

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

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

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

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(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 September 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 did not review the interim condensed financial statements of First Dubai for Real Estate Development Company K.S.C. (Closed), whose total assets and total revenue constitute 32.5% and 5.94%, of the respective consolidated totals. These financial statements were reviewed by other auditor, whose report has been furnished to us and our review, insofar as it relates to the amounts included for this subsidiary, are based solely on the report of the other auditor.

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 misstatements. 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 and the report of the other auditor, 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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Licence No. 72 - A
Member of the International Group
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State of Kuwait
October 30, 2006

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

		September 30,	December 31,	September 30,
	Notes	2006	2005 (Audited)	2005
ASSETS				
Cash and cash equivalents	3	7,021,728	3,230,198	7,145,333
Term deposits		-	-	1,004,180
Investments at fair value through income statement	4	20,889,577	13,841,470	9,732,660
Accounts receivable and other debit balances	5	29,669,104	7,003,659	5,692,405
Rights to certain properties	6	-	1,571,528	1,872,952
Investment in joint venture	7	19,815	-	-
Investments in unconsolidated subsidiaries	1	-	8,994,603	-
Properties under development	8	49,206,533	11,266,402	8,853,464
Investment properties	9	36,542,075	400,925	-
Work in progress		1,114,103	4,674,797	6,755,627
Fixed assets		310,829	110,304	-
Goodwill	1	851,748	-	-
		<u>145,625,512</u>	<u>51,093,886</u>	<u>41,056,621</u>
LIABILITIES AND EQUITY				
Liabilities:				
Bank Overdraft		251,682	-	-
Accounts payable and other credit balances	10	32,349,715	6,885,812	4,504,194
Term loan		4,330,000	830,000	-
Wakala payable		6,000,000	6,000,000	6,000,000
Deferred consideration on acquisition of properties	11	26,618,179	5,964,853	4,806,882
Total liabilities		<u>69,549,576</u>	<u>19,680,665</u>	<u>15,311,076</u>
Equity:				
Capital	12	26,649,876	15,150,000	15,150,000
Share premium	13	24,758,086	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	-	-
Assets revaluation surplus		1,038,730	-	-
Retained earnings		22,945,596	13,456,881	10,672,882
		<u>79,636,448</u>	<u>32,783,783</u>	<u>27,116,106</u>
Treasury shares	14	(6,975,544)	(1,370,562)	(1,370,561)
		<u>72,660,904</u>	<u>31,413,221</u>	<u>25,745,545</u>
Minority interest		3,415,032	-	-
Total equity		<u>76,075,936</u>	<u>31,413,221</u>	<u>25,745,545</u>
		<u>145,625,512</u>	<u>51,093,886</u>	<u>41,056,621</u>

Rashid Y. Al-Nafisi
Chairman

Khalid S. Esbaitah
Vice Chairman and Managing Director

The accompanying notes 1 to 25 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 SEPTEMBER 30, 2006
(All amounts are in Kuwaiti Dinars)

		Three months ended September 30,		Nine months ended September 30,	
	Notes	2006	2005	2006	2005
Profit from sale of properties under development	15	11,018,673	507,776	18,035,148	716,271
Management fees, commission and consultancy income	16	444,421	394,123	2,482,832	2,711,835
Gain from sale of properties held for sale		1,084,925	2,737,490	1,084,925	2,737,490
(Loss) profit from sale of rights to certain properties	17	(276,395)	(31,692)	(394,582)	1,585,798
Net investment income	18	804,025	678,482	829,653	1,938,481
Other income		16,535	(953)	86,202	8,393
Marketing expenses		(266,400)	(42,227)	(491,161)	(219,240)
Administrative expenses		(299,794)	(170,166)	(860,600)	(508,470)
Depreciation		(14,199)	(9,160)	(28,907)	(16,287)
Provision for doubtful debts		(1,168,346)	-	(1,168,346)	-
Foreign currency exchange loss		(56,883)	-	(56,883)	-
Interest income		42,650	53,014	45,110	138,267
Finance charges		(315,198)	(190,391)	(609,596)	(482,508)
Profit for the period before Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) and National Labor Support Tax		11,014,014	3,926,296	18,953,795	8,610,030
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(98,147)	(35,336)	(169,605)	(77,490)
National Labor Support Tax		(294,266)	(87,458)	(471,125)	(191,788)
Net profit for the period		<u>10,621,601</u>	<u>3,803,502</u>	<u>18,313,065</u>	<u>8,340,752</u>
Attributable to:					
Equity holders of the Parent Company		10,512,797	3,803,502	18,204,261	8,340,752
Minority interest		108,804	-	108,804	-
Net profit for the period		<u>10,621,601</u>	<u>3,803,502</u>	<u>18,313,065</u>	<u>8,340,752</u>
		<u>Fils</u>	<u>Fils</u>	<u>Fils</u>	<u>Fils</u>
Basic earnings per share attributable to the equity holders of the parent company (fils)	19	<u>43.81</u>	<u>19.16</u>	<u>85.76</u>	<u>41.88</u>
		<u>Fils</u>	<u>Fils</u>	<u>Fils</u>	<u>Fils</u>
Diluted earnings per share attributable to the equity holders of the parent company (fils)	19	<u>42.65</u>	<u>19.16</u>	<u>84.88</u>	<u>41.88</u>

The accompanying notes 1 to 25 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 SEPTEMBER 30, 2006
(All amounts are in Kuwaiti Dinars)

	Attributable to equity holders of the parent company								Minority interest	Total
	Capital	Share premium	Statutory reserve	Voluntary reserve	Gain on sale of treasury shares	Assets revaluation surplus	Retained earnings	Treasury shares		
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	-	-	-	-	-	-	18,204,261	-	108,804	18,313,065
Total recognized income for the period	-	-	-	-	97,258	-	18,204,261	-	108,804	18,410,323
Increase in capital (Note 12)	7,712,376	-	-	-	-	-	-	-	-	7,712,376
Share premium (Note 13)	-	24,728,086	-	-	-	-	-	-	-	24,728,086
Bonus shares (2005 – 25%) (Note 12)	3,787,500	-	-	-	-	-	(3,787,500)	-	-	-
Cash dividends (2005 – 25 fils per share) (Note 21)	-	-	-	-	-	-	(3,595,545)	-	-	(3,595,545)
Purchase of treasury shares	-	-	-	-	-	-	-	(6,019,616)	-	(6,019,616)
Sale of treasury shares	-	-	-	-	-	-	-	1,712,294	-	1,712,294
Effect of consolidating newly consolidated subsidiary (Note 1)	-	-	-	-	-	1,038,731	(1,332,502)	(1,297,660)	-	(1,591,430)
Share of minority from newly consolidated subsidiary (Note 1)	-	-	-	-	-	-	-	-	3,306,228	3,306,228
Balance at September 30, 2006	<u>26,649,876</u>	<u>24,758,086</u>	<u>2,073,451</u>	<u>2,073,451</u>	<u>97,258</u>	<u>1,038,731</u>	<u>22,945,595</u>	<u>(6,975,544)</u>	<u>3,415,032</u>	<u>76,075,936</u>
Balance at December 31, 2004	15,000,000	-	631,612	631,612	-	-	5,332,130	-	-	21,595,354
Net profit for the period	-	-	-	-	-	-	8,340,752	-	-	8,340,752
Total recognized income for the period	-	-	-	-	-	-	8,340,752	-	-	8,340,752
Increase in capital (Note 21)	150,000	-	-	-	-	-	-	-	-	150,000
Share premium	-	30,000	-	-	-	-	-	-	-	30,000
Cash dividend (2004 – 20 fils per share) (Note 21)	-	-	-	-	-	-	(3,000,000)	-	-	(3,000,000)
Purchase of treasury shares	-	-	-	-	-	-	-	(1,370,561)	-	(1,370,561)
Balance at September 30, 2005	<u>15,150,000</u>	<u>30,000</u>	<u>631,612</u>	<u>631,612</u>	<u>-</u>	<u>-</u>	<u>10,672,882</u>	<u>(1,370,561)</u>	<u>-</u>	<u>25,745,545</u>

The accompanying notes 1 to 25 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 SEPTEMBER 30, 2006
(All amounts are in Kuwaiti Dinars)

		For the nine months ended September 30,	
	Notes	2006	2005
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		18,953,795	8,610,030
Adjustments for:			
Net investment income		(829,653)	(1,938,481)
Depreciation		28,907	16,287
Interest income		(45,110)	(138,267)
Finance charges		609,596	482,508
Provision for doubtful debts		1,168,346	-
Operating profit before working capital changes		19,885,881	7,032,077
Increase in accounts receivable and other debit balances		(19,328,609)	(9,863,515)
Decrease in rights to certain properties		-	1,009,171
Decrease in property held for sale		3,560,694	5,326,064
Increase in properties under development		(745,253)	(599,344)
Increase (decrease) in accounts payable and other credit balances		6,157,193	(1,211,802)
Increase (decrease) in deferred consideration on acquisition of properties		17,064,576	(103,542)
Cash generated from operations		26,594,482	1,589,109
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		26,184,517	1,589,109
Cash flows from investing activities:			
Increase in term deposits		-	(101,180)
Purchase of investments at fair value through income statement		(2,307,999)	(1,276,000)
Proceeds from sale of investments at fair value through income statement		470,746	2,007,821
Cash dividend received		225,000	-
Interest income received		-	129,309
Purchase of investment properties		(31,350,557)	-
Amount paid for work in progress		-	(750,139)
Purchase of fixed assets		(194,981)	-
Net cash (used in) generated from investing activities		(33,157,791)	9,811

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

	Notes	For the nine months ended September 30,	
		2006	2005
Cash flows from financing activities:			
Proceeds from bank overdraft		251,682	-
Term loan received		3,000,000	-
Paid up capital		4,307,909	150,000
Share premium received		10,769,771	30,000
Paid for purchase of treasury shares		(6,019,616)	(1,370,561)
Cash dividends paid		(3,127,768)	(2,849,100)
Finance charges paid		(551,355)	(491,650)
Wakala received		-	6,000,000
Proceeds from sale of treasury shares		1,809,552	-
Net cash generated from financing activities		10,440,175	1,468,689
Net cash relating to newly consolidated subsidiary		324,629	-
Net increase in cash and cash equivalents		3,466,901	3,067,609
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	7,021,728	7,145,333

The accompanying notes 1 to 25 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)
SEPTEMBER 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 Salhia 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		
		September 30, 2006 %	December 31, 2005 %	September 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	-	-
First Dubai for Real Estate Development Company - K.S.C. (Closed)	Kuwait	90	-	-

The accompanying interim condensed consolidated balance sheet of the group as of September 30, 2006 and related interim condensed consolidated statement of income for the period then ended include the following information relating to Al Mazaya Al Khalijia for General Trading – Khalid S. Esbaitah and Partners – W.L.L., Al Mazaya Al Arabia Real Estate Company – Khalid S. Esbaitah and Partners – W.L.L., Al Mazaya International for Projects Management – Khalid S. Esbaitah and Partners – W.L.L., Mazaya Lebanon Holding - S.A.L. (Holding) and Mazaya Lamartien - S.A.L., newly incorporated consolidated subsidiaries while the comparative accounts for the previous period do not include such information:

Balance sheet:

Cash and cash equivalents	197,264
Accounts receivable and other debit balances	601,918
Investment properties	856,866

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

Income statement:

Administrative expenses	(3,919)
Finance charges	(76)

In addition, the accompanying interim condensed consolidated balance sheet of the group as of September 30, 2006 and related interim condensed consolidated statement of income for the period then ended include the following information pertaining to Al Dana Real Estate Limited and Al Rayhan Real Estate Limited while the comparative amounts for the year ended December 31, 2005 and the period ended September 30, 2005 do not include such information, since these subsidiaries were previously accounted for as investments in unconsolidated subsidiaries

Balance sheet:

Properties under development	4,937,048
Investment properties	4,790,593
Accounts payable and other credit balances	(957,179)
Deferred consideration on acquisition of properties	(2,631,452)

Income statement:

Marketing expenses	(21,537)
Administrative expenses	(639)

Moreover, based on the General Assembly meeting held on July 9, 2006, the registered shareholders approved to increase the authorized capital by KD 5,500,000 through issue of 55,000,000 new shares to acquire First Dubai for Real Estate Development Company - K.S.C. (Closed) with a nominal value of 100 fils each and premium amounting to 410 fils each and to be allocated to new shareholders. As of September 30, 2006, the parent company acquired additional 80% interest in the equity of First Dubai for Real Estate Development Company - K.S.C. (Closed) for an amount of KD 27,301,569. The goodwill resulting from the acquisition of this subsidiary is as follows:

The group's share at fair value of identifiable assets and liabilities at the date of the acquisition	26,449,821
Less: Consideration paid	(54,819)
Consideration payable	(9,883,968)
Value of shares issued	(17,362,782)
Goodwill	<u>851,748</u>

The consideration payable as of the balance sheet date would be settled through issue of shares in subsequent periods.

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

The accompanying interim condensed consolidated balance sheet of the group as of September 30, 2006 and related interim condensed consolidated statement of income for the period then ended include the following information relating to First Dubai for Real Estate Development Company - K.S.C. (Closed) while the comparative accounts for the pervious period do not include such information:

Balance sheet:

Cash and cash equivalents	834,973
Investments at fair value through income statement	9,025,725
Accounts receivable and other debit balances	3,470,575
Properties under development	32,563,860
Fixed Assets	33,581
Goodwill	851,748
Accounts payable and other credit balances	(12,668,749)
Term loan	(500,000)
Statutory reserve	(32,761)
Voluntary reserve	(32,761)
Assets revaluation surplus	(1,038,730)
Retained earnings	(201,977)
Treasury shares	1,297,660
Minority interest	(3,415,032)

Income statement:

Profit from sale of properties under development	221,192
Net investment income	819,519
Other income	7,153
Administrative expenses	(25,435)
Depreciation	(869)
Foreign currency exchange gain	7,200
Interest income	312
Finance charges	(33,725)

The interim condensed consolidated financial statements of Al Mazaya Holding Company - K.S.C. (Closed) (the parent company) and subsidiaries (the group) for the nine months period ended September 30, 2006 were authorized for issue in accordance with a resolution of the Directors on October 30, 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, in addition to the following:

- IAS 31: Interest in joint venture
- IFRS 3: Business combinations

Interest in joint venture

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control that is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

The Group reports its interests in jointly controlled entities using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in joint ventures are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the joint venture, less any impairment in the value of individual investments.

Where the Group transacts with its jointly controlled entities, unrealized profits and losses are eliminated to the extent of the Group's interest in the joint venture.

Business Combinations

Goodwill arising on an acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of the acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities as at the date of the acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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

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 September 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

	September 30, 2006	December 31, 2005	September 30, 2005
Bank and cash balances	4,769,470	3,230,198	485,666
Fixed deposits	2,000,000	-	6,659,667
Short term money market fund	252,258	-	-
	<u>7,021,728</u>	<u>3,230,198</u>	<u>7,145,333</u>

Fixed deposits earn an average interest rate of 5.25% (December 31, 2005: Nil and September 30, 2005 – 3.44%) per annum.

Investment in short term money market fund is managed by an investment house (related party).

4. Investments at fair value through income statement

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

	September 30, 2006	December 31, 2005	September 30, 2005
Quoted securities at fair value through income statement	7,858,990	732,250	-
Unquoted securities designated at fair value through income statement	13,030,587	13,109,220	9,732,660
	<u>20,889,577</u>	<u>13,841,470</u>	<u>9,732,660</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.

AL MAZAYA HOLDING COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
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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 September 30, 2005 – Nil).

5. Accounts receivable and other debit balances

	September 30, 2006	December 31, 2005	September 30, 2005
Trade receivable	7,281,924	4,439,067	3,708,950
Advances to contractors	7,135,846	2,198,094	963,819
Amount due from related parties	15,652,275	209,124	74,735
Staff receivable	31,910	15,980	173,684
Other receivable	735,495	141,394	771,217
	30,837,450	7,003,659	5,692,405
Provision for doubtful debts	(1,168,346)	-	-
	<u>29,669,104</u>	<u>7,003,659</u>	<u>5,692,405</u>

Amount due from related parties mainly represents amount generated from sale of properties under development (Note 15).

6. Rights to certain properties

During the years 2004 and 2005, the parent company had 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 had been signed between the seller and the parent company for acquiring these rights as of June 30, 2006, and accordingly the management considered the full future scheduled payments amounting to KD 1,127,524 as deferred consideration on acquisition of properties (Note 11) and recognized the value of the lands amounting to KD 9,407,246 as properties under development (Note 8).

7. Investment in joint venture

During the period, the group sold 50% of its 100% interest in the equity of Al Wahda Real Estate Investment Limited, which resulted in cease of control over the company and commencement of a joint venture. This investment was previously recorded as investment in unconsolidated subsidiary as of December 31, 2005. Therefore, the group classifies its remaining 50% interest in the equity of Al Wahda Real Estate Investment Limited as Investment in joint venture, and accounted for using the equity method of accounting as mentioned in note (2).

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8. Properties under development

The movement during the period ended September 30, 2006 is as follows:

	September 30, 2006
Cost incurred to date plus recognized profit	25,055,634
Amount transfer from rights to certain properties (Note 6)	9,407,246
Addition relating to the newly consolidated subsidiaries (Note 1)	37,500,908
Less: Progress billings	(22,757,255)
Total properties under development	<u>49,206,533</u>

9. Investment properties

The movement during the period ended September 30, 2006 is as follows:

	September 30, 2006
Balance at December 31, 2005	400,925
Additions during the period	31,350,557
Addition relating to the newly consolidated subsidiaries (Note 1)	4,790,593
Balance at September 30, 2006	<u>36,542,075</u>

10. Accounts payable and other credit balances

	September 30, 2006	December 31, 2005	September 30, 2005
Trade payable	5,127,576	2,877,121	684,177
Advances received from customers	7,713,193	1,185,527	1,618,666
Due to related parties	4,734,670	1,928,153	1,497,100
Dividend payable	613,177	145,400	-
Payable for acquisition of subsidiary (Note 1)	9,883,968	-	-
Other payables and accrued expenses	4,277,131	749,611	704,251
	<u>32,349,715</u>	<u>6,885,812</u>	<u>4,504,194</u>

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11. Deferred consideration on acquisition of properties

The movement during the period ended September 30, 2006 is as follows:

	September 30, 2006
Balance at the beginning of the year	5,964,853
Additions during the period	19,057,313
Amount transfer from rights to certain properties (Note 6)	1,127,524
Addition relating to the newly consolidated subsidiaries (Note 1)	2,631,452
Consideration paid during the period	(2,162,963)
Balance at September 30, 2006	<u>26,618,179</u>

12. Capital

The General Assembly meeting held on March 22, 2006, approved 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 out of 45,450,000 shares were subscribed,

Additionally, 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 Company K.S.C. (Closed) 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's authorized capital is KD 28,745,409 distributed over 287,454,090 shares with nominal value of 100 fils each.

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As of September 30, 2006, only 34,044,670 shares were issued to acquire First Dubai for Real Estate Development Company - K.S.C. (Closed), and hence the authorized, issued and paid up capital is as follows:

	September 30, 2006	December 31, 2005	September 30, 2005
Number of authorized shares (shares)	287,454,090	151,500,000	151,500,000
Authorized capital (KD)	28,745,409	15,150,000	15,150,000
Number of issued and paid up shares (shares)	266,498,760	151,500,000	151,500,000
Issued and paid capital (KD)	26,649,876	15,150,000	15,150,000
Number of unsubscribed shares (shares)	20,955,330	-	-

13. Share premium

Based on the capital increase approved by the shareholders in the General Assembly meeting held on March 22, 2006 and the General Assembly meeting held on July 9, 2006, the share premium generated from the subscribed capital increase amounted to KD 24,728,086 (Note 12). The share premium is not distributable except under specific circumstances as provided in Kuwait Commercial Companies Law.

14. Treasury shares

	September 30, 2006	December 31, 2005	September 30, 2005
Number of shares (shares)	13,666,002	3,530,000	3,530,000
Percentage of issued shares (%)	5.13%	2.33%	2.33%
Market value (KD)	8,199,601	2,753,400	1,906,200
Cost (KD)	6,975,544	1,370,562	1,370,561

15. Profit from sale of properties under development

	For the three months ended September 30		For the nine months ended September 30	
	2006	2005	2006	2005
Revenue from sale	17,824,720	5,770,644	34,441,887	7,082,532
Cost of sale	(6,806,047)	(5,262,868)	(16,406,739)	(6,366,261)
Profit from sale of properties under development	<u>11,018,673</u>	<u>507,776</u>	<u>18,035,148</u>	<u>716,271</u>

During the period, the group completed the construction process of two buildings and subsequently sold them to a related party for a consideration of KD 16,299,550 and recognized a profit of KD 10,481,097, these buildings were previously recorded as work in progress.

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16. 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.

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

The recognized sales and costs of rights to certain properties are amounting to KD 410,592 and KD 805,174 respectively.

18. Net investment income

	Three months ended September 30,		Nine months ended September 30,	
	2006	2005	2006	2005
Unrealized gain from investments at fair value through income statement	800,553	675,000	538,739	1,910,000
Realized gain on sale of investments at fair value through income statement	3,472	3,482	65,914	28,481
Dividend income	-	-	225,000	-
	<u>804,025</u>	<u>678,482</u>	<u>829,653</u>	<u>1,938,481</u>

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19. Earnings per share

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

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume issue of dilutive potential ordinary shares. The parent company's dilutive potential ordinary shares arise out of contingently issuable ordinary shares.

	For the three months ended September 30		For the nine months ended September 30	
	2006	2005	2006	2005
Net profit for the period	<u>10,512,797</u>	<u>3,803,502</u>	<u>18,204,261</u>	<u>8,340,752</u>
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	<u>Shares</u>	<u>Shares</u>	<u>Shares</u>	<u>Shares</u>
Number of issued and fully paid-up shares	206,068,664	164,764,846	183,820,035	164,041,800
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>(4,004,359)</u>	<u>(4,132,543)</u>	<u>(9,436,625)</u>	<u>(2,774,851)</u>
Weighted average number of shares outstanding for the basic earnings per share	<u>239,939,305</u>	<u>198,507,303</u>	<u>212,258,410</u>	<u>199,141,949</u>
Effect of dilution from contingently issuable ordinary shares	<u>6,530,328</u>	<u>-</u>	<u>2,200,697</u>	<u>-</u>
Weighted average number of shares outstanding for the diluted earnings per share	<u>246,469,633</u>	<u>198,507,303</u>	<u>214,459,107</u>	<u>199,141,949</u>
	<u>Fils</u>	<u>Fils</u>	<u>Fils</u>	<u>Fils</u>
Basic earnings per share	<u>43.81</u>	<u>19.16</u>	<u>85.76</u>	<u>41.88</u>
	<u>Fils</u>	<u>Fils</u>	<u>Fils</u>	<u>Fils</u>
Diluted earnings per share	<u>42.65</u>	<u>19.16</u>	<u>84.88</u>	<u>41.88</u>

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20. 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:

	September 30, 2006	December 31 2005	September 30, 2005	
Balance sheet:				
Properties under development	9,057,877	-	-	
Accounts receivable and other debit balances	15,652,275	209,124	74,735	
Accounts payable and other credit balances	4,734,670	1,928,153	1,497,100	
Term loan	830,000	830,000	-	
Wakala payable	6,000,000	6,000,000	6,000,000	
	For the three months ended September 30,		For the nine months ended September 30,	
	2006	2005	2006	2005
Statement of income:				
Profit from sale of properties under development	10,624,867	-	15,656,818	-
Management fees, commission and consultancy income	302,496	56,295	907,788	664,196
Finance charges	135,580	99,958	411,781	225,031
Key management compensation:				
Salaries and other short term benefits	53,979	27,356	152,037	87,656
Terminal benefits	2,271	1,690	6,336	4,214

21. 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.

Further General Assembly held on March 22, 2006 and the General Assembly held on July 9, 2006, approved the increase in authorized and paid up capital (Note 12).

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.

22. 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 September 30, 2006, amounted to KD 500,000 (December 31, 2005 – KD 18,490 and September 30, 2005 – KD 1,490,474).

23. Commitments

The group has capital commitments in respect of construction of real estate for KD 21,217,346 (December 31, 2005 - KD 25,478,207 and September 30, 2005 – KD 25,027,962).

24. Contingent liabilities

	September 30, 2006	December 31, 2005	September 30, 2005
Letter of guarantee	<u>6,588,000</u>	<u>5,688,000</u>	<u>5,688,000</u>

25. Comparative figures

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