AERATED CONCRETE INDUSTRIES CO. - K.S.C. (CLOSED)
AND ITS SUBSIDIARIES
STATE OF KUWAIT

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE PERIOD ENDED MARCH 31, 2007
(UNAUDITED)
WITH
REPORT ON REVIEW OF INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION

AERATED CONCRETE INDUSTRIES CO. - K.S.C. (CLOSED)
AND ITS SUBSIDIARIES
STATE OF KUWAIT

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE PERIOD ENDED MARCH 31, 2007
(UNAUDITED)
WITH
REPORT ON REVIEW OF INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION

CONTENTS

	Pages
Report on review of interim condensed consolidated financial information	
Interim condensed consolidated balance sheet (unaudited)	2
Interim condensed consolidated statement of income (unaudited)	3
Interim condensed consolidated statement of changes in equity (unaudited)	4
Interim condensed consolidated statement of cash flows (unaudited)	5
Notes to interim condensed consolidated financial information (unaudited)	6 – 12

Report on review of interim condensed consolidated financial information

The Board of Directors
Aerated Concrete Industries Co - K.S.C (Closed)
State of Kuwait

Introduction

We have reviewed the accompanying interim condensed consolidated balance sheet of Aerated Concrete Industries Co.-K.S.C (Closed) (the parent company) and subsidiaries (the group) as of March 31, 2007 and the related condensed consolidated statements of income, changes in equity and cash flows for the three-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

We did not review the interim condensed consolaidted financial information of the subsidiary, Ghassan Ahmed Sauod Al-Khaled and Co. – W.L.L. and its subsidiary, whose total assets and revenues constitute 11.45% and 50.97% of the respective consolidated totals. The financial information of the above mentioned subsidiary was reviewed by other auditor, whose report was provided to us and our conclusion in so far as it relates to the amounts included in the interim condensed consolidated financial information related to this subsidiary, is based solely on the report of the other auditor.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review and the report of the other auditor, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidate financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34.

Report on other Legal and Regulatory Requirements

Furthermore, the interim condensed consolidated financial information is in agreement with the books of account and to the best of our knowledge and belief, there were no contraventions during the period ended March 31, 2007 of either the Commercial Companies Law or the parent Company's Articles of Association, which might have materially affected the Group's financial position or results of its operations.

Abdul Rahman Mubarak Al-Qaoud
Licence No. 25-A
Abdul Rahman Al-Qaoud & Partners
Public Accountants

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

State of Kuwait
April 22, 2007

AERATED CONCRETE INDUSTRIES CO. K.S.C. (CLOSED) AND ITS SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)
AS OF MARCH 31, 2007
(All amounts are in Kuwaiti Dinars)

ASSETS	Note	March 31, 2007	December 31, 2006 (Audited)	March 31, 2006
Cash and cash equivalents		3,150,948	3,168,622	3,638,129
Investments at fair value through income statement		3,281,866	3,008,512	3,728,112
Accounts receivable and other debit balances		14,952,583	10,595,356	13,198,801
Gross amount due from customers for contract work		2,154,176	2,313,190	1,184,196
Due from related parties	3	3,561,135	8,037,322	1,610,075
Inventories		2,485,904	2,507,071	2,690,222
Lands under development		151,522	147,104	9,878,115
Investment available for sale		205,742	-	2,024,668
Investment in associates	4	7,644,658	644,658	644,658
Investment in an unconsolidated subsidiary		175,334	1,175,334	178,053
Investment properties	7	13,597,472	11,626,347	4,000,000
Projects under construction	8	58,446,616	48,215,882	33,543,776
Right of utilization of leasehold		881,073	895,438	1,546,768
Fixed assets		14,296,180	14,415,272	15,137,877
Goodwill		2,250,506	2,250,506	3,158,661
Total assets		127,235,715	109,000,614	96,162,111
LIABILITIES AND EQUITY				
Liabilities:				
Loans and due to banks		41,616,361	34,591,295	30,386,281
Accounts payable and other credit balances		8,991,551	5,887,905	8,365,585
Due to related parties	3	5,632,612	877,459	506,476
Dividends payable to shareholders		192,059	205,347	6,444,643
Provision for staff indemnity		791,415	722,510	571,388
Due to shareholders of a company under liquidation	9	-	12,061,787	-
Total liabilities		57,223,998	54,346,303	46,274,373
Equity:				
Share capital	9	18,564,965	14,684,371	13,122,204
Share premium	9	24,426,446	16,245,253	11,558,752
Statutory reserve		4,705,127	4,705,127	3,313,780
Treasury shares	10	(278,959)	(605,684)	(458,919)
Gain on sale of treasury shares		2,577,513	2,479,912	2,458,046
Cumulative changes in fair value		-	-	24,668
Foreign currency translation adjustments		(9,277)	(50,544)	(49,866)
Retained earnings		18,736,427	15,967,691	6,144,431
Total equity attributable to parent company's shareholders		68,722,242	53,426,126	36,113,096
Minority interest		1,289,475	1,228,185	13,774,642
Total equity		70,011,717	54,654,311	49,887,738
Total liabilities and equity		127,235,715	109,000,614	96,162,111

The accompanying notes (1) to (15) form an integral part of the interim condensed consolidated financial information.

Chairman
Ghassan Ahmed Al-Khaled

AERATED CONCRETE INDUSTRIES CO. K.S.C. (CLOSED) AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2007
(All amounts are in Kuwaiti Dinars)

	Note	For the three months ended March 31 2007	2006
Operating income	14	8,149,700	12,364,887
Operating costs	14	(6,268,873)	(9,211,319)
Gross profit from operations		1,880,827	3,153,568
General and administrative expenses		(764,567)	(1,094,813)
Selling expenses		(88,089)	(415,375)
Depreciation and amortization		(107,181)	(116,166)
Income from operations		920,990	1,527,214
Rental income		87,632	75,125
Investments income	5	61,373	432,450
Changes in fair value of investment property	7	1,971,125	-
Finance charges		(205,291)	(61,933)
Others	6	91,648	453,418
Profit for the period before contribution to Kuwait Foundation for the Advancement of Science and National Labor Support Tax		2,927,477	2,426,274
Contribution to Kuwait Foundation for Advancement of Sciences		(25,796)	(19,159)
National Labor Support Tax		(71,655)	(48,998)
Net profit for the period		2,830,026	2,358,117
Attributable to:			
Parent company's shareholders		2,768,736	2,130,808
Minority interest		61,290	227,309
Net profit for the period		2,830,026	2,358,117
		Fils	Fils
Earnings per share attributable to parent company's shareholders	11	14.76	15.24

The accompanying notes (1) to (15) form an integral part of the interim condensed consolidated financial information.

AERATED CONCRETE INDUSTRIES CO. K.S.C. (CLOSED) AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2007
(All amoubts are in Kuwaiti Dinars)

	Attributable to parent company's shareholders										
	Share capital	Share premium	Statutory reserve	Treasury shares	Gain on sale of treasury shares	Cumulative changes in fair value	Foreign currency translation adjustment	Retained earnings	Total equity	Minority Interest	Total equity
Balance as at December 31, 2005	12,497,337	11,558,752	3,313,780	(96,169)	2,458,046	460,598	-	12,029,084	42,221,428	959,312	43,180,740
Change in fair value of available for sale investments	-	-	-	-	-	(435,930)	-	-	(435,930)	-	(435,930)
Total loss recognized directly in equity	-	-	-	-	-	(435,930)	-	-	(435,930)	-	(435,930)
Net profit for the period	-	-	-	-	-	-	-	2,130,808	2,130,808	227,309	2,358,117
Total income and expense for the period	-	-	-	-	-	(435,930)	-	2,130,808	1,694,878	227,309	1,922,187
Bonus shares (5%)	624,867	-	-	-	-	-	-	(624,867)	-	-	-
Cash dividends (50%)	-	-	-	-	-	-	-	(6,219,086)	(6,219,086)	-	(6,219,086)
Due to consolidation of unconsolidated subsidiary	-	-	-	-	-	-	-	(1,171,508)	(1,171,508)	12,588,021	11,416,513
Foreign currency translation adjustment	-	-	-	-	-	-	(49,866)	-	(49,866)	-	(49,866)
Purchase of treasury shares	-	-	-	(362,750)	-	-	-	-	(362,750)	-	(362,750)
Balance as at March 31, 2006	13,122,204	11,558,752	3,313,780	(458,919)	2,458,046	24,668	(49,866)	6,144,431	36,113,096	13,774,642	49,887,738
Balance as at December 31, 2006	14,684,371	16,245,253	4,705,127	(605,684)	2,479,912	-	(50,544)	15,967,691	53,426,126	1,228,185	54,654,311
Net profit for the period	-	-	-	-	-	-	-	2,768,736	2,768,736	61,290	2,830,026
Capital increase (Note 7)	3,880,594	8,181,193	-	-	-	-	-	-	12,061,787	-	12,061,787
Sale of treasury shares	-	-	-	781,725	-	-	-	-	781,725	-	781,725
Gain on sale of treasury shares	-	-	-	-	97,601	-	-	-	97,601	-	97,601
Purchase of treasury shares	-	-	-	(455,000)	-	-	-	-	(455,000)	-	(455,000)
Foreign currency translation reserve	-	-	-	-	-	-	41,267	-	41,267	-	41,267
Balance as at March 31, 2007	18,564,965	24,426,446	4,705,127	(278,959)	2,577,513	-	(9,277)	18,736,427	68,722,242	1,289,475	70,011,717

The accompanying notes (1) to (15) form an integral part of the interim condensed consolidated financial information.

AERATED CONCRETE INDUSTRIES CO. K.S.C. (CLOSED) AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2007
(All amounts are in Kuwaiti Dinars)

	2007	2006
Cash flows from operating activities:		
Profit for the period before contribution to Kuwait Foundation for the Advancement of Sciences and National Labor Support Tax	2,927,477	2,426,274
Adjustments:		
Depreciation	743,764	373,245
Amortization	14,365	27,306
Finance charges	205,291	61,933
Gain on sale of investment at fair value through income statement	-	(5,500)
Unrealized gain from investments at fair value through income statement	-	(426,950)
Change in fair value of investment property	(1,971,125)	
Gain on sale of fixed assets	(12,629)	(15,447)
Interest income	(36,632)	(304,363)
Dividend income	(61,373)	
Provision for staff indemnity	73,339	30,962
Foreign currency translation adjustments	41,267	(49,866)
Operating income before working capital changes	1,923,744	2,117,594
Increase in accounts receivable and other debit balances	(4,357,226)	(3,031,645)
Decrease in due from customers for contract work	159,014	523,211
Decrease in due from related party	4,476,187	221,085
Decrease (increase) in inventories	21,167	(61,052)
Increase in land under development	(4,418)	(326,583)
Increase in accounts payable and other credit balances	3,180,425	1,392,529
Increase in due to related party	4,755,153	238,232
Payment for staff indemnity	(4,434)	(7,494)
Payment for Kuwait Foundation for the Advancement of Sciences	(74,231)	(17,536)
Payment for National Labor Support Tax	(100,000)	(18,768)
Net cash generated from operating activities	9,975,381	1,029,573
Cash flows from investing activities:		
Interest income received	36,632	304,363
Dividend income received	61,373	-
Purchase of investment at fair value through income statement	(273,354)	(35,560)
Paid for purchase investment available for sale	(205,742)	-
Proceeds from sale of investments at fair value through income statement	-	16,500
Proceeds from sale of fixed assets	49,800	140,474
Purchase of fixed assets	(661,775)	(17,151)
Paid for projects under construction	(10,230,802)	(3,076,436)
Paid for purchase investment in associate	(6,000,000)	(178,053)
Net cash used in investing activities	(17,223,868)	(2,845,863)
Cash flows from financing activities:		
Proceeds from loans and due to banks	7,025,066	733,901
Finance charges paid	(205,291)	(61,933)
Payment of cash dividends to shareholders	(13,288)	-
Purchase of treasury shares	(455,000)	(362,750)
Proceeds from sale of treasury shares	879,326	-
Net cash generated from financing activities	7,230,813	309,218
Net decrease in cash and cash equivalent	(17,674)	(1,507,072)
Cash and cash equivalent at beginning of the period	3,168,622	498,051
Cash and cash equivalent at end of the period	3,150,948	3,638,129

The accompanying notes (1) to (15) form an integral part of the interim condensed consolidated financial information.

1. Incorporation and activities

Aerated Concrete Industries Co. - K.S.C. (Closed) was incorporated and authenticated at the Ministry of Justice – Real Estate Registration and Authentication Department under Ref. No. 16540 on June 23, 1990 and registered on Commercial register under Ref. No. 41903 dated July 17, 1991.

The main objectives of the Company include the establishment of a factory for the production of all types and sizes of aerated concrete and non-concrete and all its construction requirements, import and export of all building materials. The Company is considered the sole agent in the Middle East for manufacturing 'Hebil' international products.

The Company's objectives also include owning, buying and selling real estate, land and land for development for the benefit of the Company either inside or outside Kuwait, dealing in industrial companies' shares and bonds relating to the main objective of the Company either inside or outside Kuwait, preparing and submitting the studies and consultancy and also organizing the industrial exhibition for the Company's projects.

The Company may have interests or participate in any aspect in other firms conducting similar activities or which may assist the Company in achieving its objectives in Kuwait or abroad. The Company may also acquire such firms or participate in their equity.

The address of the Company is Sharq – Ahmed Al-Jaber Street – Raed Center, 5th floor, P.O. Box 24079, Safat, 13101 - State of Kuwait.

The financial information were authorized for issue by the Board of Directors on April 22, 2007.

2. Basis of presentation:

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

The interim condensed consolidated financial information 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 financial information does not include all of the information and footnotes required for complete financial information 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 interim condensed consolidated financial information. Operating results for the interim period ended March 31, 2007 are not necessarily indicative of the results that may be expected for the year ending December 31, 2007. For further information, refer to the consolidated financial information and notes thereto for the year ended December 31, 2006.

The interim condensed consolidated financial information include the financial information of Aerated Concrete Industries K.S.C. (closed) and the following subsidiary:

		Percentage of ownership		
Name of Subsidiary	Country of incorporation	March 31, 2007	December 31, 2006	March 31, 2006
Ghassan Ahmed Saoud & Al-Khaled Company W.L.L. & its subsidiary	Kuwait	75%	75%	75%

3. Related party transactions

Related parties represent the Group's major shareholders, associates, subsidiaries, members of the Board of Directors, parties related to them and senior management. There were certain transactions conducted with related parties and were included in the interim condensed consolidated financial information as follows:

	March 31, 2007	December 31, 2006 (Audited)	March 31, 2006
Interim condensed consolidated balance sheet			
Due from related parties	3,561,135	8,037,322	1,610,075
Due to related parties	5,632,612	877,459	506,476
Investment available for sale	205,742	-	2,024,668

	March 31, 2007	March 31, 2006
Interim condensed consolidated statement of income		
Dividend income	61,373	-
Unrealized gain from investment at fair value through income statement	-	426,950
Realized gain from investment at fair value through income statement	-	5,500

4. Investment in associates

Name of the associate company	Country of incorporation	Percentage of holding	March 31, 2007	December 31, 2006 (Audited)	March 31, 2006
ACICO Saudi Arabia – W.L.L.	Saudi Arabia	45%	483,910	483,910	483,910
ACICO Qatar – W.L.L.	Qatar	49%	160,748	160,748	160,748
Al-Masaken International for Real Estate Development K.S.C.C.	Kuwait	35%	7,000,000	-	-
			7,644,658	644,658	644,658

During the period the parent company subscribed in portion of the capital increase of its unconsolidated subsidiary Al -Masaken International for Real Estate Development - K.S.C.C. ,which resulted in decreasing the parent company's interest in the equity of the unconsolidated subsidiary to 35%. Accordingly it was reclassified as investment in associate.

The movement of the investment balance during the period was as follows:

	March 31, 2007
Balance at the beginning of the period	644,658
Additions	6,000,000
Transferred from investment in unconsolidated subsidiary	1,000,000
Balance at the end of the period	7,644,658

The Group had not accounted its share of results from the above associates since they have not yet issued financial statements.

5. Investments income

	Three months ended March 31,	
	2007	2006
Unrealized gain from investments at fair value through income statement	-	426,950
Dividend income	61,373	-
Gain on sale of investment at fair value through income statement	-	5,500
	61,373	432,450

6. Others

	Three months ended March 31,	
	2007	2006
Interest income	36,632	304,363
Other income	92,672	155,402
Foreign exchange loss	(37,656)	(6,347)
	91,648	453,418

7. Investment properties

The movement of the investment properties during the period was as follows:

	March 31, 2007
Balance at the beginning of the period	11,626,347
Changes in fair value of investment properties	1,971,125
Balance at the end of the period	13,597,472

Subsequent to the balance sheet date an investment property was sold for an amount of KD 11,200,000 resulting in a gain of KD 1,602,181.

8. Projects under construction

The movement of projects under construction during the period was as follows:

	March 31, 2007
Balance at the beginning of the period	48,215,882
Additions during the period	10,230,734
Balance at the end of the period	58,446,616

Projects under construction represent different projects including projects under construction in one of the GCC countries. The Company is going to reclassify those projects according to the purpose for which they will be used later.

9. Due to shareholders of a company under liquidation

During the year ended December 31, 2006 the extraordinary General Assembly meeting of ACICO International for Real Estate Development K.S.C. (Closed) – an unconsolidated subsidiary of Aerated Concrete Industries – K.S.C. (Closed) with percentage of ownership 53.43% decided to dissolve and liquidate the company voluntarily.

The Company's net assets as a result of the liquidation amounted to KD 23,552,539. The extraordinary General Assembly meeting of Aerated Concrete Industries – K.S.C. (Closed) held on December 23, 2006 approved the purchase of the Company's net assets based on the liquidation value through acquiring the other shareholders' share in the Company amounting to 46.57% with an amount of KD 12,061,787 by issuing 38,805,939 shares with a nominal value of 100 fils and share premium of 211 fils per share. The parent company's shareholders waived their right in the subscription to the new shareholders.

During the period ended March 31, 2007 subscription in share capital increase and share premium was as follows:

	Before subscription	Subscription	After subscription
Share capital	14,684,371	3,880,594	18,564,965
Share premium	16,245,253	8,181,193	24,426,446
	30,929,624	12,061,787	32,991,411

10. Treasury shares

	March 31, 2007	December 31, 2006 (Audited)	March 31, 2006
Number of shares	1,305,519	1,750,518	1,009,594
Percentage of issued shares	0.70%	1.19%	0.77%
Market value (KD)	665,815	544,291	469,461
Cost (KD)	278,959	605,684	458,919

11. Earnings per share attributable to parent company's shareholders

There are no potential dilutive ordinary shares. The information necessary to calculate earnings per share based on the weighted average number of shares outstanding during the period is as follows:

	Three months ended March 31,	
	2007	2006 (Restated)
Profit for the period attributable to parent company's shareholders	2,768,736	2,130,808
Number of shares outstanding		
	Shares	Shares
Weighted average number of issued shares	180,044,353	131,222,046
Issue of bonus shares	9,282,483	9,282,483
Weighted average number of treasury shares	(1,748,683)	(721,031)
Weighted average number of shares outstanding	187,578,153	139,783,498
	Fils	Fils
Earnings per share attributable to parent company's shareholders	14.76	15.24

Earnings per share attributable to parent company's shareholders represent for the 3 months ended March 31, 2006 was 16.32 fils before retroactive adjustment relating to the issue of bonus shares.

12. Cash dividend and bonus shares

The shareholders' General Assembly meeting held on April 4, 2007 approved the distribution of 50% cash dividend that equal 50 fils per share and bonus shares of 5 bonus shares for every 100 share held for the year ended December 31, 2006.

The shareholders' General Assembly meeting held on March 25, 2006 approved the distribution of cash dividend of 50 fils per share and bonus shares of 5% bonus shares for every 100 share held for the year ended December 31, 2005.

13. Contingent liabilities

	March 31, 2007	December 31, 2006 (Audited)	March 31, 2006
Letters of guarantee	1,241,700	1,241,700	279,679
Letters of credit	1,056,246	1,056,246	254,400
	2,297,946	2,297,946	534,079

14. Segment reporting

Following are the segmental information for the main activities of the Company:

	March 31, 2007					
	Aerated Concrete	Housing Development	Contracting	Total	Minority / entries to eliminate intercompany transaction	Total
Operating income	2,874,158	29,020	11,767,510	14,670,688	(6,520,988)	8,149,700
Operating costs	1,583,613	22,507	10,414,005	12,020,125	(5,751,252)	6,268,873
Segment gross profit	1,290,613	6,513	1,353,505	2,650,631	(769,804)	1,880,827
Finance charges	162,971	-	42,320	205,291	-	205,291
Depreciation and amortization	34,338	500	72,343	107,181	-	107,181
Total assets	170,694,656	2,516,665	19,477,422	192,688,743	(65,453,028)	127,235,715
Total liabilities	102,110,312	2,465,187	11,875,620	116,451,119	(59,227,121)	57,223,998

	March 31, 2006					
	Aerated Concrete	Housing Development	Contracting	Total	Minority / entries to eliminate intercom any transaction	Total
Operating income	4,783,886	1,164,447	13,052,247	19,000,580	(6,635,693)	12,364,887
Operating costs	2,729,937	1,085,280	10,880,054	14,695,271	(5,483,952)	9,211,319
Segment gross profit	2,053,949	79,168	2,172,193	4,305,310	(1,151,741)	3,153,569
Finance charges	25,500	15,533	20,900	61,933	-	61,933
Depreciation and amortization	12,142	3,027	100,997	116,166	-	116,166
Total assets	74,764,611	13,707,567	17,130,897	105,603,075	(9,440,964)	96,162,111
Total liabilities	37,787,348	13,596,053	11,451,330	62,834,731	(16,560,358)	46,274,373

15. Comparative figures

Certain of the prior period amounts have been reclassified to conform to the current period presentation.