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

INTERIM CONSOLIDATED FINANCIAL INFORMATION
FOR THE PERIOD ENDED SEPTEMBER 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 SEPTEMBER 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 September 30, 2011 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine-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, we further report that, to the best of our knowledge and belief, no violations of Commercial Companies' Law of 1960, as amended, or the Articles of Association of the Parent Company, have occurred during the period ended September 30, 2011 that might have had material, effect on the group or its financial position, 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
November 14, 2011

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

ASSETS	Note	September 30, 2011	(Audited) December 31, 2010	September 30, 2010
Assets:				
Cash and cash equivalents		15,055,946	13,242,161	17,183,817
Investment at fair value through income statement		36,320	61,810	72,340
Accounts receivable and other debit balances		11,726,974	12,127,140	13,685,589
Investments available for sale		11,710,884	14,571,465	17,525,171
Investment in associates	3	180,687,128	186,672,923	219,761,874
Properties held for trading		30,416,153	30,899,472	31,207,280
Properties under development		109,185,069	109,653,213	119,995,772
Property, plant and equipment		8,900,944	9,713,440	9,941,257
Investment properties		198,698,245	197,324,866	201,456,013
Total assets		566,417,663	574,266,490	630,829,113
LIABILITIES AND EQUITY				
Liabilities:				
Accounts payable and other credit balances		118,510,917	117,772,384	127,147,578
Deferred tax		5,613,726	5,606,245	5,823,193
Bank facilities	4	198,887,563	199,903,858	199,324,690
Bonds		13,685,491	13,792,451	14,595,134
Provision for end of service indemnity		889,244	845,029	802,943
Total liabilities		337,586,941	337,919,967	347,693,538
Equity:				
Share capital		81,419,506	81,419,506	81,419,506
Treasury shares	5	(7,396,602)	(7,363,836)	(7,363,991)
Statutory reserve		39,291,710	39,291,710	39,291,710
Treasury shares reserve		12,857,601	12,857,601	12,857,727
Effect of change in associates' equity		(7,990,283)	(6,116,455)	(3,161,611)
Investment revaluation reserve		(2,282,357)	157,728	(3,948,145)
Foreign currency translation reserve		(8,124,030)	(2,698,428)	136,187
Retained earnings		96,481,196	93,072,043	138,142,388
Equity attributable to Parent Company's shareholders		204,256,741	210,619,869	257,373,771
Non - controlling interests		24,573,981	25,726,654	25,761,804
Total equity		228,830,722	236,346,523	283,135,575
Total liabilities and equity		566,417,663	574,266,490	630,829,113

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 SEPTEMBER 30, 2011
(All amounts are in Kuwaiti Dinars)

	Note	Three months ended September 30,		Nine months ended September 30,	
		2011	2010	**2011**	2010
Revenues:					
Rental income		**2,420,426**	2,690,172	**7,827,268**	7,541,958
Net sales		**2,432,770**	2,403,790	**7,995,990**	7,134,803
Share in the associates' results	3	**1,805,268**	3,118,781	**5,286,003**	10,876,212
Change in fair value of investment properties		**-**	(1,220,658)	**-**	(3,661,976)
		6,658,464	6,992,085	**21,109,261**	21,890,997
Expenses:					
Staff costs		**(1,073,657)**	(1,186,575)	**(3,992,692)**	(3,458,639)
Cost of sales		**(1,811,757)**	(2,351,116)	**(7,004,508)**	(6,959,519)
General and administrative		**(1,089,814)**	(1,532,977)	**(3,781,601)**	(4,813,697)
Depreciation & amortization		**(321,967)**	(208,782)	**(578,013)**	(568,696)
		(4,297,195)	(5,279,450)	**(15,356,814)**	(15,800,551)
Operating profit		**2,361,269**	1,712,635	**5,752,447**	6,090,446
Net investment income		**158,666**	521,133	**170,478**	745,598
Net gain on sale of subsidiaries		**-**	-	**-**	4,309,086
Other income		**328,225**	176,790	**1,271,602**	1,119,318
Interest income		**990,007**	930,583	**2,949,796**	2,741,186
Interest expense		**(1,338,872)**	(641,479)	**(4,395,998)**	(2,299,904)
Foreign exchange gain		**2,194**	140,451	**1,257**	11,282
Provision for interest income and doubtful debts		**(881,890)**	(800,297)	**(2,581,149)**	(2,338,487)
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		**1,619,599**	2,039,816	**3,168,433**	10,378,525
Contribution to KFAS		**-**	6,891	**-**	-
National Labor Support Tax		**-**	1,903	**-**	(56,219)
Contribution to Zakat		**-**	761	**-**	(22,488)
Board of Director's remuneration		**(17,500)**	(17,500)	**(52,500)**	(52,500)
Net profit for the period		**1,602,099**	2,031,871	**3,115,933**	10,247,318
Attributable to :					
Equity holders of the Parent Company		**1,580,742**	2,221,564	**3,409,153**	10,621,450
Non-controlling interests		**21,357**	(189,693)	**(293,220)**	(374,132)
		1,602,099	2,031,871	**3,115,933**	10,247,318
Earnings per share attributable to equity holders of the Parent Company (fils)	6	**2.04**	2.87	**4.40**	13.71

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

	Note	Three months ended September 30,		Nine months ended September 30,	
		2011	2010	**2011**	2010
Net profit for the period		**1,602,099**	2,031,871	**3,115,933**	10,247,318
Other comprehensive income (loss):					
Foreign currency translation adjustments		**(1,932,580)**	(1,931,238)	**(6,285,055)**	(4,307,006)
Investments available for sale		**(159,705)**	1,338,556	**(2,440,085)**	(1,056,038)
Share of other comprehensive income of associates	3	**(1,244,956)**	(998,073)	**(1,399,369)**	(15,711)
Other Comprehensive loss for the period		**(3,337,241)**	(1,590,755)	**(10,124,509)**	(5,378,755)
Total comprehensive (loss) income for the period		**(1,735,142)**	441,116	**(7,008,576)**	4,868,563
Attributable to:					
Equity holders of the parent company		**(1,610,683)**	1,029,531	**(5,855,903)**	5,658,238
Non-controlling interests		**(124,459)**	(588,415)	**(1,152,673)**	(789,675)
Total comprehensive (loss) income for the period		**(1,735,142)**	441,116	**(7,008,576)**	4,868,563

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 SEPTEMBER 30, 2011
(All amounts are in Kuwaiti Dinars)

	Equity 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	-	-	-	-	**(1,399,369)**	**(2,440,085)**	**(5,425,602)**	**3,409,153**	**(5,855,903)**	**(1,152,673)**	**(7,008,576)**
Share of changes in associates' equity (Note 3)	-	-	-	-	**(474,459)**	-	-	-	**(474,459)**	-	**(474,459)**
Purchase of treasury shares	-	**(32,766)**	-	-	-	-	-	-	**(32,766)**	-	**(32,766)**
Balance at September 30, 2011	**81,419,506**	**(7,396,602)**	**39.291,710**	**12,857,601**	**(7,990,283)**	**(2,282,357)**	**(8,124,030)**	**96,481,196**	**204,256,741**	**24,573,981**	**228,830,722**
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 (loss) income for the period	-	-	-	-	(15,711)	(1,056,038)	(3,891,463)	10,621,450	5,658,238	(789,675)	4,868,563
Purchase of treasury shares	-	(260,054)	-	-	-	-	-	-	(260,054)	-	(260,054)
Sale of treasury shares	-	75,214	-	(1,704)	-	-	-	-	73,510	-	73,510
Proceeds from non-controlling interests due to capital increase of subsidiaries	-	-	-	-	-	-	-	-	-	3,303,800	3,303,800
Balance at September 30, 2010	81,419,506	(7,363,991)	39,291,710	12,857,727	(3,161,611)	(3,948,145)	136,187	138,142,388	257,373,771	25,761,804	283,135,575

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

	Nine months ended September 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	**3,168,433**	10,378,525
Adjustments for:		
Depreciation and amortization	**578,013**	568,696
Net investment income	**(170,478)**	(745,598)
Share in the associates' results	**(5,286,003)**	(10,876,212)
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	**-**	3,661,976
Interest income	**(2,949,796)**	(2,741,186)
Interest expense	**4,395,998**	2,299,904
Provision for interest income and doubtful debts	**2,581,149**	2,338,487
Provision for end of service indemnity	**151,751**	132,103
	2,469,067	698,507
Changes in operating assets and liabilities:		
Accounts receivable and other debit balances	**911,894**	(2,085,847)
Accounts payable and other credit balances	**(1,258,824)**	6,174,003
Cash generated from (used in) operations	**2,122,137**	4,786,663
Payment for end of service indemnity	**(107,536)**	(98,260)
Net cash generated from operating activities	**2,014,601**	4,688,403
CASH FLOWS FROM INVESTING ACTIVITIES:		
Term deposit	**-**	600,000
Purchase of investment at fair value through income statement	**-**	(72,340)
Proceeds from sale of subsidiaries	**-**	6,243,172
Purchase of investments available for sale	**(2,360)**	(1,893,922)
Proceeds from sale of investments available for sale	**583,668**	2,507,948
Payment for additions to properties held for trading	**(43,471)**	(728,179)
Payment for additions to properties under development	**(1,548,758)**	(2,527,884)
Purchase of property, plant and equipment	**(385,804)**	(1,987,674)
Proceeds from sale of property, plant and equipment	**-**	14,800
Payment for additions to investment properties	**(753,972)**	(5,916,811)
Payment for installments for lands	**(635,020)**	(19,144,462)
Dividends income received	**35,156**	68,898
Dividends received from an associate	**9,397,970**	9,397,970
Interest received	**368,648**	404,698
Net cash generated from (used in) investing activities	**7,016,057**	(13,033,786)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net movement on bank overdraft and term loans	**(1,016,295)**	6,892,849
Net movement on bonds	**-**	7,365,742
Paid for purchase of treasury shares	**(32,766)**	(260,054)
Proceeds from sale of treasury shares	**-**	73,510
Dividends paid	**(178,982)**	(73,562)
Interest paid	**(8,977,970)**	(7,306,239)
Proceeds from Non-controlling interests	**-**	3,303,800
Net cash (used in) generated from financing activities	**(10,206,013)**	9,996,046
Foreign currency translation adjustments	**2,989,140**	4,452,144
Net increase in cash and cash equivalents	**1,813,785**	6,102,807
Cash and cash equivalents at beginning of the period	**13,242,161**	11,081,010
Cash and cash equivalents at end of the period	**15,055,946**	17,183,817

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 November 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 September 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 (%)					
		September 30, 2011	(Audited) December 31, 2010	September 30, 2010	**September 30, 2011**	(Audited) December 31, 2010	September 30, 2010
(i) Public Warehousing Company K.S.C. (Agility)	Kuwait	**22.444**	22.444	22.444	**178,998,874**	184,977,541	218,718,749
(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.)					**751,565**	758,693	-
					180,687,128	186,672,923	219,761,874

The movement during the period / year is as follows:

	September 30, 2011	(Audited) December 31, 2010	September 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	**5,286,003**	5,345,190	10,876,212
Cash dividends received	**(9,397,970)**	(9,397,970)	(9,397,970)
Effect of change in associates' equity (a)	**(1,873,828)**	(2,970,555)	(15,711)
Impairment losses for investment in associates	-	(25,390,718)	-
Foreign currency translation adjustment	-	-	-
Balance at the end of the period / year	**180,687,128**	186,672,923	219,761,874

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

	September 30, 2011	(Audited) December 31, 2010	September 30, 2010
Changes in hedging reserve	**272,915**	(188,079)	(505,882)
Foreign currency translation adjustment	**(2,920,604)**	(2,916,914)	490,171
Cumulative changes in fair value of available for sale investments	**1,248,320**	134,438	-
Changes in Treasury Shares	**(474,459)**	-	-
	(1,873,828)	(2,970,555)	(15,711)

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 September 30, 2011 the fair value of the Group's investment in Agility Public Warehousing Co. K.S.C. amounted to KD 71,659,527 (December 31, 2010 – KD 119,824,126, September 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:

	September 30, 2011	(Audited) December 31, 2010	September 30, 2010
Current	**37,674,139**	38,188,270	27,991,235
Non-current	**161,213,424**	161,715,588	171,333,455
Total bank facilities	**198,887,563**	199,903,858	199,324,690

The annual interest on the bank borrowings is as follows:

	September 30, 2011 %	(Audited) December 31, 2010 %	September 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	**6 - 7**	-	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 to 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 9,944,798 (December 31,2010 the equivalent of KD 10,444,655, September 30,2010 the equivalent of KD 11,323,520).

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

	September 30, 2011	(Audited) December 31, 2010	September 30, 2010
Number of treasury shares	**39,603,250**	39,163,250	39,163,250
Percentage of issued and fully paid up shares (%)	**4.86**	4.81	4.81
Market value (KD)	**2,851,434**	6,501,100	7,127,712
Cost (KD)	**7,396,602**	7,363,836	7,363,991

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 September 30,		Nine months ended September 30,	
	2011	2010	**2011**	2010
Net profit for the period attributable to equity holders of the Parent Company	**1,580,742**	2,221,564	**3,409,153**	10,621,450
	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	**(39,194,990)**	(39,556,729)	**(39,173,947)**	(39,377,354)
Weighted average number of shares outstanding	**775,000,073**	774,638,334	**775,021,116**	774,817,709
	Fils	Fils	**Fils**	Fils
Earnings per share attributable to equity holders of the Parent Company	**2.04**	2.87	**4.40**	13.71

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	September 30, 2011	(Audited) December 31, 2010	September 30, 2010
Balances:					
Accounts receivable and other debit balances	**3,432,242**	**-**	**3,432,242**	2,986,123	3,023,167
Accounts payable and other credit balances	**-**	**5,020,027**	**5,020,027**	5,000,000	4,882,275

	Nine months ended September 30,	
	2011	2010
Transactions:		
Rental income	**345,443**	349,377
Net sales	**6,869,930**	5,892,432
Other income	**31,474**	-
Interest income	**-**	40,170
General and administrative expenses	**(141,660)**	(190,115)

	Nine months ended September 30,	
	2011	2010
Key management compensation		
Short term benefits	**423,320**	353,374
Termination benefits	**19,385**	18,303
Board of Director's remuneration	**52,500**	52,500

8. Contingencies and capital commitments

a) At September 30, 2011, the Group's management authorized capital commitments amounting to KD 152,312 (December 31, 2010 – KD 933,972, September 30, 2010 – KD 545,083).

b) At September 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) which 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, September 30, 2010 – KD 164,686).

(ii) Capital expenditure authorized by the board of directors of the joint venture but has not yet been contracted for amounted to KD 165,669 (December 31, 2010 – KD 165,488, September 30, 2010 – 77,840).

c) At September 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
2012 – 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:

	September 30, 2011	(Audited) December 31, 2010	September 30, 2010
Letters of guarantee	**3,084,960**	3,119,729	2,750,648

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 constructed 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 September 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 42,793,719 (December 31, 2010 – KD 40,212,570, September 30, 2010 – KD 39,394,148), 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 (Plaintiff) had filed a legal case No. 277/2005 against Kuwait Ports Authority & its contractor (Defendants) claiming for the unpaid and due rentals from their utilization of certain plots in Kuwait Free Trade Zone during the management by the Plaintiff. The Court of First Instance in its verdict dated February 15, 2010 had ruled in favor of the Plaintiff obliging the Defendants to jointly pay an amount of KD 6,956,416. The Defendants had appealed against the ruling in the court of appeal which decided in its verdict dated May 25, 2011 to refuse the appeal of the Defendants and confirmed the appealed ruling of the court of first instance.

The Defendants again appealed against that ruling in the Supreme Court which is still under discussion until the date of interim consolidated financial information.

Subsequent to the date of the interim consolidated financial information, the Plaintiff has received the amount as stated in the Court ruling.

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

	September 30, 2011	(Audited) December 31, 2010	September 30, 2010
Current assets:			
Cash and cash equivalents	**15,055,946**	13,242,161	17,183,817
Investment at fair value through income statement	**36,320**	61,810	72,340
Accounts receivable and other debit balances	**9,067,873**	9,320,237	10,226,016
Quoted investments available for sale	**5,084,896**	8,294,302	9,251,510
Properties held for trading	**30,416,153**	30,899,472	31,207,280
Total current assets	**59,661,188**	61,817,982	67,940,963
Current liabilities:			
Accounts payable and other credit balances	**(52,942,837)**	(43,972,279)	(50,404,876)
Bank facilities	**(37,674,139)**	(38,188,270)	(27,991,235)
Total current liabilities	**(90,616,976)**	(82,160,549)	(78,396,111)
Working capital	**(30,955,788)**	(20,342,567)	(10,455,148)

The Group's current liabilities exceed its current assets by an amount of KD 30,955,788 (December 31, 2010 - KD 20,342,567, September 30, 2010 – KD 10,455,148).

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	**9,098,870**	**7,995,990**	**5,456,481**	**22,551,341**	12,970,362	7,134,803	11,621,810	31,726,975
Segment expenses	**(5,749,132)**	**(9,042,937)**	**-**	**(14,792,069)**	(7,092,685)	(8,139,170)	-	(15,231,855)
Depreciation, amortization and change in fair value	**(323,399)**	**(254,614)**	**-**	**(578,013)**	(3,974,618)	(256,054)	-	(4,230,672)
Segment profit (Loss)	**3,026,339**	**(1,301,561)**	**5,456,481**	**7,181,259**	1,903,059	(1,260,421)	11,621,810	12,264,448
Net interest				**(4,027,351)**				(1,895,206)
Un allocated expenses				**(37,975)**				(121,924)
Net profit for the period				**3,115,933**				10,247,318
Attributable to:								
Equity holders of the Parent Company				**3,409,153**				10,621,450
Non-controlling interest				**(293,220)**				(374,132)
				3,115,933				10,247,318
Total Assets	**363,976,056**	**10,007,275**	**192,434,332**	**566,417,663**	380,836,109	9,576,167	240,416,837	630,829,113

(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:

	September 30, 2011						September 30, 2010					
	Kuwait	GCC	Asia	Africa	Others	Total	Kuwait	GCC	Asia	Africa	Others	Total
Cash on hand & at banks	4,349,395	23,764	579,794	319,792	5,028,816	10,301,561	2,109,825	41,929	753,911	1,730,842	7,107,048	11,743,555
Bank deposits	1,400,000	29,134	98,351	3,226,900	-	4,754,385	1,900,000	342,928	409,182	2,788,152	-	5,440,262
Investments at fair value through income statement	36,320	-	-	-	-	36,320	72,340	-	-	-	-	72,340
Accounts receivable and other debit balances	6,185,522	77,475	3,843,985	139,842	1,480,150	11,726,974	5,676,112	396,850	4,185,111	110,370	3,317,146	13,685,589
Investments available for sale	9,092,094	1,232,872	-	-	1,385,918	11,710,884	8,315,705	7,795,857	-	-	1,413,609	17,525,171
Investment in associates	179,935,563	-	-	-	751,565	180,687,128	219,761,874	-	-	-	-	219,761,874
Properties held for trading	-	12,957,898	4,819,978	12,638,277	-	30,416,153	-	12,933,544	6,321,040	11,952,696	-	31,207,280
Properties under development	-	19,016,460	2,873,394	87,295,215	-	109,185,069	-	24,720,881	2,182,468	93,092,423	-	119,995,772
Properties, plant and equipment	1,423,949	866,323	5,706,545	753,682	150,445	8,900,944	1,667,415	887,910	6,313,070	947,451	125,411	9,941,257
Investment properties	60,490,150	81,970,765	7,937,519	2,002,972	46,296,839	198,698,245	60,172,424	84,622,454	7,484,324	1,963,644	47,213,167	201,456,013
Total assets	262,912,993	116,174,691	25,859,566	106,376,680	55,093,733	566,417,663	299,675,695	131,742,353	27,649,106	112,585,578	59,176,381	630,829,113
Deferred tax	-	-	-	-	(5,613,726)	(5,613,726)	-	-	-	-	(5,823,193)	(5,823,193)
Bank facilities	(188,025,473)	-	(917,292)	-	(9,944,798)	(198,887,563)	(188,001,170)	-	-	-	(11,323,520)	(199,324,690)
Bonds	-	-	-	-	(13,685,491)	(13,685,491)	-	-	-	-	(14,595,134)	(14,595,134)
Other liabilities	(36,328,725)	(15,801,949)	(2,823,763)	(59,719,144)	(4,726,580)	(119,400,161)	(34,589,587)	(21,086,559)	(1,938,642)	(65,261,261)	(5,074,472)	(127,950,521)
Total liabilities	(224,354,198)	(15,801,949)	(3,741,055)	(59,719,144)	(33,970,595)	(337,586,941)	(222,590,757)	(21,086,559)	(1,938,642)	(65,261,261)	(36,816,319)	(347,693,538)

	September 30,2011						September 30,2010					
	Six months ended September 30, 2011						Six months ended September 30, 2010					
	Kuwait	GCC	Asia	Africa	Others	Total	Kuwait	GCC	Asia	Africa	Others	Total
Revenues												
Rental income	6,427,135	-	229,702	-	1,170,431	7,827,268	6,443,378	-	269,985	-	828,595	7,541,958
Net sales revenue	6,649,639	-	1,346,351	-	-	7,995,990	4,514,829	-	2,619,974	-	-	7,134,803
Share in the associates' results	5,293,131	-	-	-	(7,128)	5,286,003	10,876,212	-	-	-	-	10,876,212
Net Investment Income	170,478	-	-	-	-	170,478	65,853	144,572	-	-	535,173	745,598
Net profit on sale of subsidiaries	-	-	-	-	-	-	-	-	4,309,086	-	-	4,309,086
Change in fair value of investment properties	-	-	-	-	-	-	(3,661,976)	-	-	-	-	(3,661,976)
Interest income	2,594,222	5,897	26,617	249,944	73,116	2,949,796	2,442,290	8,133	45,119	207,692	37,952	2,741,186
Other income	1,245,692	-	25,910	-	-	1,271,602	1,101,415	-	17,019	884	-	1,119,318
Total revenues	22,380,297	5,897	1,628,580	249,944	1,236,419	25,501,137	21,782,001	152,705	7,261,183	208,576	1,401,720	30,806,185
Expenses												
Staff costs	(2,878,396)	(109,289)	(490,944)	(314,261)	(199,802)	(3,992,692)	(2,388,969)	(84,561)	(457,600)	(396,911)	(130,598)	(3,458,639)
Cost of sales	(5,248,364)	-	(1,756,144)	-	-	(7,004,508)	(4,287,496)	-	(2,672,023)	-	-	(6,959,519)
General & Administrative	(2,647,773)	(134,623)	(372,050)	(548,919)	(78,236)	(3,781,601)	(2,748,375)	(385,062)	(413,791)	(1,182,352)	(84,117)	(4,813,697)
Depreciation and amortization	(335,352)	(13,334)	(154,389)	(59,305)	(15,633)	(578,013)	(338,162)	(13,233)	(140,622)	(50,517)	(26,162)	(568,696)
Interest expense	(3,412,261)	-	(6,349)	-	(977,388)	(4,395,998)	(1,551,252)	-	-	-	(748,652)	(2,299,904)
Provision for interest income and doubtful debts	(2,574,229)	-	(6,920)	-	-	(2,581,149)	(2,338,487)	-	-	-	-	(2,338,487)
Foreign exchange gain	1,257	-	-	-	-	1,257	11,282	-	-	-	-	11,282
Others expenses	(52,500)	-	-	-	-	(52,500)	(131,207)	-	-	-	-	(131,207)
Total expenses	(17,147,618)	(257,246)	(2,786,796)	(922,485)	(1,271,059)	(22,385,204)	(13,772,667)	(482,856)	(3,684,035)	(1,629,780)	(989,529)	(20,558,867)
Net profit for the period	5,232,679	(251,349)	(1,158,216)	(672,541)	(34,640)	3,115,933	8,009,334	(330,151)	3,577,148	(1,421,204)	412,191	10,247,318
Attributable to:												
Equity Holders of parent company	5,377,974	(244,708)	(1,139,161)	(550,312)	(34,640)	3,409,153	8,139,318	(330,151)	3,562,440	(1,162,348)	412,191	10,621,450
Non-controlling interest	(145,295)	(6,641)	(19,055)	(122,229)	-	(293,220)	(129,984)	-	14,708	(258,856)	-	(374,132)
	5,232,679	(251,349)	(1,158,216)	(672,541)	(34,640)	3,115,933	8,009,334	(330,151)	3,577,148	(1,421,204)	412,191	10,247,318