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

INTERIM CONSOLIDATED FINANCIAL INFORMATION
FOR THE PERIOD ENDED MARCH 31, 2008
(UNAUDITED)
WITH
REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL INFORMATION

LDD 19-05-'08 11:35

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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 balance sheet of National Real Estate Company K.S.C. (the Parent Company) and subsidiaries (the Group) as of March 31, 2008 and the related interim condensed consolidated statements of income, changes in equity and cash flows for the three-month period then ended. Management is responsible for the preparation and presentation of this interim consolidated financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim consolidated financial information based on our review.

Scope of Review

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

Conclusion

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

Report on other Legal and Regulatory Requirements

Furthermore, the interim consolidated financial information is in agreement with the Parent Company's books of account and to the best of our knowledge and belief, there were no contraventions during the period ended March 31, 2008 of either the Commercial Companies Law or the Parent Company's Articles of Association, which might have materially affected the Group's financial position or results of its operations, except that the Parent Company holds certain direct investments in shares in violation of its objects.

Emphasis of matter

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

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State of Kuwait
May 17, 2008

NATIONAL REAL ESTATE COMPANY K.S.C. AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)
AS OF MARCH 31, 2008
(All amounts are in Kuwaiti Dinars)

ASSETS	Note	March 31, 2008	(Audited) December 31, 2007	March 31, 2007
Cash and cash equivalents	4	**22,278,838**	12,959,872	15,909,333
Investments at fair value through income statement	5	**7,127,774**	2,688,041	2,896,853
Accounts receivable and other debit balances	6	**71,644,129**	70,801,705	7,632,010
Investments available for sale	7	**15,229,413**	17,875,026	11,813,442
Investment in unconsolidated subsidiaries		**-**	-	1,832,291
Investment in associates	8	**189,304,496**	185,405,109	179,508,961
Investment in a joint venture		**356,029**	295,681	251,723
Capital work in progress	9	**41,274,525**	38,216,590	21,780,883
Fixed assets		**1,753,114**	1,622,360	547,832
Investment properties		**66,314,696**	66,411,513	65,816,565
Total assets		**415,283,014**	396,275,897	307,989,893
LIABILITIES AND EQUITY				
Liabilities:				
Accounts payable and other credit balances		**26,385,335**	27,910,930	22,862,704
Bank facilities	11	**128,757,070**	114,807,428	49,779,784
Bonds		**3,165,750**	3,031,500	-
Provision for end of service indemnity		**623,781**	611,934	600,969
Total liabilities		**158,931,936**	146,361,792	73,243,457
Equity:				
Share capital		**74,017,733**	74,017,733	64,363,246
Treasury shares	12	**(5,104,958)**	(5,554,583)	(5,198,694)
Statutory reserve		**34,503,518**	34,503,518	30,585,134
Treasury shares reserve		**12,854,484**	12,051,208	9,848,723
Effect of changes in associates' equity	8	**3,023,181**	5,897,123	9,896,936
Cumulative changes in fair value		**50,479**	997,834	399,120
Foreign currency translation adjustments		**(72,482)**	373,733	774,673
Retained earnings		**115,479,456**	106,085,640	113,998,662
		234,751,411	228,372,206	224,667,800
Minority interest		**21,599,667**	21,541,899	10,078,636
Total equity		**256,351,078**	249,914,105	234,746,436
Total liabilities and equity		**415,283,014**	396,275,897	307,989,893

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

Jamil Sultan Al-Essa
Chairman and Managing Director

NATIONAL REAL ESTATE COMPANY K.S.C. AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2008
(All amounts are in Kuwaiti Dinars)

	Note	Three months ended March 31, 2008	2007
Revenues:			
Rental income		**1,896,207**	1,770,538
Share in the associates' results	8	**8,801,188**	9,962,127
Change in fair value of investment properties		**(117,419)**	(105,607)
		10,579,976	11,627,058
Expenses:			
Staff costs		**(1,292,058)**	(1,363,946)
General and administrative		**(1,225,771)**	(815,643)
Depreciation		**(83,600)**	(44,310)
		(2,601,429)	(2,223,899)
Operating profit		**7,978,547**	9,403,159
Net investment income	13	**1,923,515**	1,559,561
Other income	14	**1,708,893**	1,870,825
Share in the joint venture results		**(11,910)**	(16,797)
Interest income		**769,440**	612,273
Interest expense		**(2,187,340)**	(746,720)
Provision for interest income on the balance due from Kuwait Ports Authority	10	**(622,359)**	(563,365)
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		**9,558,786**	12,118,936
Contribution to KFAS	15	**-**	(9,622)
National Labor Support Tax	15	**(20,601)**	(48,678)
Board of Director's remuneration		**(17,500)**	(17,500)
Net profit for the period		**9,520,685**	12,043,136
Attributable to :			
Equity holders of the Parent Company		**9,393,816**	11,844,447
Minority interest		**126,869**	198,689
		9,520,685	12,043,136
Earnings per share attributable to equity holders of the Parent Company (fils)	16	**13.25**	16.79

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

NATIONAL REAL ESTATE COMPANY K.S.C. AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2008
(All amounts are in Kuwaiti Dinars)

	Attributable to equity holders of the Parent Company										
	Share capital	Treasury shares	Statutory reserve	Treasury shares reserve	Effect of changes in associates' equity	Cumulative changes in fair value	Foreign currency translation adjustments	Retained earnings	Subtotal	Minority interest	Total
Balance at December 31, 2007	74,017,733	(5,554,583)	34,503,518	12,051,208	5,897,123	997,834	373,733	106,085,640	228,372,206	21,541,899	249,914,105
Gain on sale of treasury shares	-	-	-	803,276	-	-	-	-	803,276	-	803,276
Change in fair value of investments available for sale	-	-	-	-	-	(947,355)	-	-	(947,355)	(6,960)	(954,315)
Foreign currency translation adjustments	-	-	-	-	-	-	(446,215)	-	(446,215)	(56,104)	(502,319)
Net income (loss) recognized directly in equity	-	-	-	803,276	-	(947,355)	(446,215)	-	(590,294)	(63,064)	(653,358)
Net profit for the period	-	-	-	-	-	-	-	9,393,816	9,393,816	126,869	9,520,685
Total recognized income (loss) for the period	-	-	-	803,276	-	(947,355)	(446,215)	9,393,816	8,803,522	63,805	8,867,327
Sale of treasury shares	-	449,625	-	-	-	-	-	-	449,625	-	449,625
Share of changes in associates' equity – Note 8	-	-	-	-	(2,873,942)	-	-	-	(2,873,942)	-	(2,873,942)
Paid to minority	-	-	-	-	-	-	-	-	-	(6,037)	(6,037)
Balance at March 31, 2008	**74,017,733**	**(5,104,958)**	**34,503,518**	**12,854,484**	**3,023,181**	**50,479**	**(72,482)**	**115,479,456**	**234,751,411**	**21,599,667**	**256,351,078**
Balance at December 31, 2006	64,363,246	(5,184,069)	30,585,134	9,582,304	9,824,085	94,225	805,452	102,154,215	212,224,592	8,725,763	220,950,355
Gain on sale of treasury shares	-	-	-	266,419	-	-	-	-	266,419	-	266,419
Change in fair value of investments available for sale	-	-	-	-	-	304,895	-	-	304,895	29,216	334,111
Foreign currency translation adjustments	-	-	-	-	-	-	(30,779)	-	(30,779)	17,006	(13,773)
Net income (loss) recognized directly in equity	-	-	-	266,419	-	304,895	(30,779)	-	540,535	46,222	586,757
Net profit for the period	-	-	-	-	-	-	-	11,844,447	11,844,447	198,689	12,043,136
Total recognized income (loss) for the period	-	-	-	266,419	-	304,895	(30,779)	11,844,447	12,384,982	244,911	12,629,893
Purchase of treasury shares	-	(141,864)	-	-	-	-	-	-	(141,864)	-	(141,864)
Sale of treasury shares	-	127,239	-	-	-	-	-	-	127,239	-	127,239
Share of changes in associate's equity – Note 8	-	-	-	-	72,851	-	-	-	72,851	-	72,851
Share of minority from additional investment in a consolidated subsidiary	-	-	-	-	-	-	-	-	-	1,116,573	1,116,573
Paid to minority	-	-	-	-	-	-	-	-	-	(8,611)	(8,611)
Balance at March 31, 2007	64,363,246	(5,198,694)	30,585,134	9,848,723	9,896,936	399,120	774,673	113,998,662	224,667,800	10,078,636	234,746,436

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

	Note	Three months ended March 31, 2008	2007
CASH FLOW FROM OPERATING ACTIVITIES:			
Profit for the period before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration		**9,558,786**	12,118,936
Adjustments for:			
Depreciation		**83,600**	44,310
Net investment income		**(1,923,515)**	(1,559,561)
Share in the associates' results		**(8,801,188)**	(9,962,127)
Share in the joint venture results		**11,910**	16,797
Gain on sale of fixed assets		**-**	(1,360)
Change in fair value of investment properties		**117,419**	105,607
Interest income		**(769,440)**	(612,273)
Interest expense		**2,187,340**	746,720
Provision for interest income on the balance due from Kuwait Ports Authority		**622,359**	563,365
Provision for end of service indemnity		**32,682**	26,059
		1,119,953	1,486,473
Changes in operating assets and liabilities:			
Accounts receivable and other debit balances		**3,552,878**	(2,230,918)
Accounts payable and other credit balances		**(1,599,709)**	1,227,730
Cash generated from operations		**3,073,122**	483,285
Payment for end of service indemnity		**(15,211)**	-
Net cash generated from operating activities		**3,057,911**	483,285
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investments at fair value through income statement		**(14,458,296)**	-
Proceeds from sale of investments at fair value through income statement		**9,033,762**	-
Purchase of investments available for sale		**(933,702)**	(5,138,349)
Proceeds from sale of investments available for sale		**-**	417,676
Purchase of additional investment in an associate		**(17,934)**	(1,539,212)
Proceeds from partial disposal of investment in an associate		**7,576,952**	2,737,551
Payment for long term loan to joint venture		**(65,246)**	(56,543)
Payment for capital work in progress		**(3,762,363)**	(4,920,270)
Purchase of fixed assets		**(217,868)**	(37,157)
Proceeds from sale of fixed assets		**-**	13,000
Advance payment for purchase of land		**(4,395,302)**	-
Payment for additions to investment properties		**(20,602)**	-
Dividend income received		**2,157**	13,734
Interest received		**140,069**	35,958
Net cash used in investing activities		**(7,118,373)**	(8,473,612)

	Note	Three months ended March 31, 2008	2007
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net proceeds from bank overdraft		**1,497,814**	8,214,467
Net proceeds from term loans		**12,451,828**	7,047,836
Paid for purchase of treasury shares		**-**	(141,864)
Proceeds from sale of treasury shares		**1,252,901**	393,658
Interest paid		**(2,156,951)**	(742,462)
Paid to minority		**(6,037)**	(8,611)
Share of minority from additional investment in a consolidated subsidiary		**-**	1,116,573
Net cash generated from financing activities		**13,039,555**	15,879,597
Foreign currency translation adjustments		**339,873**	-
Net increase in cash and cash equivalents		**9,318,966**	7,889,270
Cash and cash equivalents at beginning of the period		**12,959,872**	8,020,063
Cash and cash equivalents at end of the period	4	**22,278,838**	15,909,333

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

1. Activities

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

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

The interim consolidated financial information were authorized for issue by the Board of Directors on May 17, 2008.

2. Basis of presentation

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

The interim consolidated financial information do not include all of the information and footnotes required for complete financial statements prepared in accordance with International Financial Reporting Standards. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included. Operating results for the period ended March 31, 2008 are not necessarily indicative of the results that may be expected for the year ending December 31, 2008. For further information, refer to the consolidated financial statements and notes thereto for the year ended December 31, 2007

3. Basis of consolidation

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

	Country of incorporation	Percentage of ownership		
		March 31, 2008	(Audited) December 31, 2007	March 31, 2007
1) Dasman Commercial Complex – Joint venture	Kuwait	**62.094%**	62.094%	62.094%
2) HRD International for Human Resources Development Company W.L.L.	Kuwait	**80%**	85.3%	85.3%
3) Al-Takafouh Al-Thahabi General Trading and Contracting Company W.L.L.	Kuwait	**100%**	100%	100%
4) Aqaba National Real Estate Projects Co. (private shareholding company)	Jordan	**70%**	70%	70%
5) Kuwait National Real Estate (PVT) Ltd	Pakistan	**100%**	100%	100%
6) National Holding Group Company (Lebanese shareholding company)	Lebanon	**100%**	100%	100%
7) Kuwait Touristic Enterprises Development Company (private shareholding company)	Tunisia	**100%**	100%	100%
8) Kuwait National Real Estate Company (Egyptian shareholding company)	Egypt	**100%**	100%	100%
9) National Project Holding K.S.C. (Holding)	Kuwait	**93.33%**	90%	90%
10) National Investment & Development Company (private shareholding company)	Jordan	**100%**	100%	100%
11) KREDCO Real Estate Company - Limited	Iraq	**51%**	51%	-
12) Fresh World International Catering Co. K.S.C. (Closed)	Kuwait	**70%**	70%	-
13) Yemen Kuwait Co. for General Trading & Contracting W.L.L.	Yemen	**100%**	100%	-
14) Middle East Projects General Trading Company W.L.L.	Kuwait	**100%**	100%	-
15) Kuwait Wadi El-Nile Urban Development Company (Egyptian shareholding Company)	Egypt	**80%**	80%	-

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

4. Cash and cash equivalents

	March 31, 2008	(Audited) December 31, 2007	March 31, 2007
Cash on hand and at banks	**9,593,967**	9,321,583	12,343,883
Short term deposits	**7,684,871**	3,488,289	3,565,450
Money market fund	**5,000,000**	150,000	-
	22,278,838	12,959,872	15,909,333

The effective interest rate on short term deposits is 4.56% to 13% per annum (December 31, 2007 – 4.56% to 13% per annum, March 31, 2007 4.625% to 7.35% per annum). These deposits have an average maturity of 53 days (December 31, 2007 – 48 days, March 31, 2007 - 46 days).

5. Investments at fair value through income statement

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

	March 31, 2008	(Audited) December 31, 2007	March 31, 2007
Balance at the beginning of the period / year	**2,688,041**	2,728,815	2,728,815
Additions	**14,458,296**	279,256	-
Disposals	**(8,818,657)**	-	-
Unrealized (loss) gain on investments at fair value through income statement (Note 13)	**(1,199,906)**	(320,030)	168,038
Balance at the end of the period / year	**7,127,774**	2,688,041	2,896,853

6. Accounts receivable and other debit balances

As of March 31, 2008, accounts receivable and other debit balances include:

- Advance payments made to a local company to invest in real estate on behalf of the Parent Company in Republic of Iraq amounting to KD 1,096,347 (December 31, 2007 – KD 1,096,347, March 31, 2007 – KD 1,085,898).
- Advance payments made by the Parent Company to acquire land in the United Arab Emirates amounting to KD 36,451,017 (December 31, 2007 – KD 32,055,715, March 31, 2007 – KD Nil).
- Advance payments made by subsidiaries to acquire land in Egypt amounting to KD 22,053,805 (December 31, 2007 – KD 22,403,083, March 31, 2007 – KD Nil).

7. Investments available for sale

	March 31, 2008	(Audited) December 31, 2007	March 31, 2007
Managed portfolios and funds	**492,768**	483,899	18,431
Quoted securities	**7,036,207**	7,934,766	3,746,932
Unquoted securities	**7,700,438**	9,456,361	8,048,079
	15,229,413	17,875,026	11,813,442

It was not possible to reliably measure the fair value of investments in unquoted securities amounting to KD 7,338,138 (December 31, 2007 – 9,109,810, March 31, 2007 – KD 4,739,245) due to non-availability of a reliable method that could be used to determine the fair value of such investments. Accordingly, they were stated at their cost less impairment losses which amounted to KD 422,279 (December 31, 2007 – KD 422,279, March 31, 2007 – KD 422,279).

8. Investment in associates

		Percentage of ownership					
Name of the associate	Country of Incorporation	**March 31, 2008**	(Audited) December 31, 2007	March 31, 2007	**March 31, 2008**	(Audited) December 31, 2007	March 31, 2007
(i) Public Warehousing Company K.S.C. (Agility)	Kuwait	**22.932%**	23.516%	23.879%	**181,483,455**	179,962,349	173,908,110
Goodwill					**4,896,720**	5,322,760	5,600,851
					186,380,175	185,285,109	179,508,961
(ii) Kuwait Bulgarian Dairy Company W.L.L.	Kuwait	**40%**	40%	-	**120,000**	120,000	-
(iii) Al-Seef International Holding K.S.C.C.	Kuwait	**25%**	-	-	**2,804,321**	-	-
					189,304,496	185,405,109	179,508,961

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

The movement during the period / year is as follows:

	March 31, 2008	(Audited) December 31, 2007	March 31, 2007
Balance at the beginning of the period / year	**185,285,109**	169,308,802	169,308,802
Additional investment in the associate	**17,934**	8,840,233	1,539,212
Partial disposal of investment in the associate	**(4,670,793)**	(8,193,994)	(1,374,031)
Share in the associates results	**8,607,887**	36,200,861	9,962,127
Cash dividends received	-	(16,943,831)	-
Effect of changes in associate's equity (b)	**(2,859,962)**	(3,926,962)	72,851
Balance at the end of the period / year	**186,380,175**	185,285,109	179,508,961

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

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

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

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

	March 31, 2008	(Audited) December 31, 2007	March 31, 2007
(Loss) gain on sale of treasury shares	**(254,112)**	(80,390)	77,898
Foreign currency translation adjustments	**(2,608,888)**	(3,779,997)	(5,545)
Cumulative changes in fair value of available for sale investments	**3,038**	(66,575)	498
	(2,859,962)	(3,926,962)	72,851

During the period, 5,567,500 shares were sold from investment in the associate (December 31, 2007 – 9,665,000 shares, March 31, 2007 – 1,500,000 shares). The goodwill relating to these shares amounted to KD 426,040 (December 31, 2007 – KD 331,228, March 31, 2007 – KD 53,137).

The associate's contingent liabilities are as follows:

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

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

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

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

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

The associate, again, appealed against the new resolution through the Case No. 36/2007 and assured, in its statement of defense, which is in agreement with the clauses of the law, as confirmed by the Supreme Court including Kuwait Court of Cassation, that the new resolution is void, because it has been made on the same subject of the previous resolution. From a legal perspective, the court shall issue its judgment to void the new resolution issued by the Public Authority of Industry, because it has been based on a wrong basis.

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

Whereas the resolutions issued by the governmental authorities are not expected, from a legal perspective, to remain effective, no provision should be made in the books of the associate, as the outcomes of the legal cases issued by the courts in this respect are in favour of the associate.

c. On January 9th, 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/ for 2007. The associate appealed to the Court of First Instance against this resolution through Case No. 200/2007 "Administrative — 3". 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.

d. In addition to the above, the associate is involved in various claims and legal proceedings including employee compensation and contractor disputes. The in-house legal counsel of the associate believes that such claims are not valid and will not have a material adverse effect on the interim consolidated financial information of the associate as of March 31, 2008.

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

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

9. Capital work in progress

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

	March 31, 2008	(Audited) December 31, 2007	March 31, 2007
Balance at the beginning of the period / year	**38,216,590**	16,875,572	16,875,572
Additions	**3,762,363**	22,218,491	4,920,270
Foreign currency translation adjustments	**(704,428)**	(137,780)	(14,959)
Provisions against additions in Kuwait Free Trade Zone set off against contractual obligations	**-**	(739,693)	-
Balance at the end of the period / year	**41,274,525**	38,216,590	21,780,883

10. Net amount due from Kuwait Ports Authority

	March 31, 2008	(Audited) December 31, 2007	March 31, 2007
Due from Kuwait Ports Authority			
Rehabilitation costs of properties (a)	**6,417,653**	6,417,653	6,417,653
Accrued interest on the balance (b)	**10,187,898**	9,565,539	7,788,782
	16,605,551	15,983,192	14,206,435
Rent due from Kuwait Ports Authority (c)	**15,633,440**	15,633,440	15,633,440
Gross amount due from Kuwait Ports Authority before its share in rental income of Kuwait Free Trade Zone	**32,238,991**	31,616,632	29,839,875
Due to Kuwait Ports Authority			
Gross share of Kuwait Ports Authority in rental income of Kuwait Free Trade Zone (d)	**7,566,312**	7,566,312	7,566,312
Less: Refunded share of the outstanding and unpaid rent of Kuwait Ports Authority (e)	**(637,756)**	(637,756)	(637,756)
Net share of Kuwait Ports Authority in rental income of Kuwait Free Trade Zone	**6,928,556**	6,928,556	6,928,556
Gross amount due from Kuwait Ports Authority after its share in rental income of Kuwait Free Trade Zone	**25,310,435**	24,688,076	22,911,319
Provision for doubtful debts (b,c,f)	**(25,310,435)**	(24,688,076)	(22,911,319)
	-	-	-

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

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

(b) The managing company also computes interest on the monthly outstanding balance due from Kuwait Ports Authority at 10% per annum. Interest income recorded in the interim condensed consolidated statement of income for the period ended March 31, 2008 amounted to KD 622,359 (December 31, 2007 – KD 2,340,122, March 31, 2007 – KD 563,365). The managing company has fully provided for this interest.

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

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

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

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

11. Bank facilities

	Currency	March 31, 2008	(Audited) December 31, 2007	March 31, 2007
Current				
Overdraft facility from a local bank, carrying an interest rate of 1.25% per annum over the Central Bank of Kuwait discount rate repayable on demand.	KD	**8,549,673**	7,056,521	9,404,993
Overdraft facility from a local bank carrying an interest rate of 1.25% per annum over the Central Bank of Kuwait discount rate, repayable on demand.	KD	**1,014,983**	1,010,321	-
Term loan from a local bank carrying an interest rate of 1% per annum over the Central Bank of Kuwait discount rate, repaid on March 31, 2008.	KD	-	975,000	3,250,000
Term loan from a local bank carrying an interest rate of 0.75% per annum over the Central Bank of Kuwait discount rate, repaid on March 31, 2008.	KD	-	272,732	1,090,908
Revolving multi currency loans from a local bank carrying an interest rate of 1.25% - 1.5% per annum over the Central Bank of Kuwait discount rate for KD loans and 1.25% per annum over LIBOR for USD loans, repayable on April 23 , 2008.	KD / USD	**78,609,414**	69,687,854	36,033,883
Revolving multi currency loan from an International Bank carrying an interest rate of 1% per annum over the LIBOR repayable on September 25, 2008.	USD	**7,983,000**	8,205,000	-
Revolving multi currency loan from an International Bank carrying an interest rate of 1% per annum over the KIBOR repayable on June 28, 2008.	KD	**8,600,000**	8,600,000	-
Total current portion of bank facilities		**104,757,070**	95,807,428	49,779,784
Non-current				
Revolving loan from a local bank carrying an interest rate of 1.75% to 2% per annum over the Central Bank of Kuwait discount rate, repayable on April 1, 2009.	KD	**24,000,000**	19,000,000	-
Total non-current portion of bank facilities		**24,000,000**	19,000,000	-
Total bank facilities		**128,757,070**	114,807,428	49,779,784

Bank facilities amounting to KD 111,159,088 (December 31, 2007 - KD 96,992,107, March 31, 2007 – KD 49,779,784) have been secured by promissory notes amounting to KD 122,000,000 (December 31, 2007 – KD 114,000,000, March 31, 2007 - KD 75,000,000).

12. Treasury shares

	March 31, 2008	(Audited) December 31, 2007	March 31, 2007
Number of treasury shares	**29,179,297**	31,749,297	30,048,954
Percentage of issued shares (%)	**3.94**	4.29	4.67
Market value (KD)	**14,151,959**	15,557,156	22,236,226
Cost (KD)	**5,104,958**	5,554,583	5,198,694

13. Net investment income

	Three months ended March 31,	
	2008	2007
Dividend income	**2,157**	13,734
Unrealized (loss) gain from investments at fair value through income statement (Note 5)	**(1,199,906)**	168,038
Realized gain on sale of investments at fair value through income statement	**215,105**	-
Realized gain on partial disposal of investment in an associate	**2,906,159**	1,363,520
Realized gain on sale of investments available for sale	**-**	14,269
	1,923,515	1,559,561

14. Other income

	Three months ended March 31,	
	2008	2007
Foreign exchange gain	**270,751**	-
Promotional income	**59,075**	70,840
Service income – programs and courses fee	**319,160**	481,471
Service and registration income – others	**24,765**	30,039
Consultancy fees	**31,890**	1,258,224
Gain from money market funds	**4,490**	-
Gain on sale of fixed assets	**-**	1,360
Reversal of accrued expenses	**915,003**	-
Miscellaneous	**83,759**	28,891
	1,708,893	1,870,825

15. Contribution to KFAS, NLST and Zakat

Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) is calculated at 1% of the profit of the Parent Company after deducting its share of income from shareholding subsidiaries and associates and transfer to statutory reserve. For the period ended March 31, 2008, contribution to KFAS has not been calculated since there was no income base on which KFAS could be calculated.

National Labor Support Tax is calculated at 2.5% of the profit of the Parent Company and after deducting its share of income from listed shareholding subsidiaries and associates and cash dividends from Kuwaiti listed shareholding companies.

Zakat is calculated at 1% of the profit of the Parent Company in accordance with Law No. 46/2006 and the Ministry of Finance Resolution No. 58/2007. According to the calculation, there is no Zakat payable for the period ended March 31, 2008.

16. Earnings per share

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

	Three months ended March 31,	
	2008	(Restated) 2007
Net profit for the period attributable to equity holders of the Parent Company	**9,393,816**	11,844,447

	2008 Shares	2007 Shares
Number of issued and fully paid-up shares	**740,177,330**	643,632,460
Add: Bonus shares	**-**	96,544,870
Less: Weighted average number of treasury shares	**(31,279,242)**	(34,571,797)
Weighted average number of shares outstanding	**708,898,088**	705,605,533

	Fils	Fils
Earnings per share attributable to equity holders of the Parent Company	**13.25**	16.79

Earnings per share for the period ended March 31, 2007 have been restated due to issue of bonus shares for the year 2006 (Note 19).

17. Related party balances and transactions

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

Balances:	Major shareholders	Key management personnel	Associate	Joint venture	March 31, 2008	(Audited) December 31, 2007	March 31, 2007
Accounts receivable and other debit balances	1,328,307	553,000	703,734	-	2,585,041	2,223,944	1,189,318
Investments at fair value through income statement	6,664,250	-	-	-	6,664,250	2,063,064	2,183,096
Accounts payable and other credit balances	20,743	-	-	-	20,743	20,743	20,743

					Three months ended March 31,	
Transactions:	Major shareholders	Key management personnel	Associate	Joint venture	2008	2007
Rental income	117,737	-	-	-	117,737	117,679
Net investment income	(823,348)	-	-	-	(823,348)	218,322
Other income	9,333	-	-	-	9,333	6,904
Interest income	9,595	-	-	7,012	16,607	12,950
General and administrative expenses	(45,438)	-	-	-	(45,438)	(71,256)

	Three months ended March 31,	
Key management compensation:	2008	2007
Short term benefits	207,245	136,898
Termination benefits	8,406	4,904
Board of Director's remuneration	17,500	17,500

18. Contingencies and capital commitments

a) At March 31, 2008, the Group's management authorized capital commitments amounting to KD 124,230,962 (December 31, 2007 – KD 136,044,244, March 31, 2007 – KD 2,246,443).

b) At March 31, 2008, capital expenditure commitments arising from the Parent Company's interest in Mediterranean Investment Holding (joint venture) is as follows:

(i) Capital expenditure contracted for the construction and development of real estate projects but not yet incurred amounted to KD 8,303,715 (December 31, 2007 – KD 8,407,360, March 31, 2007 - 5,997,615).

(ii) Capital expenditure authorized by the board of directors of the joint venture but has not yet been contracted for amounted to KD 4,580,418 (December 31, 2007 – KD 4,567,460, March 31, 2007 KD 7,357,448).

c) At March 31, 2008, the Parent Company had commitments under a non-cancelable operating lease, primarily for land leased from the Government of Kuwait for the Water Front Project as follows:

Year	KD
2008 – 2012	133,950
2013 – 2017	141,000
2018 – 2019	56,400
	331,350

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:

	March 31, 2008	(Audited) December 31, 2007	March 31, 2007
Letters of guarantee	**365,500**	540,181	4,994,206
Letters of credit	**16,198**	15,703	202,298
	381,698	555,884	5,196,504

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

The Parent Company's management appealed against the verdict of the Arbitration Committee dated November 15, 2003. On January 19, 2004, the General Court declared that the verdict by Arbitration Committee dated November 15, 2003 is void, and forwarded the case to the Experts Department in Ministry of Justice which had concluded in its report that no compensation to be done to the tenant and the Court of First Instance issued its ruling in which the Arbitration decision was nullified and the managing company is not entitled to any compensation. The Court of Appeal sustained the decision of the Court of First Instance. The tenant has appealed against the decision of the Court of Appeal in the Court of Cassation. As of the balance sheet date, the case is not yet settled and the hearing has been set for May 27, 2008.

In the opinion of the legal advisor of the Parent Company, material liabilities will not arise in the case. Accordingly, no provision had been accounted for the case in the Parent Company's books as of March 31, 2008.

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

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

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

The managing company had filed case 939/2006 for an appeal against the decision of Ministry of Commerce and Industry for the cancellation of management contract for KFTZ. On April 15, 2007, the court forwarded the case to the Experts Department. As of the balance sheet date, the case is still under study with the Experts Department.

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

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

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

19. Shareholders' Annual General Assembly

The Board of Directors of the Parent Company proposed a cash dividend of 20 fils per share and bonus shares of 10 shares for every 100 shares for the year ended December 31, 2007.

Additionally, the Board of Directors of the Parent Company proposed an increase in share capital by 30% of the paid-up capital at par value of 100 fils and a share premium of 150 fils per share totaling to a subscription price of 250 fils per share. These proposals are subject to the approval of the shareholders' General Assembly.

The Shareholders' Annual General Assembly for the year ended December 31, 2007 has not been held until the date of preparation of the interim consolidated financial information. Accordingly, the consolidated financial statements for the year ended December 31, 2007 have not yet been approved. The interim consolidated financial information for the period ended March 31, 2008 do not include any adjustments, which might have been required, had the Shareholders' Annual General Assembly approved the consolidated financial statements for the year ended December 31, 2007.

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

20. Comparative figures

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