**NATIONAL REAL ESTATE COMPANY K.S.C.**
**AND SUBSIDIARIES**
**STATE OF KUWAIT**

**INTERIM CONSOLIDATED FINANCIAL INFORMATION**
**FOR THE PERIOD ENDED JUNE 30, 2008**
**(UNAUDITED)**
**WITH**
**REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL INFORMATION**

NATIONAL REAL ESTATE COMPANY K.S.C.
AND SUBSIDIARIES
STATE OF KUWAIT

INTERIM CONSOLIDATED FINANCIAL INFORMATION
FOR THE PERIOD ENDED JUNE 30, 2008
(UNAUDITED)
WITH
REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL INFORMATION

CONTENTS


| | Pages |
|---|---|
| Report on review of interim consolidated financial information | |
| Interim condensed consolidated balance sheet (Unaudited) | 3 |
| Interim condensed consolidated statement of income (Unaudited) | 4 |
| Interim condensed consolidated statement of changes in equity (Unaudited) | 5 |
| Interim condensed consolidated statement of cash flows (Unaudited) | 6 - 7 |
| Notes to interim consolidated financial information (Unaudited) | 8 - 22 |

AL-WAHA
AUDITING OFFICE
ALI OWAID RUKHAEYES

Member of The International Group of Accounting Firms

P.O. Box 27387 Safat
13134 – State of Kuwait
Telephone: (965) 2423415
Facsimile : (965) 2423417

Albazie & Co.

Member of RSM International

Public Accountants

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

# REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL INFORMATION

The Board of Directors
National Real Estate Company K.S.C.
State of Kuwait

## Introduction

We have reviewed the accompanying interim condensed consolidated balance sheet of National Real Estate Company K.S.C. (the Parent Company) and subsidiaries (the Group) as of June 30, 2008 and the related interim condensed consolidated statements of income, changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of this interim consolidated financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim consolidated financial information based on our review.

## 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 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, nothing has come to our attention that causes us to believe that the accompanying interim consolidated 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 consolidated financial information is in agreement with the Parent Company's books of account and to the best of our knowledge and belief, there were no contraventions during the period ended June 30, 2008 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, except that the Parent Company holds certain direct investments in shares in violation of its objects.

Emphasis of matter

Without qualifying our conclusion, we draw attention to Notes (8), (10) and (18) to the interim consolidated financial information.

Ali Owaid Rukheyes
Licence No. 72-A
Member of the International Group
of Accounting Firms

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

State of Kuwait
August 14, 2008

**NATIONAL REAL ESTATE COMPANY K.S.C. AND SUBSIDIARIES**
**INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)**
**AS OF JUNE 30, 2008**
(All amounts are in Kuwaiti Dinars)

| ASSETS | Note | June 30, 2008 | (Audited) December 31, 2007 | June 30, 2007 |
|---|---|---|---|---|
| Cash and short term funds | 4 | **12,043,243** | 12,959,872 | 14,921,130 |
| Investments at fair value through income statement | 5 | **8,283,804** | 2,688,041 | 2,765,698 |
| Accounts receivable and other debit balances | 6 | **79,018,266** | 70,801,705 | 14,460,343 |
| Investments available for sale | 7 | **21,603,392** | 17,875,026 | 16,640,391 |
| Investment in associates | 8 | **171,415,294** | 185,405,109 | 174,054,491 |
| Investment in a joint venture | | **329,342** | 295,681 | 257,189 |
| Capital work in progress | 9 | **44,839,706** | 38,216,590 | 35,618,881 |
| Fixed assets | | **2,447,291** | 1,622,360 | 1,216,072 |
| Investment properties | | **66,494,649** | 66,411,513 | 65,797,674 |
| Total assets | | **406,474,987** | 396,275,897 | 325,731,869 |
| LIABILITIES AND EQUITY | | | | |
| Liabilities: | | | | |
| Accounts payable and other credit balances | | **28,797,625** | 27,910,930 | 43,520,851 |
| Bank facilities | 11 | **133,565,919** | 114,807,428 | 52,654,385 |
| Bonds | | **3,150,750** | 3,031,500 | - |
| Provision for end of service indemnity | | **706,315** | 611,934 | 655,738 |
| Total liabilities | | **166,220,609** | 146,361,792 | 96,830,974 |
| Equity: | | | | |
| Share capital | | **81,419,506** | 74,017,733 | 74,017,733 |
| Treasury shares | 12 | **(5,882,889)** | (5,554,583) | (5,810,667) |
| Statutory reserve | | **34,503,518** | 34,503,518 | 30,585,134 |
| Treasury shares reserve | | **12,854,484** | 12,051,208 | 10,506,728 |
| Effect of changes in associates' equity | 8 | **(5,461,789)** | 5,897,123 | 9,652,087 |
| Cumulative changes in fair value | | **1,908,790** | 997,834 | 1,213,784 |
| Foreign currency translation adjustments | | **(3,299)** | 373,733 | 635,347 |
| Retained earnings | | **99,463,467** | 106,085,640 | 92,984,282 |
| | | **218,801,788** | 228,372,206 | 213,784,428 |
| Minority interest | | **21,452,590** | 21,541,899 | 15,116,467 |
| Total equity | | **240,254,378** | 249,914,105 | 228,900,895 |
| Total liabilities and equity | | **406,474,987** | 396,275,897 | 325,731,869 |

The accompanying notes (1) to (20) form an integral part of the interim consolidated financial information

Jamil Sultan Al-Essa
Chairman and Managing Director

**NATIONAL REAL ESTATE COMPANY K.S.C. AND SUBSIDIARIES**
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)**
**FOR THE PERIOD ENDED JUNE 30, 2008**
(All amounts are in Kuwaiti Dinars)

| | Note | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | | **2008** | 2007 | **2008** | 2007 |
| Revenues: | | | | | |
| Rental income | | **1,970,482** | 1,827,558 | **3,866,689** | 3,598,096 |
| Share in the associates' results | 8 | **8,054,989** | 9,050,747 | **16,856,177** | 19,012,874 |
| Change in fair value of investment properties | | **(117,471)** | (105,608) | **(234,890)** | (211,215) |
| | | **9,908,000** | 10,772,697 | **20,487,976** | 22,399,755 |
| Expenses: | | | | | |
| Staff costs | | **(1,431,021)** | (1,454,372) | **(2,723,079)** | (2,800,818) |
| General and administrative | | **(2,957,601)** | (1,273,199) | **(4,183,372)** | (2,106,342) |
| Depreciation | | **(117,488)** | (59,339) | **(201,088)** | (103,649) |
| | | **(4,506,110)** | (2,786,910) | **(7,107,539)** | (5,010,809) |
| Operating profit | | **5,401,890** | 7,985,787 | **13,380,437** | 17,388,946 |
| Net investment income | 13 | **1,322,434** | 2,435,673 | **3,245,949** | 3,995,234 |
| Other income | 14 | **913,987** | 736,329 | **2,622,880** | 2,607,154 |
| Share in the joint venture results | | **(5,136)** | (5,136) | **(17,046)** | (21,933) |
| Interest income | | **833,929** | 791,912 | **1,603,369** | 1,404,185 |
| Interest expense | | **(2,162,056)** | (1,123,860) | **(4,349,396)** | (1,870,580) |
| Provision for interest income on the balance due from Kuwait Ports Authority | 10 | **(638,049)** | (577,572) | **(1,260,408)** | (1,140,937) |
| Provision for doubtful debts | | **(5,958)** | - | **(5,958)** | - |
| Profit for the period before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labor Support Tax (NLST), Zakat and Board of Directors' remuneration | | **5,661,041** | 10,243,133 | **15,219,827** | 22,362,069 |
| Contribution to KFAS | 15 | **-** | (11,561) | **-** | (21,183) |
| National Labor Support Tax | 15 | **20,601** | (25,109) | **-** | (73,787) |
| Board of Director's remuneration | | **(17,500)** | (17,500) | **(35,000)** | (35,000) |
| Net profit for the period | | **5,664,142** | 10,188,963 | **15,184,827** | 22,232,099 |
| Attributable to : | | | | | |
| Equity holders of the Parent Company | | **5,572,450** | 10,156,919 | **14,966,266** | 22,001,366 |
| Minority interest | | **91,692** | 32,044 | **218,561** | 230,733 |
| | | **5,664,142** | 10,188,963 | **15,184,827** | 22,232,099 |
| Earnings per share attributable to equity holders of the Parent Company (fils) | 16 | **7.14** | 13.07 | **19.18** | 28.32 |

The accompanying notes (1) to (20) form an integral part of the interim consolidated financial information

**NATIONAL REAL ESTATE COMPANY K.S.C. AND SUBSIDIARIES**
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**
**FOR THE PERIOD ENDED JUNE 30, 2008**
(All amounts are in Kuwaiti Dinars)

| | Attributable to equity holders of the Parent Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Treasury shares | Statutory reserve | Treasury shares reserve | Effect of changes in associates' equity | Cumulative changes in fair value | Foreign currency translation adjustments | Retained earnings | Subtotal | Minority interest | Total |
| Balance at December 31, 2007 | 74,017,733 | (5,554,583) | 34,503,518 | 12,051,208 | 5,897,123 | 997,834 | 373,733 | 106,085,640 | 228,372,206 | 21,541,899 | 249,914,105 |
| Gain on sale of treasury shares | - | - | - | 803,276 | - | - | - | - | 803,276 | - | 803,276 |
| Change in fair value of investments available for sale | - | - | - | - | - | 989,883 | - | - | 989,883 | (3,106) | 986,777 |
| Reversal on sale of investments available for sale | - | - | - | - | - | (78,927) | - | - | (78,927) | - | (78,927) |
| Share of changes in associates' equity – Note 8 | - | - | - | - | (3,384,416) | - | - | - | (3,384,416) | - | (3,384,416) |
| Foreign currency translation adjustments | - | - | - | - | - | - | (377,032) | - | (377,032) | (293,453) | (670,485) |
| Net income (loss) recognized directly in equity | - | - | - | 803,276 | (3,384,416) | 910,956 | (377,032) | - | (2,047,216) | (296,559) | (2,343,775) |
| Net profit for the period | - | - | - | - | - | - | - | 14,966,266 | 14,966,266 | 218,561 | 15,184,827 |
| Total recognized income (loss) for the period | - | - | - | 803,276 | (3,384,416) | 910,956 | (377,032) | 14,966,266 | 12,919,050 | (77,998) | 12,841,052 |
| Purchase of treasury shares | - | (777,931) | - | - | - | - | - | - | (777,931) | - | (777,931) |
| Sale of treasury shares | - | 449,625 | - | - | - | - | - | - | 449,625 | - | 449,625 |
| Net movement in associate's treasury shares - Note 8 | - | - | - | - | (7,974,496) | - | - | - | (7,974,496) | - | (7,974,496) |
| Paid to minority | - | - | - | - | - | - | - | - | - | (11,311) | (11,311) |
| Cash dividend (2007 – 20 fils per share) – Note 19 | - | - | - | - | - | - | - | (14,186,666) | (14,186,666) | - | (14,186,666) |
| Bonus share (2007 – 10%) – Note 19 | 7,401,773 | - | - | - | - | - | - | (7,401,773) | - | - | - |
| **Balance at June 30, 2008** | **81,419,506** | **(5,882,889)** | **34,503,518** | **12,854,484** | **(5,461,789)** | **1,908,790** | **(3,299)** | **99,463,467** | **218,801,788** | **21,452,590** | **240,254,378** |
| Balance at December 31, 2006 | 64,363,246 | (5,184,069) | 30,585,134 | 9,582,304 | 9,824,085 | 94,225 | 805,452 | 102,154,215 | 212,224,592 | 8,725,763 | 220,950,355 |
| Gain on sale of treasury shares | - | - | - | 924,424 | - | - | - | - | 924,424 | - | 924,424 |
| Change in fair value of investments available for sale | - | - | - | - | - | 1,119,559 | - | - | 1,119,559 | 20,390 | 1,139,949 |
| Share of changes in associate's equity – Note 8 | - | - | - | - | (171,998) | - | - | - | (171,998) | - | (171,998) |
| Foreign currency translation adjustments | - | - | - | - | - | - | (170,105) | - | (170,105) | (22,654) | (192,759) |
| Net income (loss) recognized directly in equity | - | - | - | 924,424 | (171,998) | 1,119,559 | (170,105) | - | 1,701,880 | (2,264) | 1,699,616 |
| Net profit for the period | - | - | - | - | - | - | - | 22,001,366 | 22,001,366 | 230,733 | 22,232,099 |
| Total recognized income (loss) for the period | - | - | - | 924,424 | (171,998) | 1,119,559 | (170,105) | 22,001,366 | 23,703,246 | 228,469 | 23,931,715 |
| Purchase of treasury shares | - | (961,748) | - | - | - | - | - | - | (961,748) | - | (961,748) |
| Sale of treasury shares | - | 335,150 | - | - | - | - | - | - | 335,150 | - | 335,150 |
| Share of minority from additional investment in a consolidated subsidiary | - | - | - | - | - | - | - | - | - | 6,561,939 | 6,561,939 |
| Paid to minority | - | - | - | - | - | - | - | - | - | (399,704) | (399,704) |
| Cash dividend (2006 – 35 fils per share) – Note 19 | - | - | - | - | - | - | - | (21,516,812) | (21,516,812) | - | (21,516,812) |
| Bonus share (2006 – 15%) – Note 19 | 9,654,487 | - | - | - | - | - | - | (9,654,487) | - | - | - |
| Balance at June 30, 2007 | 74,017,733 | (5,810,667) | 30,585,134 | 10,506,728 | 9,652,087 | 1,213,784 | 635,347 | 92,984,282 | 213,784,428 | 15,116,467 | 228,900,895 |

The accompanying notes (1) to (20) form an integral part of the interim consolidated financial information

**NATIONAL REAL ESTATE COMPANY K.S.C. AND SUBSIDIARIES**
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)**
**FOR THE PERIOD ENDED JUNE 30, 2008**
(All amounts are in Kuwaiti Dinars)

| | Note | Six months ended June 30, 2008 | Six months ended June 30, 2007 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | | |
| Profit for the period before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration | | **15,219,827** | 22,362,069 |
| Adjustments for: | | | |
| Depreciation | | **201,088** | 103,649 |
| Net investment income | | **(3,245,949)** | (3,995,234) |
| Share in the associates' results | | **(16,856,177)** | (19,012,874) |
| Share in the joint venture results | | **17,046** | 21,933 |
| Gain on sale of fixed assets | | **(9,002)** | (1,360) |
| Gain on partial sale of investment properties | | **(9,475)** | - |
| Change in fair value of investment properties | | **234,890** | 211,215 |
| Interest income | | **(1,603,369)** | (1,404,185) |
| Interest expense | | **4,349,396** | 1,870,580 |
| Provision for interest income on the balance due from Kuwait Ports Authority | | **1,260,408** | 1,140,937 |
| Provision for doubtful debts | | **5,958** | - |
| Provision for end of service indemnity | | **117,740** | 80,828 |
| | | **(317,619)** | 1,377,558 |
| Changes in operating assets and liabilities: | | | |
| Accounts receivable and other debit balances | | **1,172,315** | (690,768) |
| Accounts payable and other credit balances | | **(98,699)** | 1,107,005 |
| Cash generated from (used in) operations | | **755,997** | 1,793,795 |
| Payment for Board of Directors' remuneration | | **(70,000)** | (70,000) |
| Payment for end of service indemnity | | **(25,142)** | - |
| Net cash generated from operating activities | | **660,855** | 1,723,795 |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | | |
| Term deposits | | **(527,501)** | - |
| Purchase of investments at fair value through income statement | | **(16,856,756)** | - |
| Proceeds from sale of investments at fair value through income statement | | **10,923,505** | - |
| Purchase of investments available for sale | | **(5,981,126)** | (9,233,283) |
| Proceeds from sale of investments available for sale | | **815,696** | 508,281 |
| Purchase of additional investment in an associate | | **(17,934)** | (3,176,959) |
| Proceeds from partial disposal of investment in an associate | | **7,576,953** | 7,349,917 |
| Payment for long term loan to joint venture | | **(36,117)** | (55,111) |
| Payment for capital work in progress | | **(7,542,823)** | (18,679,263) |
| Purchase of fixed assets | | **(1,031,196)** | (769,098) |
| Proceeds from sale of fixed assets | | **10,000** | 13,000 |
| Payment for additions to investment properties | | **(318,026)** | (86,717) |
| Proceeds from partial sale of investment properties | | **9,475** | - |
| Advance payment for purchase of land | | **(9,332,487)** | (6,623,680) |
| Dividend income received | | **397,192** | 205,531 |
| Dividend received from an associate | | **17,459,220** | 13,643,998 |
| Interest received | | **266,024** | 248,684 |
| Net cash used in investing activities | | **(4,185,901)** | (16,654,700) |

| | Note | Six months ended June 30, **2008** | 2007 |
|---|---|---|---|
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | | |
| Net proceeds from bank overdraft | | **2,839,142** | 9,053,834 |
| Net proceeds from term loans | | **15,919,349** | 9,083,070 |
| Paid for purchase of treasury shares | | **(777,931)** | (961,748) |
| Proceeds from sale of treasury shares | | **1,252,901** | 1,259,574 |
| Interest paid | | **(4,096,374)** | (1,862,065) |
| Cash dividend paid | | **(13,417,511)** | (744,321) |
| Paid to minority | | **(11,311)** | (399,704) |
| Share of minority from additional investment in a consolidated subsidiary | | **-** | 6,561,939 |
| Net cash generated from financing activities | | **1,708,265** | 21,990,579 |
| Foreign currency translation adjustments | | **372,651** | (190,349) |
| Cash relating to newly consolidated subsidiaries | | **-** | 31,742 |
| Net (decrease) increase in cash and cash equivalents | | **(1,444,130)** | 6,901,067 |
| Cash and cash equivalents at beginning of the period | | **12,959,872** | 8,020,063 |
| Cash and cash equivalents at end of the period | 4 | **11,515,742** | 14,921,130 |

The accompanying notes (1) to (20) form an integral part of the interim consolidated financial information

1. Activities

National Real Estate Company K.S.C. (the Parent Company) is a Kuwaiti public shareholding company registered in Kuwait and listed on the Kuwait Stock Exchange and Dubai Financial Market. It is engaged in real estate investment and management, as well as undertaking real estate construction and maintenance. The Parent Company also holds investments in securities.

The address of the Parent Company's registered office is P.O. Box 22644, Safat 13087, State of Kuwait.

The interim consolidated financial information were authorized for issue by the Board of Directors on August 14, 2008.

2. Basis of presentation

The interim consolidated financial information has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". The accounting policies used in the preparation of the interim consolidated financial information for the period are consistent with those used in the preparation of the annual consolidated financial statements for the year ended December 31, 2007.

The interim consolidated financial information do not include all of the information and footnotes required for complete 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. Operating results for the period ended June 30, 2008 are not necessarily indicative of the results that may be expected for the year ending December 31, 2008. For further information, refer to the consolidated financial statements and notes thereto for the year ended December 31, 2007

## 3. Basis of consolidation

The interim consolidated financial information includes the financial information of National Real Estate Company K.S.C. (the Parent Company) and the following subsidiaries:

| | | Percentage of ownership | | |
|---|---|---|---|---|
| | Country of incorporation | **June 30, 2008** | (Audited) December 31, 2007 | June 30, 2007 |
| 1) Dasman Commercial Complex – Joint venture | Kuwait | **62.116%** | 62.094% | 62.094% |
| 2) HRD International for Human Resources Development Company W.L.L. | Kuwait | **80%** | 85.3% | 85.3% |
| 3) Al-Takafouh Al-Thahabi General Trading and Contracting Company W.L.L. | Kuwait | **100%** | 100% | 100% |
| 4) Aqaba National Real Estate Projects Co. (private shareholding company) | Jordan | **70%** | 70% | 70% |
| 5) Kuwait National Real Estate (PVT) Ltd | Pakistan | **100%** | 100% | 100% |
| 6) National Holding Group Company (Lebanese shareholding company) | Lebanon | **100%** | 100% | 100% |
| 7) Kuwait Touristic Enterprises Development Company (private shareholding company) | Tunisia | **100%** | 100% | 100% |
| 8) Kuwait National Real Estate Company (Egyptian shareholding company) | Egypt | **100%** | 100% | 100% |
| 9) National Project Holding K.S.C. (Holding) | Kuwait | **93%** | 90% | 90% |
| 10) National Investment & Development Company (private shareholding company) | Jordan | **100%** | 100% | 100% |
| 11) KREDCO Real Estate Company - Limited | Iraq | **51%** | 51% | 51% |
| 12) Fresh World International Catering Co. K.S.C. (Closed) | Kuwait | **70%** | 70% | 70% |
| 13) Yemen Kuwait Co. for General Trading & Contracting W.L.L. | Yemen | **100%** | 100% | 100% |
| 14) Middle East Projects General Trading Company W.L.L. | Kuwait | **100%** | 100% | - |
| 15) Kuwait Wadi El-Nile Urban Development Company (Egyptian shareholding Company) | Egypt | **80%** | 80% | - |
| 16) Masaken Global Real Estate Co. K.S.C. (Closed) | Kuwait | **100%** | - | - |

The accompanying interim consolidated financial information includes proportionate consolidation of the Parent Company's 50% investment in Mediterranean Investment Holding P.L.C. (joint venture), a company registered in Malta. The principal activities are investing and developing real estate projects.

4. Cash and short term funds

| | **June 30, 2008** | (Audited) December 31, 2007 | June 30, 2007 |
|---|---|---|---|
| Cash on hand and at banks | **5,030,115** | 8,421,583 | 13,014,785 |
| Term deposits – less than three months | **6,485,627** | 3,488,289 | 1,906,345 |
| Money market funds | **-** | 1,050,000 | - |
| Cash and cash equivalents | **11,515,742** | 12,959,872 | 14,921,130 |
| Term deposits – more than three months | **527,501** | - | - |
| | **12,043,243** | 12,959,872 | 14,921,130 |

The effective interest rate on term deposits ranges from 4.56% to 13% per annum (December 31, 2007 – 4.56% to 13% per annum, June 30, 2007 – 4.63% to 7.35% per annum). These deposits have an average maturity of 48 - 270 days (December 31, 2007 - 48 days, June 30, 2007 – 46 days).

5. Investments at fair value through income statement

Investments at fair value through income statement represents investment in quoted securities held for trading. The movement during the period / year is as follows:

| | **June 30, 2008** | (Audited) December 31, 2007 | June 30, 2007 |
|---|---|---|---|
| Balance at the beginning of the period / year | **2,688,041** | 2,728,815 | 2,728,815 |
| Additions | **16,856,756** | 279,256 | - |
| Disposals | **(10,688,079)** | - | - |
| Unrealized (loss) gain on investments at fair value through income statement (Note 13) | **(572,914)** | (320,030) | 36,883 |
| Balance at the end of the period / year | **8,283,804** | 2,688,041 | 2,765,698 |

6. Accounts receivable and other debit balances

As of June 30, 2008, accounts receivable and other debit balances include:

- Advance payments made to a local company to invest in real estate on behalf of the Parent Company in Republic of Iraq amounting to KD 1,096,347 (December 31, 2007 – KD 1,096,347, June 30, 2007 – KD 1,096,347).
- Advance payments made by the Parent Company to acquire land in the United Arab Emirates amounting to KD 41,388,202 (December 31, 2007 – KD 32,055,715, June 30, 2007 – KD 6,623,680).
- Advance payments made by subsidiaries to acquire land in Egypt amounting to KD 22,698,626 (December 31, 2007 – KD 22,403,083, June 30, 2007 – KD nil).
- Advance payments made by the Parent Company towards investment in companies under incorporation amounting to KD 1,371,000.

## 7. Investments available for sale

| | **June 30, 2008** | (Audited) December 31, 2007 | June 30, 2007 |
|---|---|---|---|
| Managed portfolios and funds | **2,832,474** | 483,899 | 173,103 |
| Quoted securities | **8,045,723** | 7,934,766 | 7,038,754 |
| Unquoted securities | **10,725,195** | 9,456,361 | 9,428,534 |
| | **21,603,392** | 17,875,026 | 16,640,391 |

It was not possible to reliably measure the fair value of investments in unquoted securities amounting to KD 10,407,223 (December 31, 2007 – KD 9,109,810, June 30, 2007 – KD 8,548,341) due to non-availability of a reliable method that could be used to determine the fair value of such investments. Accordingly, they were stated at their cost less impairment losses which amounted to KD 422,279 (December 31, 2007 – KD 422,279, June 30, 2007 – KD 422,279).

## 8. Investment in associates

| | | Percentage of ownership | | | | | |
|---|---|---|---|---|---|---|---|
| Name of the associate | Country of Incorporation | **June 30, 2008** | (Audited) December 31, 2007 | June 30, 2007 | **June 30, 2008** | (Audited) December 31, 2007 | June 30, 2007 |
| (i) Public Warehousing Company K.S.C. (Agility) | Kuwait | **22.932%** | 23.516% | 23.683% | **163,594,253** | 179,962,349 | 168,538,521 |
| Goodwill | | | | | **4,896,720** | 5,322,760 | 5,515,970 |
| | | | | | **168,490,973** | 185,285,109 | 174,054,491 |
| (ii) Kuwait Bulgarian Dairy Company W.L.L. | Kuwait | **40%** | 40% | - | **120,000** | 120,000 | - |
| (iii) Al-Seef International Holding K.S.C.C. | Kuwait | **25%** | - | - | **2,804,321** | - | - |
| | | | | | **171,415,294** | 185,405,109 | 174,054,491 |

(i) Public Warehousing Company K.S.C. (Agility) is a public shareholding company registered in Kuwait and listed on the Kuwait Stock Exchange and Dubai Financial Market. Its principal activities are storing goods, management and renting of warehouses, all transportation activities, distribution, handling and customs clearance for goods.

The movement during the period / year is as follows:

| | **June 30, 2008** | (Audited) December 31, 2007 | June 30, 2007 |
|---|---|---|---|
| Balance at the beginning of the period / year | **185,285,109** | 169,308,802 | 169,308,802 |
| Additional investment in the associate | **17,934** | 8,840,233 | 3,176,959 |
| Partial disposal of investment in the associate | **(4,670,794)** | (8,193,994) | (3,628,148) |
| Share in the associate's results | **16,662,876** | 36,200,861 | 19,012,874 |
| Cash dividends received | **(17,459,220)** | (16,943,831) | (13,643,998) |
| Effect of changes in associate's equity (b) | **(11,344,932)** | (3,926,962) | (171,998) |
| Balance at the end of the period / year | **168,490,973** | 185,285,109 | 174,054,491 |

a) During 2006, the Parent Company made a provision amounting to KD 1,226,082 for its share of interest of a bank performance guarantee that has been encashed in favor of General Administration of Customs for Kuwait in relation to non-performance of obligations under a contract operated by a subsidiary of the associate.

The subsidiary of the associate appealed against that encashment through case No. 224/2007 "Administrative – 7". In the opinion of the external legal consulting firms, the violations against which a portion of the bank guarantee provided has been cashed, are non-contractual violations and believe the verdict shall be issued in favor of the subsidiary to return the cashed portion of the guarantee plus interest. Accordingly, no provision has been made in the associate's books as of the balance sheet date.

The Parent Company has provided for its share of the encashed portion of the bank guarantee on a conservatism approach and not as surrender to the validity of the encashment.

(b) The effect of changes in associate's equity is as follows:

| | **June 30, 2008** | (Audited) December 31, 2007 | June 30, 2007 |
|---|---|---|---|
| Gain (loss) on sale of treasury shares | **159,358** | (80,390) | (7,897) |
| Foreign currency translation adjustments | **(3,532,602)** | (3,779,997) | (97,477) |
| Cumulative changes in fair value of available for sale investments | **2,808** | (66,575) | (66,624) |
| Net movement in treasury shares | **(7,974,496)** | - | - |
| | **(11,344,932)** | (3,926,962) | (171,998) |

During the period, 5,567,500 shares were sold from investment in the associate (December 31, 2007 – 9,665,000 shares, June 30, 2007 – 3,940,000 shares). The goodwill relating to these shares amounted to KD 426,040 (December 31, 2007 – KD 331,228, June 30, 2007 – KD 138,018).

The associate's contingent liabilities are as follows:

a. A dispute has arisen between the associate and a third party with respect to a partnership agreement dated July 30, 2002 for the purpose of bidding for the provision of services for Prime Vendor Services Contract with the U.S. Government. The partnership agreement provided for the preparation of all infrastructure and assets for that purpose. The associate had submitted all evidences to the Execution Department in proof of the partnership not having any funds, assets or properties and the eventual non-existence of the partnership, as a consequence of the partners not providing any capital contributions to the partnership.

On January 7, 2008, the Supreme Court of Kuwait ruled in favor of the associate confirming that the partnership agreement between the associate and the third party was not legally enforceable and is void.

b. On November 27, 2006, and based on the recommendation by the Ministers' Council, the Ministry of Commerce & Industry issued the Resolution No. 30/2006 to terminate three contracts of those concluded between the associate and the Public Authority of Industry for Mina Abdulla Zone, Kuwait.

The associate protested against this order through the Case No. 940/2006 "Administrative". In the hearing held on December 25, 2006, the Court pronounced its ruling to repeal the aforesaid resolution of the Ministry of Commerce & Industry and its resultant impacts.

However, the Government requested the Board of Public Authority of Industry to hold a meeting chaired by the Minister of Commerce & Industry, who issued a new resolution No. 1/2007 to terminate the same contract, being the subject of the previous resolution.

The associate, again, appealed against the new resolution through the Case No. 36/2007 and assured, in its statement of defense, which is in agreement with the clauses of the law, as confirmed by the Supreme Court including the Kuwait Court of Cassation, that the new resolution is void, because it has been made on the same subject of the previous resolution. In the opinion of external legal counsel, the Court shall issue its judgment to revoke the new resolution issued by the Public Authority of Industry, because it has been based on a wrong basis. The resolutions issued by the governmental authorities are merely of financial concerns that shall be resolved by the Courts to establish the associate's rights in such contracts.

The associate is in the process of performing an assessment of the final losses arising from the aforementioned resolutions, so that a claim can be filed with the Government of Kuwait for recovery of these amounts. The associate has not recognized any revenue on the three aforesaid contracts since January 1, 2007.

c. On January 9, 2007 the Ministry of Finance terminated Al-Jahra Fish, Meat and Vegetables Market Project Contract with the associate according to the resolution of the Council of Ministers No. 2/ 2007. The associate appealed to the Court of First Instance against this resolution through Case No. 200/2007 "Administrative –– 3". The Court of First Instance cancelled the resolution No. 2/2007 issued by the Ministry of Finance. In January 2008, the Court of Appeal ruled in favor of the associate whereby Al-Jahra Fish, Meat and Vegetables Market Project Contract are to be given back to the associate. The Court of Appeal also ruled out that the associate be compensated for losses and expenses that arose as a result of this case.

d. In addition to the above, the associate is involved in various claims and legal proceedings including employee compensation and contractor disputes. The in-house legal counsel of the associate believes that such claims are not valid and will not have a material adverse effect on the interim consolidated financial information of the associate as of June 30, 2008.

(ii) The Group has not accounted for its share of results in Kuwait Bulgarian Dairy Company W.L.L. since the associate was incorporated during the year ended December 31, 2007 and has not yet commenced any business operations till date.

(iii) The Group has accounted for KD 193,301 as its share of results and KD (13,980) as share of changes in associate's equity in Al-Seef International Holding K.S.C. (Closed) based on the audited financial statements of the associate as at December 31, 2007.

9. Capital work in progress

This represents mainly work-in-progress relating to foreign subsidiaries. The movement during the period / year is as follows:

| | **June 30, 2008** | (Audited) December 31, 2007 | June 30, 2007 |
|---|---|---|---|
| Balance at the beginning of the period / year | **38,216,590** | 16,875,572 | 16,875,572 |
| Additions | **7,542,823** | 22,218,491 | 18,679,263 |
| Foreign currency translation adjustments | **(919,707)** | (137,780) | 64,046 |
| Provisions against additions in Kuwait Free Trade Zone set off against contractual obligations | - | (739,693) | - |
| Balance at the end of the period / year | **44,839,706** | 38,216,590 | 35,618,881 |

10. Net amount due from Kuwait Ports Authority

| | **June 30, 2008** | (Audited) December 31, 2007 | June 30, 2007 |
|---|---|---|---|
| **Due from Kuwait Ports Authority** | | | |
| Rehabilitation costs of properties (a) | **6,417,653** | 6,417,653 | 6,417,653 |
| Accrued interest on the balance (b) | **10,825,947** | 9,565,539 | 8,366,354 |
| | **17,243,600** | 15,983,192 | 14,784,007 |
| Rent due from Kuwait Ports Authority (c) | **15,633,440** | 15,633,440 | 15,633,440 |
| Gross amount due from Kuwait Ports Authority before its share in rental income of Kuwait Free Trade Zone | **32,877,040** | 31,616,632 | 30,417,447 |
| **Due to Kuwait Ports Authority** | | | |
| Gross share of Kuwait Ports Authority in rental income of Kuwait Free Trade Zone (d) | **7,566,312** | 7,566,312 | 7,566,312 |
| Less: Refunded share of the outstanding and unpaid rent of Kuwait Ports Authority (e) | **(637,756)** | (637,756) | (637,756) |
| Net share of Kuwait Ports Authority in rental income of Kuwait Free Trade Zone | **6,928,556** | 6,928,556 | 6,928,556 |
| Gross amount due from Kuwait Ports Authority after its share in rental income of Kuwait Free Trade Zone | **25,948,484** | 24,688,076 | 23,488,891 |
| Provision for doubtful debts (b,c,f) | **(25,948,484)** | (24,688,076) | (23,488,891) |
| | **-** | - | - |

(a) According to clause number 11 in Kuwait Free Trade Zone management contract, if National Real Estate Company K.S.C. (the managing company) makes any rehabilitation for the properties according to the plan implemented by the Ministry of Commerce and Industry, then the managing company has the right to recover all the expenses it incurred for the rehabilitation work for those properties before accounting for the assigned share of Kuwait Ports Authority. These costs need to be approved by the Ministry of Commerce and Industry. In accordance with this clause and the letter from the Ministry of Commerce and Industry dated November 25, 1998, at which the Ministry approved the costs that amounted to KD 6,449,034; the managing company had charged the amounts incurred in the renovation and overhauling of some properties of Kuwait Ports Authority to its account, including borrowing costs that can be capitalized amounting to KD 73,122 and the interest for the bank loans amounting to KD 100,393 that can be capitalized for the period from the date of commencement of activities till December 31, 1999.

The actual rehabilitation costs incurred by the managing company for Kuwait Ports Authority properties amounted to KD 6,417,653. The Consulting Committee of the Free Zones had approved the rehabilitation costs of KD 5,033,000 during its meeting on January 23, 2002, for the period from May 30, 1998 till October 31, 2000.

(b) The managing company also computes interest on the monthly outstanding balance due from Kuwait Ports Authority at 10% per annum. Interest income recorded in the interim condensed consolidated statement of income for the period ended June 30, 2008 amounted to KD 1,260,408 (December 31, 2007 – KD 2,340,122, June 30, 2007 – KD 1,140,937). The managing company has fully provided for this interest.

(c) Also, the balance due from Kuwait Ports Authority as of June 30, 2008 includes an amount of KD 15,633,440 (December 31, 2007 - KD 15,633,440, June 30, 2007 – KD 15,633,440) being the balance due for the rents of utilized properties by Kuwait Ports Authority in the Kuwait Free Trade Zone. The managing company has recorded a provision for those rents in the balance due from Kuwait Ports Authority.

(d) According to the management contract, 80% of the rent collected in the Kuwait Free Trade Zone from the existing properties that were handed over from Kuwait Ports Authority is assigned to it. As a result of the resolution issued by the Ministry of Commerce and Industry mentioned in (f) below, the Parent Company lost its control over the assets of Kuwait Free Trade Zone and on its management. Accordingly, Kuwait Ports Authority's share of rent was not calculated for the years 2007 and 2008.

(e) The 80% share relating to the outstanding and unpaid rent of Kuwait Ports Authority is deducted from the gross share of Kuwait Ports Authority in rental income of the Kuwait Free Trade Zone. In case of any settlement regarding those outstanding and unpaid rents, its relative share previously deducted will be refunded back to the share of Kuwait Ports Authority in rental income of Kuwait Free Trade Zone.

(f) As a result of the resolution issued by the Ministry of Commerce and Industry No. 507 / 2006 relating to the cancellation of the management contract of Kuwait Free Trade Zone with the managing company (Note 18f), the managing company has fully provided for the amount due from Kuwait Ports Authority on a conservatism approach and not as a surrender to the validity of the cancellation resolution.

## 11. Bank facilities

| | Currency | **June 30, 2008** | (Audited) December 31, 2007 | June 30, 2007 |
|---|---|---|---|---|
| Current | | | | |
| Overdraft facility from a local bank, carrying an interest rate of 1.75% per annum (December 31, 2007 – 1.25% per annum, June 30, 2007 – 1.25% per annum) over the Central Bank of Kuwait discount rate repayable on demand. | KD | **9,891,152** | 7,056,521 | 10,244,356 |
| Overdraft facility from a local bank carrying an interest rate of 1.75% per annum (December 31, 2007 – 1.25% per annum, June 30, 2007 – Nil per annum) over the Central Bank of Kuwait discount rate, repayable on demand. | KD | **1,014,833** | 1,010,321 | - |
| Term loan from a local bank carrying an interest rate of Nil per annum (December 31, 2007 – 1% per annum, June 30, 2007 - 1% per annum) over the Central Bank of Kuwait discount rate, repaid on March 31, 2008. | KD | **-** | 975,000 | 2,925,000 |
| Term loan from a local bank carrying an interest rate of Nil per annum (December 31, 2007 – 0.75% per annum, June 30, 2007 – 0.75% per annum) over the Central Bank of Kuwait discount rate, repaid on March 31, 2008. | KD | **-** | 272,732 | 818,186 |
| Revolving multi currency loans from a local bank carrying an interest rate of 1.75% per annum (December 31, 2007 – 1.25% to 1.5% per annum, June 30, 2007 – 1.25% per annum) over the Central Bank of Kuwait discount rate for KD loans and 1.75% per annum over Funding Cost (December 31, 2007 – 1.25% per annum over LIBOR, June 30, 2007 – 1.25% per annum over LIBOR) for USD loans, repayable on September 25, 2008. | KD / USD | **75,600,934** | 69,687,854 | 30,066,843 |
| Revolving loan from a local bank carrying an interest rate of 1.75% to 2.5% per annum (December 31, 2007 – Nil per annum, June 30, 2007 – Nil per annum) over the Central Bank of Kuwait discount rate, repayable on April 1, 2009. | KD | **30,500,000** | - | - |
| Revolving multi currency loan from an International Bank carrying an interest rate of 1.5% per annum (December 31, 2007 – 1% per annum, June 30, 2007 – Nil per annum) over the LIBOR repayable on September 25, 2008. | USD | **7,959,000** | 8,205,000 | - |
| Revolving multi currency loan from an International Bank carrying an interest rate of 1.5% per annum (December 31, 2007 – 1% per annum, June 30, 2007 – 1% per annum) over the KIBOR repayable on December 28, 2008. | KD | **8,600,000** | 8,600,000 | 8,600,000 |
| Total current portion of bank facilities | | **133,565,919** | 95,807,428 | 52,654,385 |
| Non-current | | | | |
| Revolving loan from a local bank carrying an interest rate of Nil per annum (December 31, 2007 – 1.25% per annum, June 30, 2007 – Nil per annum) over the Central Bank of Kuwait discount rate, repayable on April 1, 2009. | KD | **-** | 19,000,000 | - |
| Total non-current portion of bank facilities | | **-** | 19,000,000 | - |
| Total bank facilities | | **133,565,919** | 114,807,428 | 52,654,385 |

Bank facilities amounting to KD 115,992,086 (December 31, 2007 - KD 96,992,107, June 30, 2007 – KD 44,054,385) have been secured by promissory notes amounting to KD 122,000,000 (December 31, 2007 – KD 114,000,000, June 30, 2007 - KD 75,000,000).

## 12. Treasury shares

| | **June 30, 2008** | (Audited) December 31, 2007 | June 30, 2007 |
|---|---|---|---|
| Number of treasury shares | **33,928,727** | 31,749,297 | 34,529,297 |
| Percentage of issued shares (%) | **4.17** | 4.29 | 4.67 |
| Market value (KD) | **21,714,385** | 15,557,156 | 22,444,043 |
| Cost (KD) | **5,882,889** | 5,554,583 | 5,810,667 |

## 13. Net investment income

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 |
| Dividend income | **395,035** | 191,797 | **397,192** | 205,531 |
| Unrealized gain (loss) from investments at fair value through income statement (Note 5) | **626,992** | (131,155) | **(572,914)** | 36,883 |
| Realized gain on sale of investments at fair value through income statement | **20,321** | - | **235,426** | - |
| Realized gain on partial disposal of investment in an associate | **-** | 2,358,249 | **2,906,159** | 3,721,769 |
| Realized gain on sale of investments available for sale | **280,086** | 16,782 | **280,086** | 31,051 |
| | **1,322,434** | 2,435,673 | **3,245,949** | 3,995,234 |

## 14. Other income

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 |
| Foreign exchange gain | **65,029** | - | **335,780** | - |
| Promotional income | **59,831** | 22,035 | **118,906** | 92,875 |
| Service income – programs and courses fee | **397,434** | 449,590 | **716,594** | 931,061 |
| Service and registration income – others | **21,115** | 62,693 | **45,880** | 92,732 |
| Consultancy fees | **77,263** | 29,173 | **109,153** | 1,287,397 |
| Gain from money market funds | **31,730** | - | **36,220** | - |
| Gain on sale of fixed assets | **9,002** | - | **9,002** | 1,360 |
| Gain on partial sale of investment properties | **9,475** | - | **9,475** | - |
| Reversal of accrued expenses | **28,539** | - | **943,542** | - |
| Miscellaneous | **214,569** | 172,838 | **298,328** | 201,729 |
| | **913,987** | 736,329 | **2,622,880** | 2,607,154 |

15. Contribution to KFAS, NLST and Zakat

Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) is calculated at 1% of the profit of the Parent Company after deducting its share of income from shareholding subsidiaries and associates and transfer to statutory reserve. For the period ended June 30, 2008, contribution to KFAS has not been calculated since there was no income based on which KFAS could be calculated.

National Labor Support Tax is calculated at 2.5% of the profit of the Parent Company and after deducting its share of income from listed shareholding subsidiaries and associates and cash dividends from Kuwaiti listed shareholding companies. For the period ended June 30, 2008, NLST has not been calculated since there was no income based on which NLST could be calculated.

Zakat is calculated at 1% of the profit of the Parent Company in accordance with Law No. 46/2006 and the Ministry of Finance Resolution No. 58/2007. According to the calculation, there is no Zakat payable for the period ended June 30, 2008.

16. Earnings per share

Earnings per share is computed by dividing net profit for the period attributable to equity holders of the Parent Company by the weighted average number of shares outstanding during the period as follows:

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | **2008** | (Restated) 2007 | **2008** | (Restated) 2007 |
| Net profit for the period attributable to equity holders of the Parent Company | **5,572,450** | 10,156,919 | **14,966,266** | 22,001,366 |
| | **2008 Shares** | 2007 Shares | **2008 Shares** | 2007 Shares |
| Number of issued and fully paid-up shares | **740,177,330** | 740,177,330 | **740,177,330** | 740,177,330 |
| Add: bonus shares | **74,017,733** | 74,017,733 | **74,017,733** | 74,017,733 |
| Less: Weighted average number of treasury shares | **(33,357,892)** | (37,183,727) | **(33,848,919)** | (37,418,672) |
| Weighted average number of shares outstanding | **780,837,171** | 777,011,336 | **780,346,144** | 776,776,391 |
| | **Fils** | Fils | **Fils** | Fils |
| Earnings per share attributable to equity holders of the Parent Company | **7.14** | 13.07 | **19.18** | 28.32 |

Earnings per share for the period ended June 30, 2007 have been restated due to issue of bonus shares for the year 2007 (Note 19).

17. Related party balances and transactions

Related parties represent major shareholders, directors, associates, key management personnel and parties related to them. Pricing policies and terms of these transactions are approved by the Parent Company's management. Related party balances and transactions are summarized as follows:

| | Major shareholders | Key management personnel | Associate | Other related parties | June 30, 2008 | (Audited) December 31, 2007 | June 30, 2007 |
|---|---|---|---|---|---|---|---|
| **Balances:** | | | | | | | |
| Accounts receivable and other debit balances | **863,542** | **593,000** | **709,400** | **2,026,466** | **4,192,408** | 2,223,944 | 1,147,569 |
| Investments at fair value through income statement | **7,933,844** | **-** | **-** | **-** | **7,933,844** | 2,063,064 | 2,146,711 |
| Accounts payable and other credit balances | **20,743** | **-** | **-** | **-** | **20,743** | 20,743 | 20,743 |

| | | | | | Six months ended June 30, | |
|---|---|---|---|---|---|---|
| | Major shareholders | Key management personnel | Associate | Other related parties | 2008 | 2007 |
| **Transactions:** | | | | | | |
| Rental income | **235,473** | **-** | **-** | **-** | **235,473** | 281,895 |
| Net investment income | **(62,472)** | **-** | **-** | **-** | **(62,472)** | 181,973 |
| Other income | **10,751** | **-** | **-** | **-** | **10,751** | 27,504 |
| Interest income | **27,776** | **-** | **-** | **28,836** | **56,612** | 25,821 |
| General and administrative expenses | **(90,998)** | **-** | **-** | **-** | **(90,998)** | (109,618) |

| | Six months ended June 30, | |
|---|---|---|
| | 2008 | 2007 |
| **Key management compensation:** | | |
| Short term benefits | **575,715** | 288,360 |
| Termination benefits | **19,350** | 9,808 |
| Board of Director's remuneration | **35,000** | 35,000 |

18. Contingencies and capital commitments

a) At June 30, 2008, the Group's management authorized capital commitments amounting to KD 124,957, 527 (December 31, 2007 – KD 136,044,244, June 30, 2007 – KD 2,686,660).

b) At June 30, 2008, capital expenditure commitments arising from the Parent Company's interest in Mediterranean Investment Holding (joint venture) is as follows:

(i) Capital expenditure contracted for the construction and development of real estate projects but not yet incurred amounted to KD 8,256,551 (December 31, 2007 – KD 8,407,360, June 30, 2007 – 5,716,180).

(ii) Capital expenditure authorized by the board of directors of the joint venture but has not yet been contracted for amounted to KD 3,847,128 (December 31, 2007 – KD 4,567,460, June 30, 2007 KD 8,371,827).

c) At June 30, 2008, the Parent Company had commitments under a non-cancelable operating lease, primarily for land leased from the Government of Kuwait for the Water Front Project as follows:

| Year | KD |
|---|---|
| 2008 – 2012 | 126,900 |
| 2013 – 2017 | 141,000 |
| 2018 – 2019 | 56,400 |
| | 324,300 |

For the operating lease commitments, the Parent Company is required to give a bank guarantee of 0.5% of the total value of the capital project concerned for the purpose of maintenance services to be provided by the final lessor.

d) The Group was contingently liable in respect of the following:

| | **June 30, 2008** | (Audited) December 31, 2007 | June 30, 2007 |
|---|---|---|---|
| Letters of guarantee | **365,500** | 540,181 | 572,797 |
| Letters of credit | **16,120** | 15,703 | 15,421 |
| | **381,620** | 555,884 | 588,218 |

e) One of the tenants of the Kuwait Free Trade Zone had filed a complaint against the Parent Company claiming for a compensation amounting to KD 11,632,382. An Arbitration Committee was formed under the supervision of Ministry of Commerce and Industry. The Parent Company's management submitted many memoranda objecting about the non-competency of the Arbitration Committee, disapproving the arbitration procedures and agreement, and request for denying the case. However, the Arbitration Committee continued to perform its function and declared a verdict on November 15, 2003 obliging the Parent Company to pay compensation for losses suffered amounting to KD 3,600,000.

The Parent Company's management appealed against the verdict of the Arbitration Committee dated November 15, 2003. On January 19, 2004, the General Court declared that the verdict by Arbitration Committee dated November 15, 2003 is void, and forwarded the case to the Experts Department in Ministry of Justice which had concluded in its report that no compensation to be done to the tenant and the Court of First Instance issued its ruling in which the Arbitration decision was nullified and the managing company is not entitled to any compensation. The Court of Appeal sustained the decision of the Court of First Instance. The tenant has appealed against the decision of the Court of Appeal in the Court of Cassation which has issued the verdict in favor of the Parent Company on June 17, 2008.

f) As per the decision No. 507 in 2006, the Ministry of Commerce and Industry cancelled the management contract of Kuwait Free Trade Zone in Shuwaikh port dated May 30, 1998 between the Ministry of Commerce and Industry and National Real Estate Company K.S.C (the managing company). Due to this, the managing company had lost its control over the assets located in KFTZ. Accordingly, the managing company had recognized the following provisions:

| | 2006 |
|---|---|
| Assets located in KFTZ | 11,172,070 |
| Provision for contractual obligations relating to the cancellation of management's contract of Kuwait Free Trade Zone | 1,653,236 |
| Provision for doubtful debts | 535,118 |
| | 13,360,424 |

All these provisions were made on a conservatism approach and not as surrender to the validity of the resolution.

The managing company had filed case 939/2006 for an appeal against the decision of Ministry of Commerce and Industry for the cancellation of management contract for KFTZ. On April 15, 2007, the Court forwarded the case to the Experts Department in the Ministry of Justice. The Experts Department had issued its report and the date of hearing of the report at the Court of First Instance is set for September 1, 2008.

As per the opinion of the managing company's external legal counsel, the decision of the Ministry of Commerce and Industry would be cancelled and in case the decision is not cancelled, then the managing company has the right to recover all expenses incurred due to cancellation of the contract before its maturity and has also the right to be compensated for future benefits for the rest of the managing contract term.

The managing company is in process of performing an assessment of the compensation in case the Court sustains the cancellation resolution. In such event, the managing company proposes to offer an initiative for a considerate settlement of its rights with the government. In the event of failure of the initiative, a claim is proposed to be filed by the managing company for the recovery of those compensation claims as per the law.

g) The Parent Company has certain properties erected on land leased from the Government for 25 years. The Ministry of Finance had issued a resolution to terminate those contracts after the expiry of this 25 years period. However, the Parent Company appealed against this resolution claiming for the renewal of those contracts for another 25 years with the same terms. The Court of First Instance sustains the resolution of the Ministry of Finance, after which the Parent Company appealed against the resolution of the Court of First Instance. The Court of Appeal in its sitting dated June 24, 2007 had decided in its verdict to cancel the resolution of the Court of First Instance and to cancel the resolution of the Minister of Finance to withdraw those properties and consider it as void along with all its consequent effects. The Ministry of Finance appealed against this verdict at the Court of Cassation, at which legal proceedings are currently in progress.

19. Shareholders' Annual and Extraordinary General Assembly

The Shareholders' Annual General Assembly held on May 28, 2008 approved the distribution of cash dividends of 20 fils per share and 10 bonus shares for every 100 shares. The Shareholder's Annual General Assembly also approved to increase the share capital by 30% of the paid-up capital through a issue of 222,053,200 shares at a par value of 100 fils and a premium of 150 fils per share to the Parent Company's shareholders registered as of the day before the subscription date.

The Extraordinary General Assembly held on June 26, 2008 approved to amend the Articles of Association related to the increase of the share capital by KD 29,607,093 from KD 74,017,733 to KD 103,624,826 through the issue of 74,017,730 bonus shares and issue of 222,053,200 new shares at a par value of 100 fils and a premium of 150 fils per share totaling to a subscription price of 250 fils per share.

As of the balance sheet date, the subscription of the new shares has not commenced since the Parent Company is awaiting the approval for this from the official authorities.

The Shareholders' Annual General Assembly held on June 6, 2007 approved the distribution of cash dividends of 35 fils per share and 15 bonus shares for every 100 shares for the year ended December 31, 2006.

20. Comparative figures

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