294,398	292,117
Operating profit before working capital changes		8,220,799	3,637,725
Increase in accounts receivable and other debit balances		(2,919,266)	(4,444,626)
Decrease in right to certain properties		-	2,486,705
Decrease (Increase) in properties under development		632,812	(281,519)
Increase in accounts payable and other credit balances		3,080,752	1,043,851
Decrease in deferred consideration on acquisition of properties		(3,974,649)	(1,649,561)
Cash generated from operations		5,040,448	792,575
Paid to Kuwait Foundation for the Advancement of Sciences (KFAS)		(129,766)	-
Paid to National Labor Support Tax		(280,199)	-
Net cash generated from operating activities		4,630,483	792,575
Cash flows from investing activities:			
Increase in term deposits		-	(2,746,000)
Purchase of investments at fair value through income statement		(2,143,432)	(1,276,000)
Proceeds from sale of investments at fair value through income statement		286,233	1,280,000
Cash dividend received		225,000	-
Interest income received		-	77,276
Purchase of investment properties		(6,896,359)	(3,073)
Amount paid for work in progress		(1,638,406)	(629,861)
Purchase of fixed assets		(70,218)	(32,083)
Net cash used in investing activities		(10,237,182)	(3,329,741)

AL MAZAYA HOLDING COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE PERIOD ENDED JUNE 30, 2006
(All amounts are in Kuwaiti Dinars)

	Notes	For the six months ended June 30,	
		2006	2005 (Restated)
Cash flows from financing activities:			
Paid up capital		4,307,909	150,000
Share premium received		10,769,771	30,000
Paid for purchase of treasury shares		(5,544,010)	(532,725)
Cash dividends paid		(3,114,648)	(2,822,114)
Finance charges paid		(150,025)	(157,553)
Wakala received		-	6,000,000
Proceeds from sale of treasury shares		1,809,552	-
Net cash generated from financing activities		8,078,549	2,667,608
Net increase in cash and cash equivalents		2,471,850	130,442
Cash and cash equivalents at the beginning of the period		3,230,198	4,077,724
Cash and cash equivalents at the end of the period	3	5,702,048	4,208,166

The accompanying notes 1 to 23 are an integral part of the interim condensed consolidated financial statements.

AL MAZAYA HOLDING COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
JUNE 30, 2006
(All amounts are in Kuwaiti Dinars)

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 Sallia complex, Fahed 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 interim condensed consolidated financial statements include the financial statements of Al Mazaya Holding Company K.S.C. (Closed) "the parent company" and the following subsidiaries "the Group":

Subsidiaries	Place of incorporation	Percentage of holding		
		June 30, 2006, %	December 31, 2005, %	June 30, 2005, %
Al Mazaya Real Estate Development Company – K.S.C. (Closed)	Kuwait	100	100	100
Al Mazaya Real Estate FZ/LLC	U.A.E.	100	100	100
Al Mazaya Al Khalijia for General Trading – Khalid S. Esbaitah and Partners – W.L.L.	Kuwait	100	-	-
Al Mazaya Al Arabia Real Estate Company – Khalid S. Esbaitah and Partners – W.L.L.	Kuwait	100	-	-
Al Mazaya International for Projects Management – Khalid S. Esbaitah and Partners – W.L.L.	Kuwait	100	-	-
Mazaya Lebanon Holding S.A.L. (Holding)	Lebanon	100	-	-
Mazaya Lamartien S.A.L.	Lebanon	100	-	-
Al Dana Real Estate Limited	U.A.E	100	-	-
Al Rayhan Real Estate Limited	U.A.E	100	-	-
Al Wahda Real Estate Investments Limited	U.A.E	100	-	-

The accompanying interim condensed consolidated balance sheet of the group as of June 30, 2006 and related interim condensed consolidated statement of income for the period then ended include the following information relating to the newly incorporated consolidated subsidiaries while the comparative accounts for the pervious period do not include such information:

Balance sheet:	KD
Cash and cash equivalents	197,282
Investment properties	855,116
Income statement:	
Administrative expenses	3,917
Finance charges	78

In addition, the accompanying interim condensed consolidated balance sheet of the group as of June 30, 2006 include the following assets and liabilities pertaining to Al Dana Real Estate Limited, Al Rayhan Real Estate Limited and Al Wahda Real Estate Investments Limited while the

AL MAZAYA HOLDING COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
JUNE 30, 2006
(All amounts are in Kuwaiti Dinars)

comparative amounts for the year ended December 31, 2005 and the period ended June 30, 2005 do not include such information, since these subsidiaries were previously accounted for as investment in unconsolidated subsidiaries

	<u>KD</u>
Assets:	
Investment properties	14,377,728
Liabilities:	
Deferred consideration on acquisition of properties	5,383,125

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, 2006 were authorized for issue in accordance with a resolution of the Directors on July 24, 2006.

2. Basis of preparation

These interim condensed consolidated financial statements have been drawn up in accordance with the same accounting policies and methods of computation as were followed in the most recent annual consolidated financial statements.

The interim condensed consolidated financial statements have been prepared to present condensed consolidated financial information in compliance with the International Accounting Standard No. 34 "Interim Financial Reporting" and the guidelines issued by the Kuwait Stock Exchange. Condensed consolidated financial information does not include all of the information and footnotes required for complete consolidated financial statements prepared in accordance with International Financial Reporting Standards. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included in the accompanying condensed consolidated financial statements. Operating results for the interim period ended June 30, 2006 are not necessarily indicative of the results that may be expected for the year ending December 31, 2006. For further information, refer to the consolidated financial statements and notes thereto for the year ended December 31, 2005.

3. Cash and cash equivalents

Bank balances include fixed deposits amounting to KD 1,500,000 (December 31, 2005: KD Nil and June 30, 2005 – KD Nil) placed with local banks, carrying an average interest rate of 5.25% (December 31, 2005: Nil and June 30, 2005 – Nil%) per annum.

AL MAZAYA HOLDING COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
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 (All amounts are in Kuwaiti Dinars)

4. Investments at fair value through income statement

The investments at fair value through income statement represent the following:

	June 30, 2006	December 31, 2005	June 30, 2005 (Restated)
Quoted securities at fair value through income statement	518,710	732,250	-
Unquoted securities designated at fair value through income statement	14,980,587	13,109,220	9,782,000
	<u>15,499,297</u>	<u>13,841,470</u>	<u>9,782,000</u>

The management has determined the fair value of the unquoted securities based on the recent transaction price of those securities as advised by the investment house (related party) that brokered those transactions in December 2005. Further the investment house has indicated that the last transaction prices are sustainable in the current market.

Unquoted securities include an amount of KD 207,000 as of the interim condensed consolidated balance sheet date pledged against a term loan (December 31, 2005 – KD 207,000 and June 30, 2005 – Nil).

5. Rights to certain properties

During the year 2004 and 2005, the parent company has made payments to acquire rights to certain land under development (along with certain related parties). As of December 31, 2005 and under the preliminary terms agreed with the seller, the parent company will retain the whole right to these properties provided it meets future payments scheduled over 16 months amounting to KD 11,201,667 (net after the amounts relating to the related parties).

However, the final agreement has been signed between the seller and the parent company for acquiring these rights as of the interim condensed consolidated balance sheet date, and accordingly the management considered the full future scheduled payments amounting to KD 5,546,972 as deferred consideration on acquisition of properties (Note 8) and recognized the value of the lands amounting to KD 7,407,246 as properties under development.

6. Investment properties

During the period, the group acquired lands for an amount of KD 6,896,359 for which the management do not have a clear intention of its future use. In addition, the group consolidated investments properties amounting to KD 14,377,728 relating to Al Dana Real Estate Limited, Al Rayhan Real Estate Limited and Al Wahda Real Estate Investments Limited, subsidiaries which were previously recorded as investment in unconsolidated subsidiaries (Note 1).

AL MAZAYA HOLDING COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
JUNE 30, 2006
(All amounts are in Kuwaiti Dinars)

7. Accounts payable and other credit balances

	June 30, 2006	December 31, 2005	June 30, 2005
Trade payable	4,304,513	2,877,121	199,272
Advances received from customers	3,785,178	1,185,527	4,428,667
Due to related parties	857,091	1,928,153	985,347
Dividend payable	626,297	145,400	177,886
Other payables and accrued expenses	857,107	749,611	942,099
	<u>10,430,186</u>	<u>6,885,812</u>	<u>6,733,271</u>

8. Deferred consideration on acquisition of properties

The group consolidated deferred consideration on acquisition of properties amounting to KD 5,383,125 relating to Al Dana Real Estate Limited, Al Rayhan Real Estate Limited and Al Wahda Real Estate Investments Limited, subsidiaries which were previously recorded as investment in unconsolidated subsidiaries (Note 1). In addition, the group considered an amount of KD 5,546,972 as deferred consideration on acquisition of properties under development (Note 5).

9. Capital

The General Assembly meeting held on March 22, 2006, approval to increase the parent company's capital by 25% from KD 15,150,000 to KD 18,937,500 by an increase of KD 3,787,500 (37,875,000 shares with nominal value of 100 fils each) equivalent to 25 shares for every 100 shares of the parent company's paid-up capital, as bonus shares for the parent company's shareholders as of the General assembly date.

In addition to that, the General Assembly held on March 22, 2006 approved to increase the authorized and paid up capital by 30% totaling to 45,450,000 shares with nominal value of 100 fils each and premium of 250 fils. As of June 30, 2006, only 43,079,090 shares were subscribed, so the authorized, issued and paid capital will be as follows:

	June 30, 2006	December 31, 2005	June 30, 2005
Number of authorized shares (shares)	234,825,000	151,500,000	151,500,000
Authorized capital (KD)	23,482,500	15,150,000	15,150,000
Number of issued and paid up shares (shares)	232,454,090	151,500,000	151,500,000
Issued and paid capital (KD)	23,245,409	15,150,000	15,150,000
Number of unsubscribed shares (shares)	2,370,910	-	-

AL MAZAYA HOLDING COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES
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10. Share premium

Based on the 30% capital increase approved by the shareholders in the General Assembly meeting held on March 22, 2006, the share premium generated from the subscribed capital increase amount to KD 10,769,771 (Note 9). The share premium is not distributed except under specific circumstances as provided in Kuwait Commercial Companies Law.

11. Treasury shares

	June 30, 2006	December 31, 2005	June 30, 2005
Number of shares (shares)	10,471,552	3,530,000	1,370,000
Percentage of issued shares (%)	4.5%	2.33%	0.91%
Market value (KD)	5,759,354	2,753,400	527,450
Cost (KD)	5,202,278	1,370,562	532,725

12. Profit from sale of properties under development

	For the three months ended June 30		For the six months ended June 30	
	2006	2005	2006	2005
Revenue from sale	6,523,941	1,311,889	16,617,167	1,311,889
Cost of sale	(3,703,843)	(1,103,393)	(9,600,692)	(1,103,393)
Profit from sale of properties under development	<u>2,820,098</u>	<u>208,496</u>	<u>7,016,475</u>	<u>208,496</u>

13. Management fees, commission and consultancy income

The group acts as project manager for certain real estate properties owned by other parties through developing, managing, and selling those properties. The group charges those parties certain management fees, commission and consultancy income against those services.

14. (Loss) profit from sale of rights to certain properties

The recognized sales and costs of right to certain properties are amounting to KD 105,936 and KD 224,123 respectively.

AL MAZAYA HOLDING COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
JUNE 30, 2006
(All amounts are in Kuwaiti Dinars)

15. Net investments income (loss)

	Three months ended June 30,		Six months ended June 30,	
	2006	2005 (Restated)	2006	2005 (Restated)
Unrealized (loss) gain from investment at fair value through income statement	(41,625)	(45,000)	(261,814)	1,235,000
Realized gain on sale of investments at fair value through income statement	1,238	-	62,442	25,000
Dividend income	225,000	-	225,000	-
	<u>184,613</u>	<u>(45,000)</u>	<u>25,628</u>	<u>1,260,000</u>

16. Earnings per share

Earnings per share is computed by dividing profit for the period by the weighted average number of shares outstanding during the period.

	For the three months ended June 30		For the six months ended June 30	
	2006	2005 (Restated)	2006	2005 (Restated)
Net profit for the period	<u>3,688,980</u>	<u>1,736,786</u>	<u>7,691,464</u>	<u>4,611,724</u>
	<u>2006 Shares</u>	<u>2005 Shares</u>	<u>2006 Shares</u>	<u>2005 Shares</u>
Number of issued and fully paid-up shares	180,172,708	164,209,117	172,511,340	163,674,285
Bonus shares for the year 2005	37,875,000	37,875,000	37,875,000	37,875,000
Less: weighted average number of treasury shares	<u>(9,581,745)</u>	<u>(2,272,543)</u>	<u>(8,195,060)</u>	<u>(2,096,980)</u>
Weighted average number of shares outstanding	<u>208,465,963</u>	<u>199,811,574</u>	<u>202,191,280</u>	<u>199,452,305</u>
	<u>Fils</u>	<u>Fils</u>	<u>Fils</u>	<u>Fils</u>
Earnings per share	<u>17.70</u>	<u>8.69</u>	<u>38.04</u>	<u>23.12</u>

AL MAZAYA HOLDING COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
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 (All amounts are in Kuwaiti Dinars)

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, 2006	December 31 2005	June 30, 2005
Balance sheet:			
Properties under development	7,723,450	-	-
Accounts receivable and other debit balances	1,539,276	209,124	104,784
Account payable and other credit balances	1,116,656	1,928,153	-
Term loan	830,000	830,000	-
Wakala payable	6,000,000	6,000,000	-
	For the three months ended June 30,	For the six months ended June 30,	
	2006	2005	2006
			2005
Statement of income:			
Profit from sale of properties under development	1,617,413	-	5,031,951
Management fees, commission and consultancy income	491,127	8,344	492,190
Finance charges	128,625	56,538	276,201
			155,073
Key management compensation:			
Salaries and other short term benefits	48,019	30,150	98,058
Terminal benefits	2,271	6,281	4,064
			12,562

18. The General Assembly

The General Assembly held on March 22, 2006 approved the distribution of 25% cash dividend amounting to KD 3,595,545 (25 fils per share) and 25% bonus shares as 25 shares for every 100 shares held as of the General Assembly date, for the year ended December 31, 2005.

In addition to that, the General Assembly held on March 22, 2006 approved to increase the authorized and paid-up capital by 30% totaling to 45,450,000 shares with a nominal value of 100 fils each and a premium of 250 fils.

The General Assembly meeting held on March 6, 2005 approved the distribution of 20% cash dividend as 20 fils per share for the year ended December 31, 2004.

In addition to the General Assembly held on March 6, 2005 approved the increase of 1% of authorized and paid up capital totaling to 1,500,000 shares at 120 fils, including a share premium of 20 fils, under employees' share option scheme.

19. Subsequent events

Subsequent to the balance sheet date, the General Assembly held on July 9, 2006 approved the following:

A. Decrease the authorized capital by 2,370,910 shares from 234,825,000 shares to 232,454,090 shares.

B. Increase the authorized capital by KD 5,500,000 through issuing 55,000,000 new shares to complete the acquisition procedure of First Dubai for Real Estate Development with nominal value of 100 fils each and premium amounting to 410 fils each and to be allocated to new shareholders.

C. The registered shareholders as of the date of the General Assembly meeting waive their right in subscription to the new shareholders.

D. Amending the 6th item of the Article of Incorporation and 5th item of Article of Association of the parent company to become:

The company authorized capital is KD 28,745,409 distributed over 287,454,090 shares with nominal value of 100 fils each.

20. 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, 2006, amounted to KD Nil (December 31, 2005 – KD 18,490 and June 30, 2005 – KD 508,240).

21. Commitments

The group has capital commitments in respect of construction of real estate for KD 22,162,810 (December 31, 2005 - KD 25,478,207 and June 30, 2005 – KD 10,758,000).

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22. Contingencies

The Group is subject to the contingent liabilities presented by:

	<u>June 30, 2006</u>	<u>December 31, 2005</u>	<u>June 30, 2005</u>
Letter of guarantee	<u>5,688,000</u>	<u>5,688,000</u>	<u>3,649,000</u>

23. Comparative figures

Certain prior period figures have been reclassified to conform with the current period presentation.