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

INTERIM CONSOLIDATED FINANCIAL INFORMATION
FOR THE PERIOD ENDED JUNE 30, 2011
(UNAUDITED)
WITH
REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL INFORMATION

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

INTERIM CONSOLIDATED FINANCIAL INFORMATION
FOR THE PERIOD ENDED JUNE 30, 2011
(UNAUDITED)
WITH
REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL INFORMATION

CONTENTS

	Pages
Report on review of interim consolidated financial information	
Interim condensed consolidated statement of financial position (Unaudited)	3
Interim condensed consolidated statement of income (Unaudited)	4
Interim condensed consolidated statement of comprehensive income (Unaudited)	5
Interim condensed consolidated statement of changes in equity (Unaudited)	6
Interim condensed consolidated statement of cash flows (Unaudited)	7
Notes to interim consolidated financial information (Unaudited)	8 - 19

AL-WAHA
AUDITING OFFICE
ALI OWAID RUKHAEYES

Member of The International Group of Accounting Firms

P.O. Box 27387 Safat
13134 – State of Kuwait
Telephone: (965) 22423415
Facsimile : (965) 22423417

RSM Albazie & Co.

Public Accountants

Kuwait Airways Building, 7th Floor
Shuhada Street, P.O. Box 2115 Safat
13022 – State of Kuwait
T + 965 22410010
T + 965 22961000
F + 965 22412761
www.albazie.com

REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL INFORMATION

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of National Real Estate Company K.S.C. (the Parent Company) and its subsidiaries (the Group) as of June 30, 2011 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

We draw attention to notes (3), (8) and (10) to the interim consolidated financial information. Our conclusion is not qualified in respect of these matters.

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 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.

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

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

State of Kuwait
August 14, 2011

NATIONAL REAL ESTATE COMPANY K.S.C. AND ITS SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS OF JUNE 30, 2011
(All amounts are in Kuwaiti Dinars)

ASSETS	Note	June 30, 2011	(Audited) December 31, 2010	June 30, 2010
Assets:				
Cash and cash equivalents		**13,543,893**	13,242,161	13,738,089
Investment at fair value through income statement		**39,660**	61,810	-
Accounts receivable and other debit balances		**11,919,314**	12,127,140	11,513,931
Investments available for sale		**12,240,253**	14,571,465	17,664,091
Investment in associates	3	**180,175,863**	186,672,923	217,684,978
Properties held for trading		**30,351,822**	30,899,472	30,958,506
Properties under development		**107,812,151**	109,653,213	120,866,468
Property, plant and equipment		**9,040,700**	9,713,440	9,292,366
Investment properties		**200,351,136**	197,324,866	197,050,769
Total assets		**565,474,792**	574,266,490	618,769,198
LIABILITIES AND EQUITY				
Liabilities:				
Accounts payable and other credit balances		**117,190,273**	117,772,384	125,436,535
Deferred tax		**5,933,516**	5,606,245	5,342,914
Bank facilities	4	**196,410,852**	199,903,858	198,329,341
Bonds		**14,429,951**	13,792,451	6,249,373
Provision for end of service indemnity		**911,570**	845,029	790,086
Total liabilities		**334,876,162**	337,919,967	336,148,249
Equity:				
Share capital		**81,419,506**	81,419,506	81,419,506
Treasury shares	5	**(7,363,836)**	(7,363,836)	(7,439,205)
Statutory reserve		**39,291,710**	39,291,710	39,291,710
Treasury shares reserve		**12,857,601**	12,857,601	12,859,431
Effect of change in associates' equity		**(6,745,327)**	(6,116,455)	(2,163,538)
Investment revaluation reserve		**(2,122,652)**	157,728	(5,286,701)
Foreign currency translation reserve		**(6,337,266)**	(2,698,428)	1,668,703
Retained earnings		**94,900,454**	93,072,043	135,920,824
Equity attributable to Parent Company's shareholders		**205,900,190**	210,619,869	256,270,730
Non - controlling interests		**24,698,440**	25,726,654	26,350,219
Total equity		**230,598,630**	236,346,523	282,620,949
Total liabilities and equity		**565,474,792**	574,266,490	618,769,198

The accompanying notes (1) to (11) 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, 2011
(All amounts are in Kuwaiti Dinars)

	Note	Three months ended June 30,		Six months ended June 30,	
		2011	2010	**2011**	2010
Revenues:					
Rental income		**2,711,331**	2,522,738	**5,406,842**	4,851,786
Net sales		**2,535,573**	3,136,769	**5,563,220**	4,731,031
Share in the associates' results	3	**1,754,001**	4,060,521	**3,480,735**	7,757,431
Change in fair value of investment properties		**-**	(1,220,659)	**-**	(2,441,318)
		7,000,905	8,499,369	**14,450,797**	14,898,930
Expenses:					
Staff costs		**(1,433,821)**	(1,013,068)	**(2,919,035)**	(2,272,064)
Cost of sales		**(2,297,714)**	(2,886,130)	**(5,192,751)**	(4,608,403)
General and administrative		**(1,409,976)**	(1,797,226)	**(2,691,787)**	(3,403,348)
Depreciation & amortization		**(23,042)**	(183,499)	**(256,046)**	(359,914)
		(5,164,553)	(5,879,923)	**(11,059,619)**	(10,643,729)
Operating profit		**1,836,352**	2,619,446	**3,391,178**	4,255,201
Net investment income		**25,608**	128,835	**11,812**	224,465
Net gain on sale of subsidiaries		**-**	-	-	4,309,086
Other income		**402,735**	634,057	**943,377**	1,065,138
Interest income		**994,377**	913,875	**1,959,789**	1,810,603
Interest expense		**(1,549,343)**	(1,085,692)	**(3,057,126)**	(1,658,425)
Foreign exchange loss		**(937)**	(109,068)	**(937)**	(129,169)
Provision for interest income and doubtful debts		**(860,205)**	(778,668)	**(1,699,259)**	(1,538,190)
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		**848,587**	2,322,785	**1,548,834**	8,338,709
Contribution to KFAS		**-**	15,030	**-**	(6,891)
National Labor Support Tax		**-**	21,290	**-**	(58,122)
Contribution to Zakat		**-**	8,516	**-**	(23,249)
Board of Director's remuneration		**(17,500)**	(17,500)	**(35,000)**	(35,000)
Net profit for the period		**831,087**	2,350,121	**1,513,834**	8,215,447
Attributable to :					
Equity holders of the Parent Company		**942,377**	2,417,870	**1,828,411**	8,399,886
Non-controlling interests		**(111,290)**	(67,749)	**(314,577)**	(184,439)
		831,087	2,350,121	**1,513,834**	8,215,447
Earnings per share attributable to equity holders of the Parent Company (fils)	6	**1.22**	3.12	**2.36**	10.84

The accompanying notes (1) to (11) 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, 2011
(All amounts are in Kuwaiti Dinars)

	Note	Three months ended June 30,		Six months ended June 30,	
		2011	2010	**2011**	2010
Net profit for the period		**831,087**	2,350,121	**1,513,834**	8,215,447
Other comprehensive income (loss):					
Foreign currency translation adjustments		**52,065**	(1,830,871)	**(4,352,475)**	(2,375,768)
Investments available for sale		**(608,432)**	(2,090,203)	**(2,280,380)**	(2,394,594)
Share of other comprehensive income of associates	3	**136,233**	485,682	**(154,413)**	982,362
Other Comprehensive loss for the period		**(420,134)**	(3,435,392)	**(6,787,268)**	(3,788,000)
Total comprehensive income (loss) for the period		**410,953**	(1,085,271)	**(5,273,434)**	4,427,447
Attributable to:					
Equity holders of the parent company		**482,543**	(956,035)	**(4,245,220)**	4,628,707
Non-controlling interests		**(71,590)**	(129,236)	**(1,028,214)**	(201,260)
		410,953	(1,085,271)	**(5,273,434)**	4,427,447

The accompanying notes (1) to (11) 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, 2011
(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, 2010	81,419,506	(7,363,836)	39,291,710	12,857,601	(6,116,455)	157,728	(2,698,428)	93,072,043	210,619,869	25,726,654	236,346,523
Total comprehensive (loss) income for the period	-	-	-	-	(154,413)	(2,280,380)	(3,638,838)	1,888,411	(4,245,220)	(1,028,214)	(5,273,434)
Share of changes in associates' equity (Note 3)	-	-	-	-	(474,459)	-	-	-	(474,459)	-	(474,459)
Balance at June 30, 2011	**81,419,506**	**(7,363,836)**	**39,291,710**	**12,857,601**	**(6,745,327)**	**(2,122,652)**	**(6,337,266)**	**94,900,454**	**205,900,190**	**24,698,440**	**230,598,630**
Balance at December 31, 2009	81,419,506	(7,179,151)	39,291,710	12,859,431	(3,145,900)	(2,892,107)	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

The accompanying notes (1) to (11) form an integral part of the interim consolidated financial information

NATIONAL REAL ESTATE COMPANY K.S.C. AND ITS SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
JUNE 30, 2011
(All amounts are in Kuwaiti Dinars)

	Six months ended June 30,	
	2011	2010
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	**1,548,934**	8,338,709
Adjustments for:		
Depreciation and amortization	**256,046**	359,914
Net investment income	**(11,812)**	(224,465)
Share in the associates' results	**(3,480,735)**	(7,757,431)
Gain on sale of property, plant and equipment	**-**	(9,102)
Gain on sale of subsidiaries	**-**	(4,309,086)
Change in fair value of investment properties	**-**	2,441,318
Interest income	**(1,959,789)**	(1,810,603)
Interest expense	**3,057,126**	1,658,425
Provision for interest income and doubtful debts	**1,699,259**	1,538,190
Provision for end of service indemnity	**68,297**	98,246
	1,177,226	324,115
Changes in operating assets and liabilities:		
Accounts receivable and other debit balances	**961,342**	701,084
Accounts payable and other credit balances	**(1,868,397)**	(3,995,343)
Cash generated from (used in) operations	**270,171**	(2,970,144)
Payment for end of service indemnity	**(1,756)**	(77,260)
Net cash generated from (used in) operating activities	**268,415**	(3,047,404)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Term deposit	**-**	600,000
Proceeds from sale of subsidiaries	**-**	4,225,349
Purchase of investments available for sale	**(2,360)**	(327,597)
Proceeds from sale of investments available for sale	**51,998**	511,979
Payment for additions to properties held for trading	**(40,613)**	(22,278)
Payment for additions to properties under development	**(1,086,113)**	(706,496)
Purchase of property, plant and equipment	**(442,284)**	(1,287,682)
Proceeds from sale of property, plant and equipment	**-**	14,800
Payment for additions to investment properties	**(357,809)**	(4,222,283)
Dividends income received	**35,156**	62,938
Dividends received from an associate	**9,397,970**	9,354,158
Payment for installments for lands	**(319,770)**	(14,126,793)
Interest received	**260,530**	94,908
Net cash generated from (used in) investing activities	**7,496,705**	(5,828,997)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net movement on bank overdraft and term loans	**(3,493,006)**	5,897,500
Paid for purchase of treasury shares	**-**	**(260,054)**
Dividends paid	**(140,531)**	(54,011)
Interest paid	**(5,966,157)**	(4,960,367)
Proceeds from Non-controlling interests	**-**	3,303,800
Net cash (used in) generated from financing activities	**(9,599,694)**	3,926,868
Foreign currency translation adjustments	**2,136,306**	7,606,612
Net increase in cash and cash equivalents	**301,732**	2,657,079
Cash and cash equivalents at beginning of the period	**13,242,161**	11,081,010
Cash and cash equivalents at end of the period	**13,543,893**	13,738,089

The accompanying notes (1) to (11) 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, 2011.

2. Basis of presentation

The interim consolidated financial information has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" and Kuwait Stock Exchange and Dubai Financial Market Instructions. 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, 2010.

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, 2011 are not necessarily indicative of the results that may be expected for the year ending December 31, 2011. For further information, refer to the consolidated financial statements and notes thereto for the year ended December 31, 2010.

Effective January 1, 2011, the Group's management had decided to unify the recognition principle of changes in fair value of investment properties including those properties built on land rented from others to be recognized only at fiscal year end.

3. Investment in associates

Name of the associate	Country of Incorporation	Percentage of ownership (%)					
		June 30, 2011	(Audited) December 31, 2010	June 30, 2010	**June 30, 2011**	(Audited) December 31, 2010	June 30, 2010
(i) Public Warehousing Company K.S.C. (Agility)	Kuwait	**22.444**	22.444	22.444	**178,436,210**	184,977,541	216,641,853
(ii) Kuwait Bulgarian Dairy Company W.L.L.	Kuwait	**40**	40	40	**-**	-	120,000
(iii) Al-Seef International Holding K.S.C.C.	Kuwait	**25**	25	25	**936,689**	936,689	923,125
(iv) Associates related to the joint venture (Mediterranean Investment Holding P.L.C.)					**802,964**	758,693	-
					180,175,863	186,672,923	217,684,978

The movement during the period / year is as follows:

	June 30, 2011	(Audited) December 31, 2010	June 30, 2010
Balance at the beginning of the period / year	**186,672,923**	218,299,343	218,299,343
Additions	**-**	787,633	-
Share of results from the associates	**3,480,735**	5,345,190	7,757,431
Cash dividends received	**(9,397,970)**	(9,397,970)	(9,354,158)
Effect of change in associates' equity (a)	**(628,872)**	(2,970,555)	982,362
Impairment losses for investment in associates	**-**	(25,390,718)	-
Foreign currency translation adjustment	**49,047**	-	-
Balance at the end of the period / year	**180,175,863**	186,672,923	217,684,978

(a) The effect of change in associates' equity is as follows:

	June 30, 2011	(Audited) December 31, 2010	June 30, 2010
Changes in hedging reserve	**296,706**	(188,079)	(840,518)
Foreign currency translation adjustment	**(1,667,121)**	(2,916,914)	1,822,880
Cumulative changes in fair value of available for sale investments	**1,216,002**	134,438	-
Changes in Treasury Shares	**(474,459)**	-	-
	(628,872)	(2,970,555)	982,362

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, 2011 the fair value of the Group's investment in Agility Public Warehousing Co. K.S.C. amounted to KD 75,183,766 (December 31, 2010 – KD 119,824,126, June 30, 2010 KD 74,009,019).

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

a. 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, the associate Company and some of its Subsidiaries 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. The existing SPV Contract expired in December 2010.

   The Associate Company is pursuing discussions with the US Government with a view to reaching a fair and reasonable settlement of 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 Company 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. Furthermore, in relation to one of such contracts, the Associate Company is appealing before the "Armed Services Board of Contract, Appeals" a decision made by the contracting officer demanding repayment of approximately KD 23 million from the Associate Company. The Associate Company, on 19 April 2011, also filed an affirmative claim for approximately KD 13 million owed by the US Government under the contract.

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

4. Bank facilities

Bank facilities consist of the following:

	June 30, 2011	(Audited) December 31, 2010	June 30, 2010
Current	**34,686,785**	38,188,270	27,656,566
Non-current	**161,724,067**	161,715,588	170,672,775
Total bank facilities	**196,410,852**	199,903,858	198,329,341

The annual interest on the bank borrowings is as follows:

	June 30, 2011 %	(Audited) December 31, 2010 %	June 30, 2010 %
Average annual interest rate over Central Bank of Kuwait discount rate on facilities by Kuwaiti Dinar	**2.5-3**	2.5 - 3	2.5 - 3
An average annual interest rate over the bank borrowing cost on facilities by USD	**-**	-	4
An average annual interest rate on facilities by Euro	**2.5**	2.5	2.5
An average annual interest rate on facilities by Libyan Dinar	**1.5**	1.5	1.5

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 10,554,070 (December 31,2010 the equivalent of KD 10,444,655, June 30,2010 the equivalent of KD 9,778,109).

Certain bank facilities are secured against the following:

a) Pledging certain shares of the group's investments in Agility Public Warehousing Company – K.S.C.
b) Pledging certain investment properties owned by the parent company.
c) Promissory notes.

The carrying amounts of the bank facilities approximate their fair value.

5. Treasury shares

	June 30, 2011	(Audited) December 31, 2010	June 30, 2010
Number of treasury shares	**39,163,250**	39,163,250	39,563,250
Percentage of issued and fully paid up shares (%)	**4.81**	4.81	4.85
Market value (KD)	**3,250,550**	6,501,100	4,826,717
Cost (KD)	**7,363,836**	7,363,836	7,439,205

6. 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,	
	2011	2010	**2011**	2010
Net profit for the period attributable to equity holders of the Parent Company	**942,377**	2,417,870	**1,828,411**	8,399,886
	2011 Shares	2010 Shares	**2011 Shares**	2010 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	**(39,163,250)**	(39,509,680)	**(39,163,250)**	(39,286,179)
Weighted average number of shares outstanding	**775,031,813**	774,685,383	**775,031,813**	774,908,884
	Fils	Fils	**Fils**	Fils
Earnings per share attributable to equity holders of the Parent Company	**1.22**	3.12	**2.36**	10.84

7 . Related party balances and transactions

Related parties represent major shareholders, board of 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	Associates	June 30, 2011	(Audited) December 31, 2010	June 30, 2010
Balances:					
Accounts receivable and other debit balances	**3,468,162**	**-**	**3,468,162**	2,986,123	2,554,858
Accounts payable and other credit balances	**-**	**5,038,027**	**5,038,027**	5,000,000	35,535

	Six months ended June 30,	
	Major shareholders	**2011**	2010
Transactions:			
Rental income	**230,295**	**230,295**	234,229
Net sales	**5,285,060**	**5,285,060**	4,494,480
Other income	**31,474**	**31,474**	58,313
General and administrative expenses	**(85,286)**	**(85,286)**	(134,278)

	Six months ended June 30,	
	2011	2010
Key management compensation		
Short term benefits	**275,425**	293,174
Termination benefits	**12,923**	13,356
Board of Director's remuneration	**35,000**	35,000

8. Contingencies and capital commitments

a) At June 30, 2011, the Group's management authorized capital commitments amounting to KD 149,939 (December 31, 2010 – KD 933,972, June 30, 2010 – KD 1,036,844).

b) At June 30, 2011, the Group's capital commitment stated above includes capital expenditure 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 Nil (December 31, 2010 – Nil, June 30, 2010 – KD 1,071,300).

(ii) Capital expenditure authorized by the board of directors of the joint venture but has not yet been contracted for amounted to KD 172,513 (December 31, 2010 – KD 165,488, June 30, 2010 - Nil).

c) At June 30,2011 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 – 2016	141,000
2017 – 2019	84,600
	225,600

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, 2011	(Audited) December 31, 2010	June 30, 2010
Letters of guarantee	**3,085,018**	3,119,729	2,752,108

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). 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. The case is still pending between the external legal counsel and the court, recently on January 26, 2011 transferred the case to the external legal counsel which is still under discussion.

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 Cassation had decided in its session dated June 30, 2009 to 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 periods, 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.

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 41,911,829 (December 31, 2010 – KD 40,212,570, June 30, 2010 – KD 38,595,850), 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, 2010 – KD 6,928,556 June 31, 2010 – 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 conservatism approach 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 15, 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 rejected the case filed by Kuwait Ports Authority & the Transport Company against the Parent Company in the same regard. Both Kuwait Ports Authority & the Transport Company had appealed against that ruling in the court of appeal which decided in its verdict dated May 25, 2011 to refuse the appeal of both Kuwait Ports Authority & the Transport Company and confirmed the appealed ruling of the court of first instance.
Kuwait Ports Authority & the Transport Company again appealed against that ruling in the Supreme Court which is still under discussion until the date.

9. Shareholders' Annual General Assembly

The annual Shareholder`s general assembly meeting was held on May 29,2011 and had approved the Board of Director's recommendation not to distribute either cash dividends or bonus shares for the year ended December 31,2010 (December 31,2009 - No distribution of either cash dividends or bonus shares).

10. Working capital

	June 30, 2011	(Audited) December 31, 2010	June 30, 2010
Current assets:			
Cash and cash equivalents	**13,543,893**	13,242,161	13,738,089
Accounts receivable and other debit balances	**9,246,044**	9,320,237	8,038,449
Quoted investments available for sale	**5,577,945**	8,356,112	9,390,432
Properties held for trading	**30,351,822**	30,899,472	30,958,506
Total current assets	**58,719,704**	61,817,982	62,125,476
Current liabilities:			
Accounts payable and other credit balances	**(51,861,090)**	(43,972,279)	(45,429,721)
Bank facilities	**(34,686,785)**	(38,188,270)	(27,656,566)
Total current liabilities	**(86,547,875)**	(82,160,549)	(73,086,287)
Working capital	**(27,828,171)**	(20,342,567)	(10,960,811)

The Group's current liabilities exceed its current assets by an amount of KD 27,828,171(December 31, 2010 - KD 20,342,567, June 30, 2010 – KD 10,960,811).

The interim consolidated financial information have been prepared assuming the Group will continue as a going concern. The consolidated 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 that the major shareholders of the Parent Company as well as the associates will provide necessary support, if needed, to enhance the Group's cash inflows.

11. 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.
- Wholesale: consisting of sales transaction of the catering activities in the subsidiaries.
- 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:

	2011				2010			
	Real estate & Others	**Wholesale**	**Investments**	**Total**	Real estate & Others	Wholesale	Investments	Total
Segment income	**6,350,219**	**5,563,220**	**3,203,696**	**15,117,135**	10,226,010	4,731,013	7,957,176	22,914,199
Segment expenses	**(4,165,982)**	**(6,637,590)**	**-**	**(10,803,572)**	(4,918,736)	(5,340,341)	-	(10,259,077)
Depreciation, amortization and change in fair value	**(82,206)**	**(173,841)**	**-**	**(256,047)**	(2,634,005)	(167,227)	-	(2,801,232)
Segment profit (Loss)	**2,102,031**	**(1,248,211)**	**3,203,696**	**4,057,516**	2,673,269	(776,555)	7,957,176	9,853,890
Net interest				**(2,796,596)**				(1,386,012)
Un allocated expenses				**(35,937)**				(252,431)
Net profit for the period				**1,224,983**				8,215,447
Attributable to:								
Equity holders of the Parent Company				**1,539,560**				8,399,886
Non-controlling interest				**(314,577)**				(184,439)
				1,224,983				8,215,447
Total Assets	**363,519,442**	**9,499,574**	**192,166,925**	**565,185,941**	374,840,358	8,579,771	235,349,069	618,769,198

(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 segment information are as follows:

	June 30, 2011						June 30, 2010					
	Kuwait	**GCC**	**Asia**	**Africa**	**Others**	**Total**	Kuwait	GCC	Asia	Africa	Others	Total
Cash on hand & at banks	**4,724,866**	**19,348**	**586,378**	**344,784**	**4,551,950**	**10,227,326**	4,405,809	57,040	973,826	1,364,560	1,367,739	8,168,974
Bank deposits	**-**	**29,137**	**84,231**	**3,203,199**	**-**	**3,316,567**	1,604,492	109,401	456,561	3,398,661	-	5,569,115
Accounts receivable and other debit balances	**5,467,074**	**41,987**	**4,411,740**	**342,356**	**1,656,157**	**11,919,314**	5,213,762	473,076	3,774,016	448,323	1,604,754	11,513,931
Investments at fair value through income statement	**39,660**	**-**	**-**	**-**	**-**	**39,660**	-	-	-	-	-	-
Investments available for sale	**9,277,671**	**1,576,664**	**-**	**-**	**1,385,918**	**12,240,253**	12,671,299	3,016,677	-	-	1,976,115	17,664,091
Investment in associates	**179,372,898**	**-**	**-**	**-**	**802,965**	**180,175,863**	217,684,978	-	-	-	-	217,684,978
Properties held for trading	**-**	**12,888,374**	**4,824,269**	**12,639,179**	**-**	**30,351,822**	-	12,818,897	6,384,996	11,754,613	-	30,958,506
Properties under development	**-**	**18,695,195**	**2,515,175**	**86,601,781**	**-**	**107,812,151**	-	24,293,130	2,131,089	94,442,249	-	120,866,468
Properties, plant and equipment	**2,211,848**	**872,116**	**4,841,467**	**981,476**	**133,793**	**9,040,700**	1,566,399	880,484	5,868,868	865,361	111,254	9,292,366
Investment properties	**60,451,060**	**80,995,763**	**7,947,484**	**1,997,194**	**48,959,635**	**200,351,136**	61,357,800	83,762,985	7,581,256	1,896,028	42,452,700	197,050,769
Total assets	**261,545,077**	**115,118,584**	**25,210,744**	**106,109,969**	**57,490,418**	**565,474,792**	304,504,539	125,411,690	27,170,612	114,169,795	47,512,562	618,769,198
Deferred tax	**-**	**-**	**-**	**-**	**(5,933,516)**	**(5,933,516)**	-	-	-	-	**(5,342,914)**	**(5,342,914)**
Bank facilities	**(185,613,806)**	**-**	**(242,976)**	**-**	**(10,554,070)**	**(196,410,852)**	**(188,551,232)**	-	-	-	(9,778,109)	**(198,329,341)**
Bonds	**-**	**-**	**-**	**-**	**(14,429,951)**	**(14,429,951)**	-	-	-	-	**(6,249,373)**	**(6,249,373)**
Other liabilities	**(36,930,083)**	**(15,504,729)**	**(2,351,243)**	**(59,107,102)**	**(4,208,686)**	**(118,101,843)**	**(29,280,541)**	(24,796,806)	(1,429,582)	(65,724,256)	(4,995,436)	(126,226,621)
Total liabilities	**(222,543,889)**	**(15,504,729)**	**(2,594,219)**	**(59,107,102)**	**(35,126,223)**	**(334,876,162)**	(217,831,773)	(24,796,806)	(1,429,582)	(65,724,256)	(26,365,832)	(336,148,249)

	June 30,2011 Six months ended June 30, 2011						June 30,2010 Six months ended June 30, 2010					
	Kuwait	**GCC**	**Asia**	**Africa**	**Others**	**Total**	Kuwait	GCC	Asia	Africa	Others	Total
Revenues												
Rental income	**4,244,315**	**-**	**156,339**	**-**	**1,006,188**	**5,406,842**	4,212,842	-	179,203	-	459,741	4,851,786
Share in the associates' results	**3,485,512**	**-**	**-**	**-**	**(4,777)**	**3,480,735**	7,757,431	-	-	-	-	7,757,431
Net Investment Income	**11,812**	**-**	**-**	**-**	**-**	**11,812**	64,155	160,310	-	-	-	224,465
Net Sales Revenue	**4,534,095**	**-**	**960,538**	**68,587**	**-**	**5,563,220**	2,448,641	-	2,282,390	-	-	4,731,031
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)
Interest Income	**1,706,636**	**4,387**	**17,138**	**161,468**	**70,160**	**1,959,789**	1,625,464	5,410	37,321	138,566	3,842	1,810,603
Other income	**932,056**	**-**	**11,321**	**-**	**-**	**943,377**	1,139,736	-	(74,598)	-	-	1,065,138
Total revenues	**14,914,426**	**4,387**	**1,145,336**	**230,055**	**1,071,571**	**17,365,775**	14,806,951	165,720	6,733,402	138,566	463,583	22,308,222
Expenses												
Staff costs	**(1,961,093)**	**(78,079)**	**(389,251)**	**(249,404)**	**(241,208)**	**(2,919,035)**	(1,653,845)	(56,664)	(234,138)	(239,367)	(88,050)	(2,272,064)
Cost of sales	**(4,098,712)**	**-**	**(1,028,696)**	**(65,343)**	**-**	**(5,192,751)**	(2,293,666)		(2,314,737)			(4,608,403)
General & Administrative	**(1,901,262)**	**(93,093)**	**(268,458)**	**(394,068)**	**(34,906)**	**(2,691,787)**	(2,024,561)	(310,277)	(316,862)	(676,651)	(74,997)	(3,403,348)
Depreciation and amortization	**(215,974)**	**(8,887)**	**19,103**	**(39,812)**	**(10,476)**	**(256,046)**	(220,595)	(8,597)	(89,794)	(30,988)	(9,940)	(359,914)
Interest expense	**(2,232,364)**	**-**	**-**	**-**	**(824,762)**	**(3,057,126)**	(1,323,552)	-	-	-	(334,873)	(1,658,425)
Provision for interest income	**(1,699,259)**	**-**	**-**	**-**	**-**	**(1,699,259)**	(1,538,190)	-	-	-	-	(1,538,190)
Foreign exchange loss	**(937)**	**-**	**-**	**-**	**-**	**(937)**	(140,416)	-	16,227	(4,980)	-	(129,169)
Others expenses	**(35,000)**	**-**	**-**	**-**	**-**	**(35,000)**	(123,262)	-	-	-	-	(123,262)
Total expenses	**(12,144,601)**	**(180,059)**	**(1,667,302)**	**(748,627)**	**(1,111,352)**	**(15,851,941)**	(9,318,087)	(375,538)	(2,939,304)	(951,986)	(507,860)	(14,092,775)
Net profit for the period	**2,769,825**	**(175,672)**	**(521,966)**	**(518,572)**	**(39,781)**	**1,513,834**	5,488,864	(209,818)	3,794,098	(813,420)	(44,277)	8,215,447
Attributable to:												
Equity Holders of parent company	**2,980,127**	**(171,301)**	**(509,503)**	**(431,131)**	**(39,781)**	**1,828,411**	5,530,361	(202,788)	3,777,212	(660,621)	(44,279)	8,399,886
Non-controlling interest	**(210,302)**	**(4,371)**	**(12,463)**	**(87,441)**	**-**	**(314,577)**	(41,497)	(7,030)	16,886	(152,798)	-	(184,439)
	2,769,825	**(175,672)**	**(521,966)**	**(518,572)**	**(39,781)**	**1,513,834**	5,488,864	(209,818)	3,794,098	(813,419)	(44,279)	8,215,447