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

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

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

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

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Review Report

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

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, 2006 and the related interim condensed consolidated statement of income, statements of cash flows and changes in equity for the period then ended. These interim condensed consolidated financial statements are the responsibility of the parent company's management. Our responsibility is to issue a report on these interim condensed consolidated financial statements based on our review.

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

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not presented fairly, in all material respects, in accordance with International Accounting Standard 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 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, except that the parent company holds certain direct investments in shares in violation of its objectives.

Without qualifying our report, we refer to Note 8 to the interim condensed consolidated financial statements.

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State of Kuwait
July 31, 2006

NATIONAL REAL ESTATE COMPANY K.S.C. AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)
AS OF JUNE 30, 2006
(All amounts are in Kuwaiti Dinars)

ASSETS	Note	June 30, 2006	December 31, 2005	June 30, 2005
Assets:				
Cash on hand and at banks		**6,440,124**	517,103	2,109,510
Investments at fair value through income statement	4	**7,190,334**	14,386,392	21,318,289
Accounts receivable and other debit balances	5	**8,886,830**	11,237,276	4,239,166
Inventory		**33,418**	38,135	42,810
Investments available for sale		**6,178,300**	4,642,229	854,327
Investment in unconsolidated subsidiaries		**4,289,483**	5,083,454	-
Investment in an associate	6	**154,007,874**	146,410,294	89,344,264
Investment in joint venture		**187,127**	139,764	-
Capital work in progress	7	**9,634,681**	3,101,630	2,987,139
Net amount due from Kuwait Ports Authority	8	**729,102**	1,535,335	2,045,516
Fixed assets		**7,026,756**	7,254,260	5,836,587
Investment properties		**66,531,637**	67,179,173	67,414,561
Total assets		**271,135,666**	261,525,045	196,192,169
LIABILITIES AND EQUITY				
Liabilities:				
Accounts payable and other credit balances		**19,439,270**	17,147,189	15,286,597
Unearned revenue		**10,244**	16,426	42,394
Bank facilities		**45,677,563**	55,801,442	13,128,657
Provision for employees' end of service indemnity		**537,263**	460,268	426,087
Total liabilities		**65,664,340**	73,425,325	28,883,735
Equity:				
Share capital		**64,363,246**	53,636,038	53,636,038
Statutory reserve		**27,153,015**	27,153,015	21,731,626
Gain on sale of treasury shares		**5,595,577**	4,597,104	4,251,296
Effects of changes in associate's equity		**10,745,972**	10,789,087	10,816,329
Cumulative changes in fair value		**(16,881)**	(16,881)	(218,445)
Foreign currency translation adjustments		**439,654**	-	-
Retained earnings		**96,353,984**	92,104,700	77,618,826
		204,634,567	188,263,063	167,835,670
Treasury shares	9	**(6,782,161)**	(7,082,828)	(6,499,758)
		197,852,406	181,180,235	161,335,912
Minority interest		**7,618,920**	6,919,485	5,972,522
Total equity		**205,471,326**	188,099,720	167,308,434
Total liabilities and equity		**271,135,666**	261,525,045	196,192,169

Jamil Sultan Al-Essa
Vice Chairman and Managing Director

The accompanying notes 1 to 16 are an integral part of the interim condensed consolidated financial statements

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

	Note	Three months ended June 30,		Six months ended June 30,	
		2006	2005	**2006**	2005
Rental income – net		**3,880,522**	3,973,494	**8,052,452**	7,968,973
Share in the associate's results	6	**10,083,952**	9,664,882	**20,288,355**	18,205,254
Other income		**1,164,627**	610,186	**2,280,857**	1,527,247
		15,129,101	14,248,562	**30,621,664**	27,701,474
Expenses:					
Staff cost		**951,393**	876,808	**1,926,004**	1,736,327
General and administrative		**1,558,990**	1,208,174	**2,924,047**	2,443,315
Provision for doubtful debts	10	**668,590**	638,182	**1,312,825**	1,280,853
Depreciation		**168,658**	148,731	**337,144**	300,807
Changes in fair value of investment properties		**116,698**	322,780	**233,395**	645,559
		3,464,329	3,194,675	**6,733,415**	6,406,861
Operating profit		**11,664,772**	11,053,887	**23,888,249**	21,294,613
Interest income		**507,963**	378,537	**986,872**	732,565
Provision for interest income	10	**(456,186)**	(375,602)	**(897,533)**	(728,525)
Interest expense		**(842,385)**	(241,245)	**(1,744,647)**	(491,374)
Net investment income	11	**3,328,756**	122,086	**3,200,191**	13,500,196
Share in the joint venture results		**(15,231)**	-	**(26,387)**	-
Profit for the period before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) and National Labor Support Tax		**14,187,689**	10,937,663	**25,406,745**	34,307,475
Contribution to KFAS		**(35,150)**	(1,151)	**(44,199)**	(125,234)
National Labor Support Tax		**(82,364)**	1,238	**(101,336)**	(299,746)
Net profit for the period		**14,070,175**	10,937,750	**25,261,210**	33,882,495
Attributable to :					
Equity holders of the parent company		**13,955,040**	10,849,236	**25,018,841**	33,700,470
Minority interest		**115,135**	88,514	**242,369**	182,025
Net profit for the period		**14,070,175**	10,937,750	**25,261,210**	33,882,495
Earnings per share attributable to equity holders of the parent company (fils)	12	**23.16**	18.03	**41.55**	56.03

The accompanying notes 1 to 16 are an integral part of the interim condensed consolidated financial statements

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

	Attributable to equity holders of the parent company										
	Share capital	Statutory reserve	Gain on sale of treasury shares	Effects of changes in associate's equity	Cumulative changes in fair value	Foreign currency translation adjustments	Retained earnings	Treasury shares	Subtotal	Minority Interest	Total
Balance at December 31, 2005	53,636,038	27,153,015	4,597,104	10,789,087	(16,881)	-	92,104,700	(7,082,828)	181,180,235	6,919,485	188,099,720
Gain on sale of treasury shares	-	-	998,473	-	-	-	-	-	998,473	-	998,473
Foreign currency translation adjustments	-	-	-	-	-	439,654	-	-	439,654	-	439,654
Net income recognized directly in equity	-	-	998,473	-	-	439,654	-	-	1,438,127	-	1,438,127
Net profit for the period	-	-	-	-	-	-	25,018,841	-	25,018,841	242,369	25,261,210
Total recognized income for the period	-	-	998,473	-	-	439,654	25,018,841	-	26,456,968	242,369	26,699,337
Purchase of treasury shares	-	-	-	-	-	-	-	(21,804)	(21,804)	-	(21,804)
Sale of treasury shares	-	-	-	-	-	-	-	322,471	322,471	-	322,471
Share of changes in associate's equity – Note 6	-	-	-	(43,115)	-	-	-	-	(43,115)	-	(43,115)
Share of minority from newly consolidated subsidiary	-	-	-	-	-	-	-	-	-	500,000	500,000
Paid to minority	-	-	-	-	-	-	-	-	-	(42,934)	(42,934)
Cash dividend (2005 – 20 fils per share) – Note 15	-	-	-	-	-	-	(10,042,349)	-	(10,042,349)	-	(10,042,349)
Bonus shares (2005 – 20%) – Note 15	10,727,208	-	-	-	-	-	(10,727,208)	-	-	-	-
Balance at June 30, 2006	**64,363,246**	**27,153,015**	**5,595,577**	**10,745,972**	**(16,881)**	**439,654**	**96,353,984**	**(6,782,161)**	**197,852,406**	7,618,920	205,471,326
Balance at December 31, 2004	46,640,033	21,731,626	3,222,904	-	(218,445)	-	57,451,425	(6,557,342)	122,270,201	6,179,294	128,449,495
Gain on sale of treasury shares	-	-	1,028,392	-	-	-	-	-	1,028,392	-	1,028,392
Net income recognized directly in equity	-	-	1,028,392	-	-	-	-	-	1,028,392	-	1,028,392
Net profit for the period	-	-	-	-	-	-	33,700,470	-	33,700,470	182,025	33,882,495
Total recognized income for the period	-	-	1,028,392	-	-	-	33,700,470	-	34,728,862	182,025	34,910,887
Purchase of treasury shares	-	-	-	-	-	-	-	(131,254)	(131,254)	-	(131,254)
Sale of treasury shares	-	-	-	-	-	-	-	188,838	188,838	-	188,838
Share of changes in associate's equity – Note 6	-	-	-	10,816,329	-	-	-	-	10,816,329	-	10,816,329
Paid to minority	-	-	-	-	-	-	-	-	-	(388,797)	(388,797)
Cash dividend (2004 – 15 fils per share) – Note 15	-	-	-	-	-	-	(6,537,064)	-	(6,537,064)	-	(6,537,064)
Bonus shares (2004 – 15%) – Note 15	6,996,005	-	-	-	-	-	(6,996,005)	-	-	-	-
Balance at June 30, 2005	**53,636,038**	**21,731,626**	**4,251,296**	**10,816,329**	**(218,445)**	**-**	**77,618,826**	**(6,499,758)**	**161,335,912**	**5,972,522**	**167,308,434**

The accompanying notes 1 to 16 are an integral part of the interim condensed consolidated financial statements

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

	Six months ended June 30,	
	2006	2005
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the period before contribution to KFAS and National Labor Support Tax	**25,406,745**	34,307,475
Adjustments for:		
Kuwait Ports Authority's share in Kuwait Free Trade Zone rental income	**1,013,664**	527,264
Share in the associate's results	**(20,288,355)**	(18,205,254)
Gain on sale of investment property	**(12,482)**	-
Provision for employees' end of service indemnity	**76,995**	78,081
Right of utilization of Ministry of Commerce and Industry for Kuwait Free Trade Zone	**395,561**	327,752
Provision for interest income and doubtful debts	**2,210,358**	2,009,378
Depreciation	**337,144**	300,807
Changes in fair value of investment properties	**233,395**	645,559
Interest income	**(986,872)**	(732,565)
Interest expense	**1,744,647**	491,374
Net investment income	**(3,200,191)**	(13,500,196)
Share in the joint venture results	**26,387**	-
Operating profit before working capital changes	**6,956,996**	6,249,675
Decrease (increase) in accounts receivable and other debit balances	**858,654**	(1,956,786)
Decrease (increase) in inventories	**4,717**	(2,723)
(Decrease) increase in accounts payable and other credit balances	**(11,268)**	1,317,522
Decrease in unearned revenue	**(6,182)**	(35,931)
Cash generated from operations	**7,802,917**	5,571,757
Paid to Ministry of Commerce and Industry for rights of utilization for Kuwait Free Trade Zone	**(359,318)**	(304,215)
Paid for employees' end of service indemnity	**-**	(998)
Paid for Directors' remuneration	**(70,000)**	(35,000)
Paid to Kuwait Foundation for the Advancement of Sciences	**(133,459)**	(63,041)
Paid for National Labor Support Tax	**(402,697)**	(193,736)
Net cash generated from operating activities	**6,837,443**	4,974,767

	Six months ended June 30 ,	
	2006	2005
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments at fair value through income statement and investment in an associate	**(697,372)**	(7,589,476)
Proceeds from sale of investments at fair value through income statement and investment in an associate	**14,159,339**	13,002,909
Proceeds from sale of investments available for sale	**-**	295,971
Purchase of investments available for sale	**(1,536,071)**	(321,377)
Paid for purchase of investment in unconsolidated subsidiary	**(32,291)**	-
Proceeds from loan to a related party	**-**	1,254,599
Paid for long term loan to joint venture	**(73,750)**	-
Proceeds from sale of investment property	**476,220**	-
Paid for capital work in progress	**(5,615,252)**	(649,339)
Paid for purchase of fixed assets	**(109,640)**	(94,080)
Paid for additions to investment properties	**(49,597)**	(84,917)
Dividends received	**9,581,942**	393,017
Interest received	**81,631**	2,978
Net cash generated from investing activities	**16,185,159**	6,210,285
CASH FLOWS FROM FINANCING ACTIVITIES		
Net payment of bank overdrafts	**(1,622,174)**	(3,293,227)
Paid for bank loans	**(8,501,705)**	(651,704)
Paid for purchase of treasury shares	**(21,804)**	(131,254)
Proceeds from sale of treasury shares	**1,320,944**	1,217,230
Interest paid	**(1,736,132)**	(482,858)
Cash dividend paid	**(7,323,618)**	(6,398,305)
Paid to minority	**(42,934)**	(388,797)
Share of minority from newly consolidated subsidiary	**500,000**	-
Net cash used in financing activities	**(17,427,423)**	(10,128,915)
Foreign currency translation adjustments	**221,210**	-
Cash relating to newly consolidated subsidiary	**106,632**	-
Net increase in cash on hand and at banks	**5,923,021**	1,056,137
Cash on hand and at banks at beginning of the period	**517,103**	1,053,373
Cash on hand and at banks at end of the period	**6,440,124**	2,109,510

The accompanying notes 1 to 16 are an integral part of the interim condensed consolidated financial statements

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. 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 interim condensed consolidated financial statements were authorized for issue by the Board of Directors on July 31, 2006.

2. Basis of presentation

The interim condensed consolidated financial statements are presented in accordance with the same accounting policies and methods of computation as were followed in the most recent annual consolidated financial statements, except for the use of proportionate consolidation method of accounting for a certain investment in joint venture as per IAS 31.

The interim condensed consolidated have been prepared to present interim 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 statements prepared in accordance with International Financial Reporting Standards. In the opinion of management, all adjustments considered necessary for a fair presentation have been included in the accompanying interim condensed consolidated financial statements. Operating results for the interim period ended June 30, 2006 are not necessarily indicative of the results that may be expected for the year ending December 31, 2006. For further information, refer to the consolidated financial statements and notes thereto for the year ended December 31, 2005.

IAS 31

Proportionate consolidation method

The Group reports its interests in certain jointly controlled entities using proportionate consolidation, 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". The Company's share of the assets, liabilities, income and expenses of jointly controlled entities are combined with the equivalent items in the condensed consolidated financial statements on a line-by-line basis.

The above was implemented in relation to the parent company's investment during the period by 50% in a joint venture (Mediterranean Investment Holding) a company registered in Malta, whose principal activities are investing and developing real estate projects.

As a result, the following balances as of June 30, 2006 had increased which represent the Company's 50% interest in the total assets and liabilities of the Joint Venture.

	June 30, 2006
Cash on hand and at banks	**4,244,309**
Accounts receivable and other debit balances	**55,648**
Capital work in progress	**4,549,033**
Fixed assets	**12,685**
Account payable and other credit balances	**15,255**

These amounts are based on the management accounts of the joint venture.

3. Basis of consolidation

The interim condensed consolidated financial statements include the financial statements of National Real Estate Company K.S.C. (the parent company) and the following subsidiaries:

	Percentage of ownership		
Company	**June 30, 2006**	December 31, 2005	June 30, 2005
Dasman Commercial Complex – Joint venture - Kuwait	**62.083%**	62.083%	62.081%
HRD International for Human Resources Development Company W.L.L. - Kuwait	**51%**	51%	51%
Kuwait Maastricht Business School (wholly owned by HRD International for Human Resources Development Company W.L.L.) - Kuwait	**51%**	51%	51%
Al-Takafouh Al-Thahabi General Trading and Contracting Company W.L.L. – Kuwait	**100%**	100%	-
National Project Holding K.S.C. (Holding) – Kuwait	**90%**	-	-
National Investment & Development Company (private shareholding company) - Jordan	**100%**	-	-

The interim condensed consolidated financial statements for the period ended June 30, 2006 include the financial information for the period ended June 30, 2006 relating to National Project Holding K.S.C (Holding) – Kuwait, and National Investment & Development Company (Private shareholding company) – Jordan, while the comparative details for the year ended December 31, 2005 and the period ended June 30, 2005 do not include such information, since the National Investment & Development Company (Private shareholding company) – Jordan was previously accounted for as an investment in unconsolidated subsidiary, while the National Project Holding K.S.C (Holding) – Kuwait was accounted for as "advance payments", which is classified under "accounts receivable and other debit balances" (Note 5).

4. Investments at fair value through income statement

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

	June 30, 2006	December 31, 2005	June 30, 2005
Quoted securities held for trading	**7,190,334**	14,386,392	21,318,289

5. Accounts receivable and other debit balances

During the period, the Parent Company had transferred an amount of KD 4,500,000 from advance payments account to investment in consolidated subsidiary account which represents the parent company's share of National Project Holding Company K.S.C. (Holding) capital. This subsidiary was officially incorporated and registered on January 3, 2006.

6. Investment in an associate

The investment in an associate represents a 24.6354% interest in the equity of Public Warehousing Company K.S.C. as of June 30, 2006 (December 31, 2005 – 25.2250%, June 30, 2005 – 25.2568%), a public shareholding company registered in Kuwait and listed on the Kuwait Stock Exchange. Its principal activities is storing goods, management of warehouses, all transportation activities, distribution, handing over and custom clearing of goods.

The movement of the investment during the period / year is as follows:

	June 30, 2006	December 31, 2005	June 30, 2005
Carrying value of the investment at beginning of the period / year	**146,410,294**	60,112,063	60,112,063
Additional investment in the associate	**-**	41,427,277	549,382
Sales from investment in the associate	**(3,354,462)**	(1,699,764)	(338,764)
Share in the associate's results	**20,288,355**	35,781,631	18,205,254
Cash dividends received during the period / year	**(9,293,198)**	-	-
Share of changes in associate's equity	**(43,115)**	10,789,087	10,816,329
Carrying value of the investment at end of the period / year	**154,007,874**	146,410,294	89,344,264

The share of changes in associate's equity is represented as follows:

	June 30, 2006	December 31, 2005	June 30, 2005
Gain on sale of treasury shares	**(61,909)**	10,802,709	10,816,329
Foreign currency translation adjustments	**15,231**	65,080	-
Cumulative changes in fair value	**3,563**	(78,702)	-
	(43,115)	10,789,087	10,816,329

During the year, 3,940,000 shares were sold from investment in an associate (June 30, 2005 – 660,000 shares). The goodwill relating to these shares amounted to KD 275,079 (June 30, 2005 – KD 49,468).

The market value of the shares of the associate at June 30, 2006 amounted to KD 363,093,401 (December 31, 2005 – KD 494,581,550 and June 30, 2005 – KD 522,358,482).

As of June 30, 2006, the Group's share in the contingent liabilities and capital commitments of the associate amounted to KD 11,499,805 (December 31, 2005 – KD 11,943,281 and June 30, 2005 – KD 6,874,092).

A dispute has arisen between the associate and other party with respect to a partnership agreement that was entered into on July 30, 2002 for the purpose of bidding for and execution of the Prime Vendor Services Contract.

The associate filed a case requesting nullity of the partnership agreement and delegation of an expert to assess the compensation to which the associate may be entitled. The court issued its ruling in which the arbitration clause in the partnership agreement was nullified and the case taken under its jurisdiction and the court delegated an expert. The experts committee has concluded in its report that no financial shares were presented to the partnership nor assets for infrastructure and clarified that as main liabilities in the partnership agreement and the experts report was represented to the court, and the court realized that none of the two parties implemented their obligations which related to partnership agreement that is dated on June 30, 2002, therefore, in December 5, 2005, the court has made a decision that the partnership agreement between the two parties was terminated. That decision was appealed and the case is still pending in the Court of Appeal.

The associate's external legal consulting firm believes a strong likelihood that the Public Warehousing Company will win the appeal case, but the end result cannot be expected yet.

The third party also submitted a request to the Kuwait Chamber of Commerce & Industry. The Arbitrator issued his decision to withhold arbitration procedures until the court issues its final ruling in the case.

The third party has also filed a case against the associate requesting receivership over the partnership, however, the case was rejected by the Court of First Instance. Subsequently, the Court of Appeal issued a verdict reversing the ruling issued by the Court of First Instance and appointed a team of official receivers to administer the funds, assets and properties of the partnership (not those of associate). The court ruling has

also specified the duties of the official receivers to include the proper administration of the partnership affairs under the objectives for which it was established, collection of its funds, satisfaction of its obligations and the depositing of any proceeds at the court's treasury.

The third party lost a case filed against certain executives of the associate.

The associate has also appealed against the ruling in which official receivers were appointed as discussed above, seeking cessation of official receivership but this case was rejected by the Court of Summary Appeal.

The associate's external legal consulting firms advised that the partnership agreement had expired on 1 January 2003, i.e. before the associate was awarded the Prime Vendor Services Contract by the U.S. Government and as a result the partnership agreement is considered void and of no force or effect. They also advised that the official receivership over the partnership agreement has no financial impact on the associate or any of its projects.

Based on the opinion of the external legal consulting firm of the associate, no obligations will result from this case due to the associate's strong position, and accordingly no provision has been made as of June 30, 2006.

7. Capital work in progress

This item represents mainly work-in-progress relating to the construction and other additional work carried out at Kuwait Free Trade Zone and work in progress relating to foreign subsidiaries. The movement of this item during the period / year is as follows:

	June 30, 2006 KD	December 31, 2005 KD	June 30, 2005 KD
Balance at beginning of the period / year	**3,101,630**	4,433,956	4,433,956
Additions during the period / year	**5,615,252**	2,425,684	649,342
Transferred during the period / year	**-**	(3,758,010)	(2,096,159)
Relating to newly consolidated subsidiary during period / year	**699,355**	-	-
Foreign currency translation adjustments during period / year	**218,444**	-	-
Balance at end of the period / year	**9,634,681**	3,101,630	2,987,139

8. Net amount due from Kuwait Ports Authority

	June 30, 2006	December 31, 2005	June 30, 2005
Section 1.01 Due from Kuwait Ports Authority			
Rehabilitation costs of properties (a)	**5,543,299**	5,543,299	5,543,299
Accrued interest on the balance (b)	**6,225,968**	5,328,435	4,508,977
	11,769,267	10,871,734	10,052,276
Rent due from Kuwait Ports Authority (c)	**13,056,695**	11,537,950	10,001,494
Gross amount due from Kuwait Ports Authority before its share in rental income of Kuwait Free Trade Zone	**24,825,962**	22,409,684	20,053,770
Section 1.02 Due to Kuwait Ports Authority			
Gross share of Kuwait Ports Authority in rental income of Kuwait Free Trade Zone (d)	**7,077,792**	6,064,128	5,335,711
Less: Refunded share of the outstanding and unpaid rent of Kuwait Ports Authority (e)	**(960,468)**	(908,220)	(841,836)
Less: Refunded share of the outstanding and unpaid rent of Ministry of Health – Kuwait (e)	**(78,394)**	(69,830)	(61,279)
Less: Refunded share of the outstanding and unpaid rent of Ministry of Interior – Kuwait (e)	**(15,135)**	(15,135)	(15,135)
Net share of Kuwait Ports Authority in rental income of Kuwait Free Trade Zone	**6,023,795**	5,070,943	4,417,461
Gross amount due from Kuwait Ports Authority after its share in rental income of Kuwait Free Trade Zone	**18,802,167**	17,338,741	15,636,309
Provision for interest income and doubtful debts (f)	**(18,073,065)**	(15,803,406)	(13,590,793)
	729,102	1,535,335	2,045,516

(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 and descriptions that amounted to KD 6,449,034; the managing company had charged the amounts incurred in 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 bank loan's interest of KD 100,393 that can be capitalized for the period from commencement of activities till December 31, 1999.

The actual rehabilitation costs incurred by the managing company for Kuwait Ports Authority properties amounted to KD 5,543,299. 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 statement of income for the period ended June 30, 2006 amounted to KD 897,533 (June 30, 2005 – KD 728,525) and the managing company took provision for this interest.

(c) Also, the balance due from Kuwait Ports Authority as of June 30, 2006 includes an amount of KD 13,056,695 (December 31, 2005 – KD 11,537,950 and June 30, 2005 – KD 10,001,494), 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 Kuwait Free Trade Zone from the existing properties that were handed over from Kuwait Ports Authority is assigned to it. The gross share of the authority in those rents amounted to KD 1,013,664 for the period ended June 30, 2006 (June 30, 2005 – KD 527,264).

(e) The 80% share relating to the outstanding and unpaid rent of each of Kuwait Ports Authority, Ministry of Health - Kuwait, and Ministry of Interior - Kuwait are 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 The Kuwait Free Trade Zone.

(f) The managing company made a provision during the period for KD 897,533 (June 30, 2005 – KD 728,525) which represents the overall interest accrued on the balance due from Kuwait Ports Authority for the period ended June 30, 2006 due to the uncertainty about any probability of its collection later on, inspite of the managing company's belief on its right to add it to the balance of dues from the Kuwait Ports Authority. The provision for interest income due from Kuwait Port authority balance which recorded in managing company books as follows:

	June 30, 2006	December 31, 2005	June 30, 2005
As in the balance sheet	**17,112,597**	14,895,186	12,752,663

	Three months ended June 30,		Six months ended June 30,	
	2006	2005	**2006**	2005
Charged to statement of income (Note 10)	**1,116,125**	1,037,301	**2,217,411**	2,051,922

9. Treasury shares

	June 30, 2006	December 31, 2005	June 30, 2005
Number of treasury shares	**40,291,191**	35,152,959	34,915,459
Percentage of issued shares (%)	**6.26**	6.55	6.51
Market value (KD)	**24,577,627**	41,480,492	48,881,643

10. Provisions

	Three months ended June 30,		Six months ended June 30,	
	2006	2005	**2006**	2005
Provision for the rent due from the utilized properties by Kuwait Ports Authority in the Kuwait Free Trade Zone	**659,939**	661,699	**1,319,878**	1,323,397
Provision for bad debts related to accounts receivable and other debit balances which is charged to the statement of income	**8,651**	-	**9,613**	-
Provision no longer required related to accounts receivable and other debit balances which is charged to the statement of income	**-**	(23,517)	**(16,666)**	(42,544)
	668,590	638,182	**1,312,825**	1,280,853
Provision for interest income due from Kuwait Port Authority	**456,186**	375,602	**897,533**	728,525
	1,124,776	1,013,784	**2,210,358**	2,009,378

Details of the provisions of balance due from Kuwait Ports Authority and charged to the statement of income are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2006	2005	**2006**	2005
Provision for the amount due for renting the utilized properties by Kuwait Ports Authority in the Kuwait Free Trade Zone	**659,939**	661,699	**1,319,878**	1,323,397
Provision for interest income due from Kuwait Port Authority	**456,186**	375,602	**897,533**	728,525
Total provision of Kuwait Ports Authority charged to the statement of income (Note 8)	**1,116,125**	1,037,301	**2,217,411**	2,051,922

11. Net investment income

	Three months ended June 30,		Six months ended June 30,	
	2006	2005	**2006**	2005
Dividend income	**169,244**	156,917	**288,744**	393,017
Income (loss) From changes in fair value of investments at fair value through income statement	**1,461,416**	(6,629,014)	**(2,281,265)**	6,001,643
Gain on sale of investments at fair value through income statement and investment in an associate	**1,698,096**	6,594,183	**5,192,712**	7,105,536
	3,328,756	122,086	**3,200,191**	13,500,196

12. 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,	
	2006	2005	**2006**	2005
Net profit for the period attributable to equity holders of the parent company	**13,955,040**	10,849,236	**25,018,841**	33,700,470
	2006 shares	2005 shares	**2006 shares**	2005 shares
Number of issued and fully paid-up shares	**536,360,380**	536,360,380	**536,360,380**	536,360,380
Bonus shares	**107,272,080**	107,272,080	**107,272,080**	107,272,080
Less: Weighted average number of treasury shares	**(41,137,675)**	(41,910,804)	**(41,547,517)**	(42,162,113)
Weighted average number of shares outstanding	**602,494,785**	601,721,656	**602,084,943**	601,470,347
	Fils	Fils	**Fils**	Fils
Earnings per share attributable to equity holders of the parent company	**23.16**	18.03	**41.55**	56.03

13. Related party transactions

Related parties represent main 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:

	June 30, 2006	December 31, 2005	June 30, 2005
Balances:			
Accounts receivable and other debit balances	**928,325**	641,799	442,696
Quoted securities held for trading	**4,253,466**	10,871,210	16,615,420
Accounts payable and other credit balances	**20,743**	20,743	20,743

	Three months ended June 30,		Six months ended June 30,	
	2006	2005	**2006**	2005
Transactions:				
Rental income	**234,148**	163,152	**794,606**	326,305
Other income	**18,000**	16,144	**54,820**	21,656
Service expenses	**82,267**	66,277	**150,942**	114,339

	Three months ended June 30,		Six months ended June 30,	
	2006	2005	**2006**	2005
Key management compensation:				
Salaries and other short term benefits	**117,062**	117,842	**236,227**	232,291
End of service benefits	**8,142**	7,601	**16,284**	15,202

14. Contingencies and capital commitments

a) At June 30, 2006, the Directors of the parent company authorized capital commitments amounting to KD 2,163,951 (December 31, 2005 – KD 1,430,097 and June 30, 2005 – KD 1,760,815).

b) At June 30, 2006, the parent company had commitments under a major non-cancelable operating lease, primarily for land leased from the Government of Kuwait for the Water Front Project, as follows:

Period	
2006 – 2010	141,000
2011 – 2015	141,000
2016 – 2019	98,700
	380,700

In the context of the operating lease commitments, the parent company is required to submit 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.

c) The parent company was contingently liable in respect of the following:

	June 30, 2006	December 31, 2005	June 30, 2005
Letters of guarantee	**4,984,206**	1,326,906	1,277,809
Letters of credits	**343,438**	218,170	-
	5,327,644	1,545,076	1,277,809

d) 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 a compensation for losses suffered amounting to KD 3,600,000.

The parent company's management appealed against the verdict dated November 15, 2003. In its verdict dated January 19, 2004, the General (Kulliyat) 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. The case was not settled till the date of issuance of the accompanying interim condensed consolidated financial statements. In the opinion of the legal advisor of the parent company, no material liabilities will arise against it due to its strong position in the case. Accordingly, the parent company's books do not include any provision for that case as of June 30, 2006.

15. Shareholders' assembly

The shareholders' General Assembly held on May 22, 2006 had approved the distribution of cash dividends of 20 fils per share and 20 bonus shares for every 100 shares for the year ended December 31, 2005.

The shareholders' General Assembly held on April 18, 2005 had approved the distribution of cash dividends of 15 fils per share and 15 bonus shares for every 100 shares for the year ended December 31, 2004.

16. Comparative figures

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