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

INTERIM CONSOLIDATED FINANCIAL INFORMATION
FOR THE PERIOD ENDED JUNE 30, 2010
(UNAUDITED)
WITH
REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL INFORMATION

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## 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 statement of financial position of National Real Estate Company K.S.C. (the Parent Company) and its subsidiaries (the Group) as of June 30, 2010 and the related interim condensed consolidated statements of income, comprehensive 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.

Emphasis of matter

Without qualifying our conclusion we would like to draw attention to notes (4), (13) and (15) to the interim consolidated financial information.

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, 2010 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 objectives.

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State of Kuwait
August 14, 2010

NATIONAL REAL ESTATE COMPANY K.S.C. AND ITS SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS OF JUNE 30, 2010
(All amounts are in Kuwaiti Dinars)

| ASSETS | Note | June 30, 2010 | December 31, 2009 (Audited) | June 30, 2009 |
|---|---|---|---|---|
| Cash and cash equivalents | | 13,738,089 | 11,081,010 | 15,160,228 |
| Term deposits | | - | 600,000 | - |
| Accounts receivable and other debit balances | | 11,513,931 | 11,601,741 | 12,877,730 |
| Investments available for sale | | 17,664,091 | 18,518,535 | 21,139,087 |
| Investment in associates | 4 | 217,684,978 | 218,299,343 | 199,012,354 |
| Investment in a joint venture | | - | - | 392,318 |
| Capital work in progress | | - | - | 252,702,992 |
| Properties held for trading | 5 | 30,958,506 | 32,088,881 | - |
| Properties under development | | 120,866,468 | 119,800,455 | - |
| Property , plant and equipment | | 9,292,366 | 8,434,086 | 3,020,390 |
| Investment properties | | 197,050,769 | 199,633,135 | 70,281,939 |
| Total assets | | 618,769,198 | 620,057,186 | 574,587,038 |
| LIABILITIES AND EQUITY | | | | |
| Liabilities: | | | | |
| Accounts payable and other credit balances | 6 | 125,436,535 | 138,435,157 | 138,284,908 |
| Deferred tax | | 5,342,914 | 6,041,940 | - |
| Bank facilities | 7 | 198,329,341 | 192,431,841 | 172,296,979 |
| Bonds | | 6,249,373 | 7,229,392 | 7,108,640 |
| Provision for end of service indemnity | | 790,086 | 769,100 | 727,517 |
| Total liabilities | | 336,148,249 | 344,907,430 | 318,418,044 |
| Equity: | | | | |
| Share capital | | 81,419,506 | 81,419,506 | 81,419,506 |
| Treasury shares | 8 | (7,439,205) | (7,179,151) | (7,118,276) |
| Statutory reserve | | 39,291,710 | 39,291,710 | 36,332,700 |
| Treasury shares reserve | | 12,859,431 | 12,859,431 | 12,859,431 |
| Effect of changes in associates' equity | | (2,163,538) | (3,145,900) | (5,330,125) |
| Investment revaluation reserve | | (5,286,701) | (2,892,107) | (2,420,606) |
| Foreign currency translation adjustment | | 1,668,703 | 4,027,650 | 3,412,698 |
| Retained earnings | | 135,920,824 | 127,520,938 | 114,325,379 |
| Attributable to equity holders of the Parent Company's | | 256,270,730 | 251,902,077 | 233,480,707 |
| Non-controlling interests | | 26,350,219 | 23,247,679 | 22,688,287 |
| Total equity | | 282,620,949 | 275,149,756 | 256,168,994 |
| Total liabilities and equity | | 618,769,198 | 620,057,186 | 574,587,038 |

The accompanying notes (1) to (17) 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 ITS SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)
FOR THE PERIOD ENDED JUNE 30, 2010
(All amounts are in Kuwaiti Dinars)

| | Note | Three months ended June 30, 2010 | Three months ended June 30, 2009 | Six months ended June 30, 2010 | Six months ended June 30, 2009 |
|---|---|---|---|---|---|
| Revenues: | | | | | |
| Rental income | | 2,522,738 | 2,099,182 | 4,851,786 | 4,192,079 |
| Share in the associates' results | 4 | 4,060,521 | 8,538,271 | 7,757,431 | 16,831,680 |
| Change in fair value of investment properties | | (1,220,659) | (1,168,940) | (2,441,318) | (2,337,878) |
| | | 5,362,600 | 9,468,513 | 10,167,899 | 18,685,881 |
| Expenses: | | | | | |
| Staff costs | | (1,013,068) | (1,065,649) | (2,272,064) | (2,158,537) |
| General and administrative | | (1,534,233) | (1,420,940) | (3,256,000) | (2,923,626) |
| Depreciation & amortization | | (183,499) | (163,742) | (359,914) | (309,660) |
| | | (2,730,800) | (2,650,331) | (5,887,978) | (5,391,823) |
| Operating profit | | 2,631,800 | 6,818,182 | 4,279,921 | 13,294,058 |
| Net investment income | 9 | 128,835 | 114,973 | 224,465 | 80,687 |
| Net gain on sale of subsidiaries | 3 | - | - | 4,309,086 | - |
| Other income | | 634,057 | 1,097,357 | 1,065,138 | 1,847,098 |
| Share in the joint venture results | | (12,354) | (3,333) | (24,720) | (18,258) |
| Interest income | | 913,875 | 999,347 | 1,810,603 | 1,887,585 |
| Interest expense | | (1,085,692) | (706,181) | (1,658,425) | (1,370,166) |
| Foreign exchange (loss) gain | | (109,068) | 107,267 | (129,169) | (762,280) |
| Provision for interest income on the balance due from Kuwait Ports Authority | | (778,668) | (704,861) | (1,538,190) | (1,392,389) |
| Provision for doubtful debts | | - | (1,350) | - | (1,350) |
| 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 | | 2,322,785 | 7,721,401 | 8,338,709 | 13,564,985 |
| Contribution to KFAS | 10 | 15,030 | - | (6,891) | - |
| National Labor Support Tax | 10 | 21,290 | - | (58,122) | - |
| Contribution to Zakat | 10 | 8,516 | - | (23,249) | - |
| Board of Director's remuneration | | (17,500) | (17,500) | (35,000) | (35,000) |
| Net profit for the period | | 2,350,121 | 7,703,901 | 8,215,447 | 13,529,985 |
| Attributable to : | | | | | |
| Equity holders of the Parent Company | | 2,417,870 | 7,626,062 | 8,399,886 | 13,365,534 |
| Non-controlling interests | | (67,749) | 77,839 | (184,439) | 164,451 |
| | | 2,350,121 | 7,703,901 | 8,215,447 | 13,529,985 |
| Earnings per share attributable to equity holders of the Parent Company (fils) | 11 | 3.12 | 9.83 | 10.84 | 17.23 |

The accompanying notes (1) to (17) form an integral part of the interim consolidated financial information

NATIONAL REAL ESTATE COMPANY K.S.C. AND ITS SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE PERIOD ENDED JUNE 30, 2010
(All amounts are in Kuwaiti Dinars)

| | Note | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | | **2010** | 2009 | **2010** | 2009 |
| Net profit for the period | | **2,350,121** | 7,703,901 | **8,215,447** | 13,529,985 |
| **Other comprehensive income:** | | | | | |
| Foreign currency translation adjustments | | **(1,830,871)** | (1,061,837) | **(2,375,768)** | 4,461,972 |
| Investments available for sale | | **(2,090,203)** | 2,894,033 | **(2,394,594)** | 1,694,686 |
| Share of other comprehensive income of associates | 4 | **485,682** | 282,116 | **982,362** | 3,539,376 |
| Other Comprehensive (loss) income for the period | | **(3,435,392)** | 2,114,312 | **(3,788,000)** | 9,696,034 |
| Total comprehensive (loss) income for the period | | **(1,085,271)** | 9,818,213 | **4,427,447** | 23,226,019 |
| Attributable to: | | | | | |
| Equity holders of the parent company | | **(956,035)** | 9,881,079 | **4,628,707** | 22,668,604 |
| Non-controlling interests | | **(129,236)** | (62,866) | **(201,260)** | 557,415 |
| Total comprehensive (loss) income for the period | | **(1,085,271)** | 9,818,213 | **4,427,447** | 23,226,019 |

The accompanying notes (1) to (17) form an integral part of the interim consolidated financial information.

NATIONAL REAL ESTATE COMPANY K.S.C. AND ITS SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE PERIOD ENDED JUNE 30, 2010
(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 | Investment revaluation reserve | Foreign currency translation adjustment | Retained earnings | Subtotal | Non controlling interests | Total |
| Balance at December 31, 2009 | 81,419,506 | (7,179,151) | 39,291,710 | 12,859,431 | (3,145,900) | (2,892,137) | 4,027,650 | 127,520,938 | 251,902,077 | 23,247,679 | 275,149,756 |
| Total comprehensive income (loss) for the period | - | - | - | - | 982,362 | (2,394,594) | (2,358,947) | 8,399,886 | 4,628,707 | (201,260) | 4,427,447 |
| Purchase of treasury shares | - | (260,054) | - | - | - | - | - | - | (260,054) | - | (260,054) |
| Proceeds from non-controlling interests due to capital increase of subsidiaries' | - | - | - | - | - | - | - | - | - | 3,303,800 | 3,303,800 |
| **Balance at June 30, 2010** | **81,419,506** | **(7,439,205)** | **39,291,710** | **12,859,431** | **(2,163,538)** | **(5,286,701)** | **1,668,703** | **135,920,824** | **256,270,730** | **26,350,219** | **282,620,949** |
| Balance at December 31, 2008 | 81,419,506 | (7,015,148) | 36,332,700 | 12,859,431 | (9,667,825) | (4,116,430) | (655,172) | 100,959,845 | 210,116,907 | 22,646,724 | 232,763,631 |
| Total comprehensive income for the period | - | - | - | - | 3,539,376 | 1,695,824 | 4,067,870 | 13,365,534 | 22,668,604 | 557,415 | 23,226,019 |
| Share of changes in associates' equity – Note 4 | - | - | - | - | 798,324 | - | - | - | 798,324 | - | 798,324 |
| Purchase of treasury shares | - | (103,128) | - | - | - | - | - | - | (103,128) | - | (103,128) |
| Paid to Non-controlling interests | - | - | - | - | - | - | - | - | - | (515,852) | (515,852) |
| Balance at June 30, 2009 | 81,419,506 | (7,118,276) | 36,332,700 | 12,859,431 | (5,330,125) | (2,420,606) | 3,412,698 | 114,325,379 | 233,480,707 | 22,688,287 | 256,168,994 |

The accompanying notes (1) to (17) form an integral part of the interim consolidated financial information

NATIONAL REAL ESTATE COMPANY K.S.C. AND ITS SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE PERIOD ENDED JUNE 30, 2010
(All amounts are in Kuwaiti Dinars)

| | Six months ended June 30, | |
|---|---|---|
| | 2010 | 2009 |
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | |
| 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 | 8,338,709 | 13,564,985 |
| Adjustments for: | | |
| Depreciation and amortization | 359,914 | 309,660 |
| Net investment income | (224,465) | (80,687) |
| Share in the associates' results | (7,757,431) | (16,831,680) |
| Share in the joint venture results | 24,720 | 18,258 |
| (Gain) loss on sale of property, plant and equipment | (9,102) | 30,821 |
| Gain on sale of subsidiaries | (4,309,086) | - |
| Change in fair value of investment properties | 2,441,318 | 2,337,878 |
| Interest income | (1,810,603) | (1,887,585) |
| Interest expense | 1,658,425 | 1,370,166 |
| Capitalized Interest | (3,612,728) | (3,233,356) |
| Amortized interest | (1,689,606) | - |
| Capital work in progress written off | - | 11,292 |
| Provision for interest income and doubtful debts | 1,538,190 | 1,393,739 |
| Provision for end of service indemnity | 98,246 | 131,250 |
| | (4,953,499) | (2,865,259) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable and other debit balances | 701,084 | (136,918) |
| Accounts payable and other credit balances | (12,838,851) | (675,184) |
| Cash used in operations | (17,091,266) | (3,677,361) |
| Payment for end of service indemnity | (77,260) | (143,786) |
| Net cash used in operating activities | (17,168,526) | (3,821,147) |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | |
| Term deposit | 600,000 | - |
| Proceeds from sale of subsidiaries | 4,225,349 | - |
| Purchase of investments available for sale | (327,597) | (57,824) |
| Proceeds from sale of investments available for sale | 511,979 | 180,745 |
| Payment for long term loan to a joint venture | (5,671) | (23,031) |
| Payment for capital work in progress | - | (9,680,366) |
| Payment for additions to properties held for trading | (22,278) | - |
| Payment for additions to properties under development | (706,496) | - |
| Purchase of property, plant and equipment | (1,287,682) | (216,023) |
| Proceeds from sale of property, plant and equipment | 14,800 | 7,500 |
| Payment for additions to investment properties | (4,222,283) | (79,250) |
| Dividends income received | 62,938 | 121,035 |
| Dividends received from an associate | 9,354,158 | - |
| Interest received | 94,908 | 477,389 |
| Net cash generated from (used in) investing activities | 8,292,125 | (9,269,825) |

| | Six months ended June 30, | |
|---|---|---|
| | **2010** | 2009 |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | |
| Net movement on bank borrowings | **5,897,500** | 15,740,669 |
| Paid for purchase of treasury shares | **(260,054)** | (103,128) |
| Dividends paid | **(54,011)** | (121,343) |
| Interest paid | **(4,960,367)** | (4,599,548) |
| Proceeds from (paid to) Non-controlling interests | **3,303,800** | (15,852) |
| Net cash generated from financing activities | **3,926,868** | 10,900,798 |
| Foreign currency translation adjustments | **7,606,612** | 672,207 |
| Net increase (decrease) in cash and cash equivalents | **2,657,079** | (1,517,967) |
| Cash and cash equivalents at beginning of the period | **11,081,010** | 16,678,195 |
| Cash and cash equivalents at end of the period | **13,738,089** | 15,160,228 |

The accompanying notes (1) to (17) form an integral part of the interim consolidated financial information

1. Incorporation and 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 Parent Company was registered in the Commercial register under reference number 19628 dated November 15, 1973.

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

The interim consolidated financial information was authorized for issue by the Board of Directors on August 14, 2010.

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, 2009 except for the changes due to implementation of certain amendments to the following International Financial Reporting Standards:

**Revised IFRS 3 Business Combinations (2008)**
Revised IFRS 3, which will be effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after July 1, 2009, incorporates the following changes:
- The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations.
-Contingent consideration will be measured at fair value, with subsequent changes therein recognized in profit or loss.
- Transaction costs, other than share and debt issue costs, will be expensed as incurred.
- Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognized in profit or loss.
- Any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

**Amended IAS 27 Consolidated and Separate Financial Statements (2008)**
Amended IAS 27, which will be effective for annual periods beginning on or after July 1, 2009 requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in profit or loss.

The interim consolidated financial information does not include all of the information and footnotes required for complete consolidated financial statements prepared in accordance with International Financial Reporting Standards. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included. Operating results for the period ended June 30, 2010 are not necessarily indicative of the results that may be expected for the year ending December 31, 2010. For further information, refer to the consolidated financial statements and notes thereto for the year ended December 31, 2009.

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(%) | | |
|---|---|---|---|---|
| | | | (Audited) | |
| | Country of incorporation | **June 30, 2010** | December 31, 2009 | June 30, 2009 |
| 1) Dasman Commercial Complex – Joint venture | Kuwait | **62.117** | 62.117 | 62.117 |
| 2) HRD International for Human Resources Development Company W.L.L. | Kuwait | **80** | 80 | 80 |
| 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 | **98** | 98 | 98 |
| 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 | 100 |
| 15) Kuwait Wadi El-Nile Urban Development Company (Egyptian shareholding Company) (KWADICO) | Egypt | **80** | 80 | 80 |
| 16) Masaken Global Real Estate Co. K.S.C. (Closed) | Kuwait | **100** | 100 | 100 |
| 17) Victus Food Development Co. W.L.L. | Kuwait | **100** | 100 | 100 |
| 18) National Horizon Office Tower FZ – L.L.C. | UAE | **100** | 100 | - |
| 19) National Hrizon Hotel FZ – L.L.C. | UAE | **100** | 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.

During the period, National Holding Group Company (Lebanese Shareholding Company) which is a wholly owned subsidiary of the parent company sold two wholly owned subsidiaries in the republic of Lebanon, The sale value of these two subsidiaries amounted to USD 21,815,527 (the equivalent to KD 6,307,741). The gain on sale amounted to USD 14,903,111 (the equivalent to KD 4,309,086).

The gain from the sale was calculated as follows:

| | KD | USD |
|---|---|---|
| Selling value | 6,307,741 | 21,815,527 |
| Less : expenses related to the sale | (64,569) | (223,317) |
| | 6,243,172 | 21,592,210 |
| Less : the fair value of the net assets at the date of sale (Note 5) | (1,934,086) | (6,689,099) |
| Gain on sale | 4,309,086 | 14,903,111 |

## 4. Investment in associates

| Name of the associate | Country of Incorporation | Percentage of ownership (%) June 30, 2010 | (Audited) December 31, 2009 | June 30, 2009 | June 30, 2010 | (Audited) December 31, 2009 | June 30, 2009 |
|---|---|---|---|---|---|---|---|
| (i) Agility Public Warehousing Company K.S.C. | Kuwait | 22.444 | 22.444 | 22.444 | 216,641,853 | 217,005,724 | 196,545,116 |
| (ii) Kuwait Bulgarian Dairy Company W.L.L. | Kuwait | 40 | 40 | 40 | 120,000 | 120,000 | 120,000 |
| (iii) Al-Seef International Holding K.S.C.C. | Kuwait | 25 | 25 | 25 | 923,125 | 1,173,619 | 2,347,238 |
| | | | | | 217,684,978 | 218,299,343 | 199,012,354 |

The movement during the period / year is as follows:

| | June 30, 2010 | (Audited) December 31, 2009 | June 30, 2009 |
|---|---|---|---|
| Balance at the beginning of the period / year | 218,299,343 | 177,842,974 | 177,842,974 |
| Share in the associates' results | 7,757,431 | 35,108,063 | 16,831,680 |
| Dividends received | (9,354,158) | - | - |
| Effect of change in associates' equity (a) | 982,362 | 6,521,925 | 4,337,700 |
| Impairment losses in value for investment in associate | - | (1,173,619) | - |
| Balance at the end of the period / year | 217,684,978 | 218,299,343 | 199,012,354 |

(a) The effect of change in the associate equity is as follows:

| | June 30, 2010 | (Audited) December 31, 2009 | June 30, 2009 |
|---|---|---|---|
| Treasury shares reserve | - | 226,682 | (64,638) |
| Changes in hedging reserve | (840,518) | (1,793,928) | (1,927,693) |
| Movement in treasury shares | - | 1,975,947 | 862,962 |
| Foreign currency translation adjustment | 1,822,880 | 6,105,593 | 5,459,663 |
| Cumulative changes in fair value of available for sale investments | - | 7,631 | 7,406 |
| | 982,362 | 6,521,925 | 4,337,700 |

Agility Public Warehousing Company K.S.C. (Formerly Public Warehousing Company – K.S.C. ):
Agility Public Warehousing Company K.S.C. 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.

As of June 30, 2010 the fair value of the Group's investment in The Agility Public Warehousing Co. K.S.C. amounted to KD 74,009,019 (December 31, 2009 – KD 131,571,591, June 30, 2009 – KD 249,046,226).

The contingent liabilities and legal cases relating to Agility Public Warehousing Company K.S.C. (the associate) are summarized as follows:

a. A dispute has arisen between the associate and other 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.

   The Supreme Court of Kuwait through its rulings on 7 January 2008, and 20 April 2010 pronounce its judgments in favour of the Parent Company confirming that the third party is not entitled to any rights or profits from Prime vendor Contact and that the partnership agreement between the Parent Company and the third party was not legally enforceable and is void.

b. During the year 2007, the associate Company was served with an administrative subpoena and, subsequently in March 2008 with a grand jury subpoena, by the US Government in connection with an investigation into certain aspects of the Subsistence Prime Vendor ("SPV") Contract. In addition, some employees of the Group were served with civil investigative demands. The Associate Company cooperated with this investigation and produced numerous records in response to this request.

   On November 16, 2009, the Associate Company was indicted by a federal grand jury in United States on multiple counts of False Claims Act violations. Furthermore, The United States Department of Justice also joined the civil qui tam lawsuit against the Associate Company under the US False Claims Act. The Department of Justice is claiming substantial damages for alleged violations in both the criminal and civil proceedings. As a result of this indictment, certain Group companies (including the Parent Company) are suspended from bidding for new contracts or renewing the existing contracts with the US Government pending the outcome of the cases. However, the suspension does not affect continued performance of the existing contracts. Prolonged suspension could have a material impact on the group's government related business and may result in the associated assets being impaired. The existing SPV Contract will expire in December 2010.

   The Associate Company is in discussions with the US Government with a view to resolving the current legal cases with the US Department of Justice. However, there is no guarantee that the parties can reach a mutually agreeable settlement. The associate is prepared to litigate its legal case vigorously if no reasonable settlement is possible. In addition, the US Department of Justice is currently conducting an informal investigation regarding two costs reimbursable US Government contracts in order to ascertain whether reimbursement requests for certain costs incurred by the Associate Company were proper.

   Due to inherent uncertainty surrounding these cases, no provision is recorded by the management in the interim consolidated financial information of the associate. The Associate Company (after consulting the external legal counsel) is not able to comment on the likely outcome of the cases.

c. In October 2007, certain subsidiaries (involved in the freight forwarding business) of the Associate Company along with other major players in the freight forwarding industry received requests for information from the competition authorities of the EU, the United States and other jurisdictions in connection with an industry-wide investigation into the setting of surcharges and fees. These subsidiaries are fully cooperating with the respective authorities.

In July 2009, a subsidiary of the Associate Company was named as a defendant in a class action lawsuit filed in the Eastern District of New York, along with a number of other freight forwarding companies, regarding surcharges and fees for services. In November 2009, the defendants filed motions to dismiss the claims that are currently pending before the court. The ultimate outcome of this litigation is uncertain at this time.

On November 26, 2009 the Italian Competition Authority (ICA) opened an investigation into the activities of some 20 freight forwarding companies. The existence of the Italian investigation is recorded in a decision by the ICA opening formal proceedings and naming Agility. Those allegations will need to be formally confirmed by the ICA in due course in a statement of objections by the end of this year. In February 2010, the European Commission issued a Statement of Objections ("SO") to the Associate Company and two of its subsidiaries. The SO alleges that certain infringements of EU competition law were committed by the subsidiaries. The Commission's final decision is not expected until late 2010 or 2011.

In June 2010, the New Zealand Commerce Commission issued a draft statement of Claim against the associate. The Commission indicated that it plans to issue an official statement of claims against the associate. and is not expected until late 2010.

As at June 30, 2010, due to inherent uncertainty surrounding these investigations, the Group's management (after consulting the external legal counsel) is not able to comment on the likely outcome of the investigations and in view of the difficulty in quantifying any potential liabilities in this regard, no provision is recorded in the interim consolidated financial information of the associate for the period ended June 30, 2010.

d. During the year 2006, a bank guarantee of the Associate Company has been issued in favour of General Administration of Customs for Kuwait ("GAC") against execution' related to contract of a subsidiary of the Associate Company. The subsidiary of the Associate Company appealed this resolution through case No. 224/2007 "Administrative - 7".

In the opinion of the Associate Company's external legal consulting firms the violations against which a portion of the bank guarantee provided has been encashed, are non-contractual violations, and in accordance with the law, believe that a verdict shall be issued in favour of the Subsidiary Company to return the encashed portion of the guarantee plus interest of 7%. The Associate Company during the year obtained a report from the expert department of Ministry of Justice on this matter which was in favour of the Company in respect of most of the issues arising from the case. The management of the Associate Company is of the opinion that this matter is incidental and will be resolved in the courts in the near future and, accordingly, no provision had been recorded in the interim consolidated financial information of the associate.

During the year 2006, the management of the Parent Company has accounted provision for an amount of KD 1,226,082 for its share of the encashed portion of the bank guarantee on a conservation basis and not as surrender to the validity of the encashment.

e. 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. The Ministry filed an appeal at the Supreme Court on which the Supreme Court issued a ruling on 4 May 2010, rejecting the Ministry's appeal and confirming the previous ruling in favor of the associate Company.

However, the Government requested on 2007 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 No. 30/2006.

The associate again protested against the new resolution through case No. 36/2007 and assured, in its statement of defense, which is in agreement with the provisions of the law, as confirmed by the Supreme Court including the Kuwait Court of Cessation, 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 pronounce its judgment to revoke the new Resolution issued by the Public Authority of Industry, because it has been based on wrong objects. 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 the beginning.

f. 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 is 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. The Ministry of Finance has filed an appeal against the rule which is pending resolution. As a result of the ruling, the associate resumed operation in the contract.

g. In addition to the above, the associate is involved in various claims and legal proceedings including employees' compensations and contractors 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, 2010.

5. Properties held for trading

The movement during the period / year is as follows:

| | June 30, 2010 | (Audited) December 31, 2009 | June 30, 2009 |
|---|---|---|---|
| Balance at the beginning of the period / year | 32,088,881 | - | - |
| Transferred from capital work in progress | - | 31,686,349 | - |
| Additions | 22,278 | 2,015,463 | - |
| Due to disposals of subsidiaries (Note – 3) | (1,934,086) | - | - |
| Interest capitalized on properties held for trading | 993,703 | 1,292,242 | - |
| Amortized interest relating to properties held for trading | 146,707 | 447,346 | - |
| Foreign currency translation adjustments | (358,977) | 712,497 | - |
| Impairment loss for properties held for trading | - | (4,065,016) | - |
| Balance at the end of the period / year | 30,958,506 | 32,088,881 | - |

6. Accounts payable and other credit balances

| | June 30, 2010 | (Audited) December 31, 2009 | June 30, 2009 |
|---|---|---|---|
| **Current portion** | | | |
| Revenue received in advance | 543,314 | 576,304 | 9,768,422 |
| Refundable deposits from tenants | 1,715,849 | 1,783,312 | 1,734,193 |
| Retentions | - | 299,935 | 481,744 |
| Payable to contractors | 2,491,908 | 2,572,017 | - |
| Dividend payable to shareholders | 1,736,812 | 1,701,632 | 1,727,860 |
| Accrued expenses | 2,401,487 | 2,628,701 | 2,731,429 |
| Accrued interest | 408,425 | 334,314 | 3,947 |
| Payable to KFAS | 6,891 | - | - |
| Payable to National Labor Support Tax | 58,122 | - | - |
| Payable to Zakat | 23,249 | - | - |
| Payable for Board of Directors' remuneration | 35,000 | 70,000 | 35,000 |
| Payable for purchase of lands | 32,851,072 | 32,869,644 | 20,658,619 |
| Other payables | 3,157,592 | 3,221,293 | 2,096,423 |
| Total current portion | 45,429,721 | 46,057,152 | 39,237,637 |
| **Non current portion** | | | |
| Revenue received in advance | 12,614,174 | 11,419,085 | 263,514 |
| Retentions | - | 32,489 | - |
| Accrued expenses | 6,150,216 | 6,775,092 | 5,460,662 |
| Provision for contractual obligations | 777,688 | 777,688 | 786,689 |
| Payable for purchase of lands | 56,089,956 | 71,321,738 | 89,496,280 |
| Other payables | 4,374,780 | 2,051,913 | 3,040,126 |
| Total non current portion | 80,006,814 | 92,378,005 | 99,047,271 |
| | 125,436,535 | 138,435,157 | 138,284,908 |

7. Bank facilities

Bank facilities consist of the following:

| | June 30, 2010 | (Audited) December 31, 2009 | June 30, 2009 |
|---|---|---|---|
| Current amount | **27,656,566** | 32,961,532 | 52,679,425 |
| Non-current amount | **170,672,775** | 159,470,309 | 119,617,554 |
| Total bank facilities | **198,329,341** | 192,431,841 | 172,296,979 |

The interests on the bank borrowings are as follows:

| | June 30, 2010 % | (Audited) December 31, 2009 % | June 30, 2009 % |
|---|---|---|---|
| Average annual interest rate over Central Bank of Kuwait discount rate on facilities by Kuwaiti Dinar | **2.5 - 3** | 2.5 - 3 | 2 – 2.85 |
| Average annual interest rate over the bank borrowing cost on facilities by USD | **4** | 4 | 4 |
| Average annual interest rate on facilities by Euro | **2.5** | 2.5 | 2.5 |
| Average annual interest rate on facilities by Libyan Dinar | **1.5** | 1.5 | 6 |

Bank facilities are granted for the Group by local and foreign banks.

The parent company's share of bank facilities denominated in Euro and Libyan Dinars are granted by an international bank against general mortgage over the joint venture's assets (Mediterranean Investment Holding P.L.C) and its subsidiaries with no recourse on the parent company. The parent company's share from these facilities amounted to equivalent of KD 9,778,109 (December 31,2009 the equivalent of KD 11,364,555, June 30,2009 the equivalent of KD 7,617,554)

Certain bank facilities are secured against the following:

a) Pledging certain shares of the group's investments in the public warehousing company – K.S.C. (Agility).
b) Guarantees on pledging certain investment properties owned by the parent company
c) Promissory Notes.

## 8. Treasury shares

| | June 30, 2010 | (Audited) December 31, 2009 | June 30, 2009 |
|---|---|---|---|
| Number of treasury shares | **39,563,251** | 38,988,251 | 38,688,251 |
| Percentage of issued and fully paid up shares (%) | **4.85** | 4.78 | 4.75 |
| Market value (KD) | **4,826,717** | 7,719,674 | 12,573,682 |
| Cost (KD) | **7,439,205** | 7,179,151 | 7,118,276 |

## 9. Net investment income

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| Dividend income | **62,938** | 120,310 | **62,938** | 121,035 |
| Realized gain (loss) on sale of investments available for sale | **65,897** | (5,337) | **161,527** | (40,348) |
| | **128,835** | 114,973 | **224,465** | 80,687 |

## 10. 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.

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.

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.

## 11. 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, | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| Net profit for the period attributable to equity holders of the Parent Company | **2,417,870** | 7,626,062 | **8,399,886** | 13,365,534 |
| | **2010 Shares** | 2009 Shares | **2010 Shares** | 2009 Shares |
| Number of issued and fully paid-up shares | **814,195,063** | 814,195,063 | **814,195,063** | 814,195,063 |
| Less: Weighted average number of treasury shares | **(39,509,680)** | (38,688,251) | **(39,286,179)** | (38,589,909) |
| Weighted average number of shares outstanding | **774,685,383** | 775,506,812 | **774,908,884** | 775,605,154 |
| | **Fils** | Fils | **Fils** | Fils |
| Earnings per share attributable to equity holders of the Parent Company | **3.12** | 9.83 | **10.84** | 17.23 |

12. 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 | Associates | Joint Ventures | June 30, 2010 | December 31, 2009 (Audited) | June 30, 2009 |
|---|---|---|---|---|---|---|---|
| **Balances:** | | | | | | | |
| Accounts receivable and other debit balances | **2,061,915** | **293,000** | **199,943** | **-** | **2,554,858** | 3,183,759 | 3,644,789 |
| Long term loan | **-** | **-** | **-** | **-** | **-** | 631,302 | 581,334 |
| Accounts payable and other credit balances | **35,535** | **-** | **-** | **-** | **35,535** | 37,536 | 36,366 |

| | | | | | Six months ended June 30, | |
|---|---|---|---|---|---|---|
| | Major shareholders | Key management personnel | Associate | Joint Ventures | 2010 | 2009 |
| **Transactions:** | | | | | | |
| Rental income | **234,229** | **-** | **-** | **-** | **234,229** | 255,662 |
| Other income | **65,163** | **-** | **-** | **-** | **65,163** | 159,713 |
| Interest income | **39,264** | **-** | **-** | **19,049** | **58,313** | 83,373 |
| General and administrative expenses | **(134,278)** | **-** | **-** | **-** | **(134,278)** | (115,408) |

| | Six months ended June 30, | |
|---|---|---|
| | 2010 | 2009 |
| **Key management compensation:** | | |
| Short term benefits | **293,174** | 432,722 |
| Termination benefits | **13,356** | 19,327 |
| Board of Director's remuneration | **35,000** | 35,000 |

13. Contingencies and capital commitments

a) At June 30, 2010, the Group's management authorized capital commitments amounting to KD 1,036,844 (December 31, 2009 – KD 1,446,100, June 30, 2009 – KD 3,301,622).

b) At June 30, 2010, 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 1,071,300 (December 31, 2009 – KD 2,846,931, June 30, 2009 – KD 4,098,335).

(ii) Capital expenditure authorized by the board of directors of the joint venture but has not yet been contracted for amounted to KD Nil (December 31, 2009 – KD 343,247, June 30, 2009 – KD 1,985,033).

c) At June 30, 2010, 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 |
|---|---|
| 2011 – 2014 | 112,800 |
| 2015 – 2019 | 141,000 |
| | 253,800 |

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, 2010** | (Audited) December 31, 2009 | June 30, 2009 |
|---|---|---|---|
| Letters of guarantee | **2,752,108** | 2,418,003 | 453,745 |
| Letters of credit | **-** | 84,986 | 329,290 |
| | **2,752,108** | 2,502,989 | 783,035 |

e) 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:

| | Amount |
|---|---|
| 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 conservative basis and not as surrender to the validity of the resolution.

The managing company had filed a case under 939/2006 appealing against the decision of the Ministry of Commerce and Industry for the cancellation of a management contract for KFTZ. On April 15, 2007, the court forwarded the case to the Experts Department in the Ministry of Justice which has issued its report and the case will be held on November 22, 2010 to study the Experts report regarding this case.

As per the opinion of the managing company's external legal counsel hearing, 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 management 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.

f) 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 session 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 which had decided in its session dated June 30, 2009 to revoke the Court of Appeal's verdict and corroborate the Court of First Instance's verdict, which ruled that the contracts of those properties are expired and the properties are to be handed over to the Ministry of Finance, and the Ministry had obtained possession of these properties from the parent Company on March 24, 2010.

During the prior years, the Group had recorded full provisions for those properties on conservative basis. In the Group's opinion, the Court of Cassation's verdict would not have negative financial impact on its financial results as all necessary provisions in that regard are accounted in its records.

In the opinion of the External Legal Counsel of the Group, there is no ability to comment on the possible financial impact of neither the Court of Cessation's verdict nor the possible compensations which might result for either party of the dispute, as there's no basis that would enable the Group of calculating these financial results, possible compensations or evaluating the possibility of concluding new agreements for those properties in an accurate manner. Taking that into consideration as well as the full provision recorded for those properties in the Group's records, the Group's management had decided that no additional provisions would be necessary as at the date of interim consolidated financial information.

g) The parent company's books include amounts due from and to the Kuwait ports authority, where the amount due from Kuwait ports authority to the parent company amounted to KD 38,595,850 (December 31, 2009 – KD 37,057,660 , June 30, 2009 – KD 35,594,185), which represents the rehabilitation costs for Kuwait ports authority properties in Kuwait free trade zone, in addition to due rents of utilized properties by Kuwait ports authority in Kuwait free trade zone in addition to interest on the balance due from Kuwait ports authority, where the parent company has fully provided for this interest, and on the other side the balance due to Kuwait ports authority amounted to KD 6,928,556 (December 31, 2009 – KD 6,928,556 , June 30, 2009 – KD 6,928,556) which represents the share of Kuwait ports authority in the rent revenues related to the properties erected and handed over from it in the Kuwait free trade zone after deducting the share relating to the outstanding and unpaid rent of Kuwait ports authority for the properties utilized by it. In case of any settlement regarding those outstanding and unpaid rents, the parent company's relative share previously deducted will be refunded back to the share of Kuwait ports authority in rental income of Kuwait free trade zone.

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 the managing company has fully provided for the amount due from Kuwait Ports Authority on a conservative basis and not as surrender to the validity of the cancellation resolution.

The balance due from Kuwait ports authority to the parent company before computing the interest provision and the provision relating to the cancellation of the management contract of free trade zone amounted to KD 28,665,629 (December 31, 2009 – KD 30,129,104 , June 30, 2009 – KD 28,665,629) where the parent company has fully provided for this balance including the computed interest and provisions for the cancellation of the management contract where provisions have been provided for the management contract on conservative basis and not as surrender to the validity of the cancellation resolution.

h) The Parent Company had filed a legal case No. 277/2005 against Kuwait Ports Authority & one of the Transport companies claiming for the unpaid and due rentals from their utilization of certain plots in Kuwait Free Trade Zone during its management by the Parent Company. The Court of First Instance in its verdict dated February 15th, 2010 had ruled in favor of the Parent Company obliging Kuwait Ports Authority & that Transport Company to jointly pay the Parent Company an amount of KD 6,956,416 for the areas and duration as stated in that ruling. The court had also denied the case filed by Kuwait Ports Authority & that Transport Company against the Parent Company in the same regard. Both Kuwait Ports Authority & that Transport Company had appealed against that ruling. The Parent Company had appealed against it as well, as it believes in its right for compensation amounts more than that stated in the court ruling. This case would be held on November 2, 2010.

The amount stated in the court ruling represents a portion of the rental amount due from Kuwait Ports Authority as recorded in the Parent Company's records. As it was appealed against that ruling, and since the amount had not yet been received by the Parent Company, no adjustments were recorded in the Parent Company's books on a conservative basis, as the Parent Company's books include all the required provisions in that regard (Note 13 – g).

14. Shareholders' Annual General Assembly

The annual shareholders' general assembly meeting was held on June 7, 2010 and had approved the Board of Directors' recommendation not to distribute either cash dividends or bonus shares for the year ended December 31, 2009 (December 31, 2008. No distribution of either cash dividends or bonus shares.

15. Working capital

| | **June 30, 2010** | (Audited) December 31, 2009 | June 30, 2009 |
|---|---|---|---|
| Current assets: | | | |
| Cash and cash equivalents | **13,738,089** | 11,081,010 | 15,160,228 |
| Term deposit | **-** | 600,000 | - |
| Accounts receivable and other debit balances | **8,038,449** | 6,276,335 | 7,272,447 |
| Quoted investments available for sale | **9,390,432** | 11,787,088 | 12,800,768 |
| Properties held for trading | **30,958,506** | 32,088,881 | - |
| Total current assets | **62,125,476** | 61,833,314 | 35,233,443 |
| Current liabilities: | | | |
| Accounts payable and other credit balances | **(45,429,721)** | (46,057,152) | (39,237,637) |
| Bank facilities | **(27,656,566)** | (32,961,532) | (52,679,425) |
| Total current liabilities | **(73,086,287)** | (79,018,684) | (91,917,062) |
| Working capital | **(10,960,811)** | (17,185,370) | (56,683,619) |

The Group's current liabilities exceed its current assets by an amount of KD 10,960,811 (December 31, 2009 - KD 17,185,370, June 30, 2009 – KD 56,6837,975). The interim consolidated financial information has been prepared assuming the Group will continue as a going concern. The interim consolidated financial information do not include any adjustment that might result from the outcome of the uncertainty. The Group's going concern assumption relies on necessary support from financial institutions, shareholders as well as the Group's ability to promote its cash inflows.

In the Group's management opinion, its lender financial institutions will renew the Group's outstanding borrowings on their respective due dates considering the quality of the Group's assets and the stability of its cash inflows, and also that the major shareholders and associates of the Parent Company.

16. Segment information

(A) The Group's management has grouped the Group's services into the following business segments:

- Real estate and Other operations: consisting of development, trading, leasing and management of real estate properties and other activities.
- Investment operations: consisting of investment in associates, equity securities and joint ventures.

There are no inter-segmental transactions. The following are the details of the above segments:

| | Six months ended June 30, 2010 | | | Six months ended June 30, 2009 | | |
|---|---|---|---|---|---|---|
| | Real estate & Others | Investments | Total | Real estate & Others | Investments | Total |
| Segment income | 10,226,010 | 7,957,176 | 18,183,186 | 6,039,177 | 16,894,109 | 22,933,286 |
| Segment expenses | (5,528,064) | - | (5,528,064) | (5,083,513) | - | (5,083,513) |
| Depreciation, amortization and change in fair value | (2,801,232) | - | (2,801,232) | (2,647,538) | - | (2,647,538) |
| Segment results | 1,896,714 | 7,957,176 | 9,853,890 | (1,691,874) | 16,894,109 | 15,202,235 |
| Net interest | | | (1,386,012) | | | (874,970) |
| Unallocated expenses | | | (252,431) | | | (797,280) |
| Net profit for the period | | | 8,215,447 | | | 13,529,985 |
| Attributable to: | | | | | | |
| Equity holders of the Parent Company | | | 8,399,886 | | | 13,365,534 |
| Non controlling interest | | | (184,439) | | | 164,451 |
| | | | 8,215,447 | | | 13,529,985 |
| Total Assets | 383,420,129 | 235,349,069 | 618,769,198 | 354,043,279 | 220,543,759 | 574,587,038 |

(B) For the management purposes, the group is divided into five geographical segments, which are: State of Kuwait, GCC, Asia, Africa and others.

The geographical segments information are as follows:

| | June 30, 2010 | | | | | | June 30, 2009 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Kuwait | GCC | Asia | Africa | Others | Total | Kuwait | GCC | Asia | Africa | Others | Total |
| Cash on hand & at banks | 4,405,809 | 57,040 | 973,826 | 1,364,560 | 1,367,739 | 8,168,974 | 3,641,627 | 489,916 | 1,429,854 | 4,126,126 | 5,672,705 | 15,160,228 |
| Bank deposits | 1,604,492 | 109,401 | 456,561 | 3,398,661 | - | 5,569,115 | - | - | - | - | - | - |
| Accounts receivable and other debit balances | 5,213,762 | 473,076 | 3,774,016 | 448,323 | 1,604,754 | 11,513,931 | 7,115,971 | 95,922 | 3,607,835 | 170,503 | 1,887,499 | 12,877,730 |
| Investments available for sale | 12,671,299 | 3,016,677 | - | - | 1,976,115 | 17,664,091 | 15,774,528 | 3,982,169 | - | - | 1,382,390 | 21,139,087 |
| Investment in associates | 217,684,978 | - | - | - | - | 217,684,978 | 199,012,354 | - | - | - | - | 199,012,354 |
| Investment in a joint venture | - | - | - | - | - | - | 392,318 | - | - | - | - | 392,318 |
| Capital work in process | - | - | - | - | - | - | 376,430 | 113,162,280 | 15,974,751 | 103,668,230 | 19,221,284 | 252,702,992 |
| Properties held for trading | - | 12,818,897 | 6,384,996 | 11,754,613 | - | 30,958,506 | - | - | - | - | - | - |
| Properties under development | - | 24,293,130 | 2,131,089 | 94,442,249 | - | 120,866,468 | - | - | - | - | - | - |
| Properties, plant and equipment | 1,566,399 | 880,484 | 5,868,868 | 865,361 | 111,254 | 9,292,366 | 1,256,461 | 2,127 | 1,535,498 | 193,131 | 33,173 | 3,020,390 |
| Investment properties | 61,357,800 | 83,762,985 | 7,581,256 | 1,896,028 | 42,452,700 | 197,050,769 | 64,683,234 | - | 5,598,705 | - | - | 70,281,939 |
| Total assets | 304,504,539 | 125,411,690 | 27,170,612 | 114,169,795 | 47,512,562 | 618,769,196 | 292,452,923 | 117,732,421 | 28,146,653 | 108,057,990 | 28,197,051 | 574,587,038 |
| Deferred tax | - | - | - | - | (5,342,914) | (5,342,914) | - | - | - | - | - | - |
| Bank facilities | (188,551,232) | - | - | - | (9,778,109) | (198,329,341) | (164,679,426) | - | - | - | (7,617,553) | (172,296,979) |
| Bonds | - | - | - | - | (6,249,373) | (6,249,373) | - | - | - | - | (7,108,640) | (7,108,640) |
| Other liabilities | (29,280,541) | (24,796,806) | (1,429,582) | (65,724,256) | (4,995,436) | (126,226,621) | (24,888,623) | (36,245,502) | (737,599) | (74,616,351) | (2,524,350) | (139,012,425) |
| Total liabilities | (217,831,773) | (24,796,806) | (1,429,582) | (65,724,256) | (26,365,832) | (336,148,249) | (189,568,049) | (36,245,502) | (737,599) | (74,616,351) | (17,250,543) | (318,418,044) |

| | Six months ended June 30, 2010 | | | | | | Six months ended June 30, 2009 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Kuwait | GCC | Asia | Africa | Others | Total | Kuwait | GCC | Asia | Africa | Others | Total |
| **Revenues** | | | | | | | | | | | | |
| Rental income | 4,212,842 | - | 179,203 | - | 459,741 | 4,851,786 | 4,045,936 | - | 146,143 | - | - | 4,192,079 |
| Share in the associates' results | 7,757,431 | - | - | - | - | 7,757,431 | 16,831,680 | - | - | - | - | 16,831,680 |
| Net investment income | 64,155 | 160,310 | - | - | - | 224,465 | 50,541 | 33,424 | - | - | (3,278) | 80,687 |
| Net profit on sale of subsidiaries | - | - | 4,309,086 | - | - | 4,309,086 | - | - | - | - | - | - |
| Change in fair value of investment properties | (2,441,318) | - | - | - | - | (2,441,318) | (2,337,878) | - | - | - | - | (2,337,878) |
| Interest income | 1,625,464 | 5,410 | 37,321 | 138,566 | 3,842 | 1,810,603 | 1,565,030 | 14,571 | 34,867 | 186,165 | 86,952 | 1,887,585 |
| Other income | 1,139,736 | - | (74,598) | - | - | 1,065,138 | 1,840,139 | - | 2,777 | 4,182 | - | 1,847,098 |
| Total revenues | 12,358,310 | 165,720 | 4,451,012 | 138,566 | 463,583 | 17,577,191 | 21,995,448 | 47,995 | 183,787 | 190,347 | 83,674 | 22,501,251 |
| **Expenses** | | | | | | | | | | | | |
| Staff costs | (1,653,845) | (56,664) | (234,138) | (239,367) | (88,050) | (2,272,064) | (1,818,829) | (125,474) | (199,439) | (14,795) | - | (2,158,537) |
| General & Administrative | (1,877,213) | (310,277) | (316,862) | (676,651) | (74,997) | (3,256,000) | (2,036,922) | (437,937) | (294,293) | (82,740) | (71,734) | (2,923,626) |
| Depreciation and amortization | (220,595) | (8,597) | (89,794) | (30,988) | (9,940) | (359,914) | (170,279) | (62) | (119,654) | (12,999) | (6,666) | (309,660) |
| Interest expense | (1,323,552) | - | - | - | (334,873) | (1,658,425) | (1,304,340) | - | - | (10,444) | (55,382) | (1,370,166) |
| Provision for interest income | (1,538,190) | - | - | - | - | (1,538,190) | (1,393,739) | - | - | - | - | (1,393,739) |
| Foreign exchange loss | (140,416) | - | 16,227 | (4,980) | - | (129,169) | (762,280) | - | - | - | - | (762,280) |
| Others expenses | (147,982) | - | - | - | - | (147,982) | (53,258) | - | - | - | - | (53,258) |
| Total expenses | (6,901,793) | (375,538) | (624,567) | (951,986) | (507,860) | (9,361,744) | (7,539,647) | (563,473) | (613,386) | (120,978) | (133,782) | (8,971,266) |
| Net profit for the period | 5,456,517 | (209,818) | 3,826,445 | (813,420) | (44,277) | 8,215,447 | 14,455,801 | (515,478) | (429,599) | 69,369 | (50,108) | 13,529,985 |
| Attributable to: | | | | | | | | | | | | |
| Equity Holders of parent company | 5,498,014 | (202,788) | 3,809,560 | (660,621) | (44,279) | 8,399,886 | 14,249,165 | (507,670) | (379,468) | 53,615 | (50,108) | 13,365,534 |
| Non-controlling interest | (41,497) | (7,030) | 16,886 | (152,798) | - | (184,439) | 206,636 | (7,808) | (50,131) | 15,754 | - | 164,451 |
| | 5,456,517 | (209,818) | 3,826,446 | (813,419) | (44,279) | 8,215,447 | 14,455,801 | (515,478) | (429,599) | 69,369 | (50,108) | 13,529,985 |

## 17. Comparative figures

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