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

INTERIM CONSOLIDATED FINANCIAL INFORMATION
FOR THE PERIOD ENDED MARCH 31, 2012
(UNAUDITED)
WITH
REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL INFORMATION

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AND ITS SUBSIDIARIES
STATE OF KUWAIT

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REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL INFORMATION

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of National Real Estate Company K.S.C. (the Parent Company) and its subsidiaries (the Group) as of March 31, 2012 and the related interim condensed consolidated statements of income, comprehensive 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.

Emphasis of matter

We draw attention to notes (3), (7) and (9) 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 ended March 31, 2012 of either the Commercial Companies Law or the Parent Company's Articles of Association, which might have materially affected the Group's financial position or results of its operations, except that the Parent Company holds certain direct investments in shares in violation of its objectives.

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State of Kuwait
May 15, 2012

NATIONAL REAL ESTATE COMPANY K.S.C. AND ITS SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS OF MARCH 31, 2012
(All amounts are in Kuwaiti Dinars)

ASSETS	Note	March 31, 2012	December 31, 2011 (Audited)	March 31, 2011 (Restated)
Assets:				
Cash and cash equivalents		5,708,602	5,532,126	8,090,809
Investment at fair value through income statement		41,740	35,630	49,140
Accounts receivable and other debit balances		10,700,417	10,947,048	11,087,453
Investments available for sale		5,342,852	5,548,717	12,889,994
Investment in associates	3	178,168,372	176,211,952	187,352,649
Investment in joint venture	2	19,550,730	18,584,142	20,687,167
Properties held for trading		25,106,268	24,579,257	30,083,237
Properties under development		111,770,736	109,170,361	106,384,835
Property, plant and equipment		6,145,815	6,276,564	9,335,745
Investment properties		138,942,303	138,133,600	150,553,449
Total assets		501,477,835	495,019,397	536,514,478
LIABILITIES AND EQUITY				
Liabilities:				
Accounts payable and other credit balances		128,824,088	127,231,096	113,465,222
Bank facilities		182,622,157	180,476,974	191,488,083
Provision for end of service indemnity		957,265	925,027	899,037
Total liabilities		312,403,510	308,633,097	305,852,342
Equity:				
Share capital		81,419,506	81,419,506	81,419,506
Treasury shares	4	(7,405,861)	(7,405,861)	(7,363,836)
Statutory reserve		39,291,710	39,291,710	39,291,710
Treasury shares reserve		12,857,601	12,857,601	12,857,601
Effect of change in other comprehensive income of associate		1,900,448	1,533,718	2,486,678
Effect of associate's treasury shares transactions		(9,368,240)	(9,368,240)	(8,893,779)
Investment revaluation reserve		(207,396)	(150,078)	(1,514,220)
Foreign currency translation reserve		(6,843,412)	(7,384,122)	(6,349,631)
Retained earnings		54,382,383	52,219,219	93,958,077
Equity attributable to Parent Company's shareholders		166,026,739	163,013,453	205,892,106
Non - controlling interests		23,047,586	23,372,847	24,770,030
Total equity		189,074,325	186,386,300	230,662,136
Total liabilities and equity		501,477,835	495,019,397	536,514,478

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 MARCH 31, 2012
(All amounts are in Kuwaiti Dinars)

	Note	Three months ended March 31, 2012	2011 (Restated)
Revenues:			
Rental income		**2,300,759**	2,204,453
Net sales		**1,612,078**	3,027,647
Share of results from associates	3	**1,589,690**	1,729,065
Share of results from joint venture		**447,933**	(19,414)
		5,950,460	6,941,751
Expenses:			
Staff costs		**(900,354)**	(1,367,496)
Cost of sales		**(1,534,370)**	(2,895,037)
General and administrative		**(826,255)**	(1,264,774)
Depreciation and amortization		**(180,324)**	(227,892)
		(3,441,303)	(5,755,199)
Operating profit		**2,509,157**	1,186,552
Net investment income (loss)		**48,537**	(13,796)
Other income		**454,711**	540,642
Interest income		**969,689**	931,171
Interest expense		**(839,569)**	(1,105,268)
Provision for interest income		**(926,914)**	(839,054)
Profit for the period before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labor Support Tax (NLST), Zakat and Board of Directors' remuneration		**2,215,611**	700,247
Contribution to KFAS		**(4,265)**	-
National Labor Support Tax		**(39,502)**	-
Contribution to Zakat		**(15,801)**	-
Board of Director's remuneration		**(17,500)**	(17,500)
Net profit for the period		**2,138,543**	682,747
Attributable to :			
Equity holders of the Parent Company		**2,163,164**	886,034
Non - controlling interests		**(24,621)**	(203,287)
		2,138,543	682,747
Earnings per share attributable to equity holders of the Parent Company (fils)	5	**2.79**	1.14

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

	Note	Three months ended March 31,	
		2012	2011 (Restated)
Net profit for the period		**2,138,543**	682,747
Other comprehensive income:			
Foreign currency translation adjustments		**240,070**	(4,404,540)
Investments available for sale		**(57,318)**	(1,671,948)
Share of other comprehensive income of associate	3	**366,730**	(290,646)
Other Comprehensive income (loss) for the period		**549,482**	(6,367,134)
Total comprehensive income (loss) for the period		**2,688,025**	(5,684,387)
Attributable to:			
Equity holders of the parent company		**3,013,286**	(4,727,763)
Non-controlling interests		**(325,261)**	(956,624)
Total comprehensive income (loss) for the period		**2,688,025**	(5,684,387)

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 MARCH 31, 2012
(All amounts are in Kuwaiti Dinars)

	Equity attributable to shareholders of the Parent Company											
	Share capital	Treasury shares	Statutory reserve	Treasury shares reserve	Effect of changes in other comprehensive income of associate	Effect of associate's treasury shares transactions	Investment revaluation reserve	Foreign currency translation reserve	Retained earnings	Subtotal	Non - controlling interests	Total
Balance at December 31, 2011	**81,419,506**	**(7,405,861)**	**39,291,710**	**12,857,601**	**1,533,718**	**(9,368,240)**	**(150,078)**	**(7,384,122)**	**52,219,219**	**163,013,453**	**23,372,847**	**186,386,300**
Total comprehensive income (loss) for the period	**-**	**-**	**-**	**-**	**366,730**	**-**	**(57,318)**	**540,710**	**2,163,164**	**3,013,286**	**(325,261)**	**2,688,025**
Balance at March 31. 2012	**81,419,506**	**(7,405,861)**	**39,291,710**	**12,857,601**	**1,900,448**	**(9,368,240)**	**(207,396)**	**(6,843,412)**	**54,382,383**	**166,026,739**	**23,047,586**	**189,074,325**
Balance at December 31, 2010	81,419,506	(7,363,836)	39,291,710	12,857,601	2,777,324	(8,893,779)	157,728	(2,698,428)	93,072,043	210,619,869	25,726,654	236,346,523
Total comprehensive (loss) income for the period	-	-	-	-	(290,646)	-	(1,671,948)	(3,651,203)	886,034	(4,727,763)	(956,624)	(5,684,387)
Balance at March 31, 2011 (Restated)	81,419,506	(7,363,836)	39,291,710	12,857,601	2,486,678	(8,893,779)	(1,514,220)	(6,349,631)	93,958,077	205,892,106	24,770,030	230,662,136

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)
MARCH 31, 2012
(All amounts are in Kuwaiti Dinars)

	Three months ended March 31,	
	2012	2011 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit for the period before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration	**2,215,611**	700,247
Adjustments for:		
Depreciation and amortization	**180,324**	227,892
Net investment (income) loss	**(48,537)**	13,796
Share in the associates' results	**(1,589,690)**	(1,729,065)
Share in joint ventures' results	**(447,933)**	19,414
Interest income	**(969,689)**	(931,171)
Interest expense	**839,569**	1,105,268
Provision for interest income	**926,914**	839,054
Provision for end of service indemnity	**43,410**	55,764
	1,149,979	301,199
Changes in operating assets and liabilities:		
Accounts receivable and other debit balances	**246,633**	(661,662)
Accounts payable and other credit balances	**51,447**	(685,953)
Cash generated from (used in) operations	**1,448,059**	(1,046,416)
Payment for end of service indemnity	**(11,173)**	(1,756)
Net cash generated from (used in) operating activities	**1,436,886**	(1,048,172)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments available for sale	**(12,978)**	(2,360)
Proceeds from sale of investments available for sale	**203,481**	10,757
Payment for additions to properties held for trading	**(2,229)**	(12,978)
Payment for additions to properties under development	**(1,200,293)**	(333,600)
Purchase of property, plant and equipment	**(52,535)**	(283,634)
Payment for additions to investment properties	**(35,516)**	(14,820)
Interest income received	**42,775**	92,117
Net cash used in investing activities	**(1,057,295)**	(544,518)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net movement on bank overdraft and term loans	**2,145,183**	2,028,880
Dividends paid	**(245,843)**	(80,487)
Interest expense paid	**(2,066,145)**	(3,473,361)
Net cash used in financing activities	**(166,805)**	(1,524,968)
Foreign currency translation adjustments	**(36,310)**	3,260,014
Net increase in cash and cash equivalents	**176,476**	142,356
Cash and cash equivalents at beginning of the period	**5,532,126**	7,948,453
Cash and cash equivalents at end of the period	**5,708,602**	8,090,809

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. The parent company 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 May 15, 2012.

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, 2011.

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 March 31, 2012 are not necessarily indicative of the results that may be expected for the year ending December 31, 2012. For further information, refer to the consolidated financial statements and notes thereto for the year ended December 31, 2011.

During the year ended December 31, 2011 the Group early adopted IFRS 11 "Joint arrangements" to account for its investment in joint venture from proportionate consolidation to equity method of accounting. Accordingly, the Group early adopted IFRS 10 "Consolidated Financial Statements" and IFRS 12 "Disclosure of Interest in Other Entities". This early adoption impacted the comparative amounts for the period ended March 31, 2011 which have been restated and this had no impact on profit for the period ended March 31, 2011.

The details for restatements resulted from the change in the accounting policy are as follows:

Interim condensed consolidated statement of Financial Position

	As at March 31 , 2011	
	Previously presented	Restated
Cash and cash equivalent	4,501,718	-
Accounts receivable and other debit balances	1,631,628	-
Investment in associates	793,482	-
Investment in joint venture	-	20,687,167
Investment Properties	48,234,500	-
Property, plant and equipment	131,812	-
Total Assets	55,293,140	20,687,167
Accounts payable and other credit balances	9,991,987	-
Bonds	14,216,231	-
Bank facilities	10,397,755	-
Total liabilities	34,605,973	-

Interim condensed consolidated statement of income

	For the three months ended March 31, 2011	
	Previously presented	Restated
Revenue:		
Rental income	491,058	-
Share of results from associate	(2,331)	-
Share of results from joint venture	-	(19,414)
Interest income	34,241	-
Expenses:		
Staff costs	(117,718)	-
General and administrative expenses	(17,036)	-
Interest expenses	(402,515)	-
Depreciation	(5,113)	-
Net loss	(19,414)	(19,414)

3. Investment in associates

		Percentage of ownership (%)					
Name of the associate	Country of Incorporation	**March 31, 2012**	December 31, 2011 (Audited)	March 31, 2011	**March 31, 2012**	December 31, 2011 (Audited)	March 31, 2011 (Restated)
(i) Public Warehousing Company K.S.C. (Agility)	Kuwait	**22.444**	22.444	22.444	**178,168,372**	176,211,952	186,415,960
(ii) Al-Seef International Holding K.S.C.C.	Kuwait	**-**	-	25	**-**	-	936,689
					178,168,372	176,211,952	187,352,649

The movement on investment in associates during the period / year is as follows:

	March 31, 2012	December 31, 2011 (Audited)	March 31, 2011 (Restated)
Balance at the beginning of the period / year	**176,211,952**	185,914,230	185,914,230
Transferred to investment available for sale	**-**	(936,689)	-
Share of results from associate	**1,589,690**	6,069,458	1,729,065
Cash dividends received	**-**	(9,397,970)	-
Effect of changes in an associate's equity (a)	**366,730**	(1,718,067)	(290,646)
Impairment losses for investment in associate	**-**	(3,719,010)	-
Balance at the end of the period / year	**178,168,372**	176,211,952	187,352,649

(a) Effect of changes in an associate's equity is as follows:

	March 31, 2012	December 31, 2011 (Audited)	March 31, 2011 (Restated)
Movement in treasury shares	**-**	(474,461)	-
Changes in hedging reserve	**(476,032)**	192,791	192,792
Foreign currency translation adjustment	**842,762**	(1,436,397)	(1,232,610)
Cumulative changes in fair value of available for sale investments	**-**	-	749,172
	366,730	(1,718,067)	(290,646)

1) Agility Public Warehousing Company K.S.C. (formerly Public Warehousing Company K.S.C."Agility"):

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 March 31, 2012 the fair value of the Group's investment in Agility Public Warehousing Co. K.S.C. amounted to KD 92,804,962 (December 31, 2011 – KD 85,756,484, March 31, 2011 KD 85,756,484).

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.

   November 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. The associate Company pled not guilty to the indictment. A status conference was held before the judge of the District Court for the Northern District of Georgia in October 2011. The associate Company filed various motions in February 2012, including motions to dismiss the indictment on various grounds and a motion to transfer venue to another judicial district 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 did not affect continued performance of the existing contracts. The SPV Contract expired in December 2010.

The Associate Company is rigorously defending its case and 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. 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, (ASBCA) Appeals" a decision made by the contracting officer demanding repayment of approximately KD 23 million from the Associate Company. The US Government during the year also collected KD 4.7 Million out of the above claim by offsetting payments due under another USG contract. 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, which was denied by the Contracting Officer on 15 December 2011. The associate Company filed an appeal before the ASBCA and decision on this appeal is currently pending.

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

4. Treasury shares

	March 31, 2012	December 31, 2011 (Audited)	March 31, 2011
Number of treasury shares	**39,723,251**	39,723,251	39,163,250
Percentage of issued and fully paid up shares (%)	**4.88**	4.88	4.81
Market value (KD)	**5,561,255**	5,005,128	3,994,652
Cost (KD)	**7,405,861**	7,405,861	7,363,836

5. 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,	
	2012	2011
Net profit for the period attributable to equity holders of the Parent Company	**2,163,164**	886,034
	Shares	Shares
Number of issued and fully paid-up shares	**814,195,063**	814,195,063
Less: Weighted average number of treasury shares	**(39,723,251)**	(39,163,250)
Weighted average number of shares outstanding	**774,471,812**	775,031,813
	Fils	Fils
Earnings per share attributable to equity holders of the Parent Company	**2.79**	1.14

6. 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**	**March 31, 2012**	December 31, 2011 (Audited)	March 31, 2011
Balances included in the consolidated statement of financial position:					
Accounts receivable and other debit balances	**2,047,994**	**18,000**	**2,065,994**	4,336,135	3,325,605
Accounts payable and other credit balances	**-**	**5,000,000**	**5,000,000**	5,000,000	5,000,000

	Three months ended March 31,	
	Major shareholders	**2012**	2011
Transactions included in the consolidated statement of income:			
Rental income	**115,148**	**115,148**	115,148
Net sales	**1,473,321**	**1,473,321**	3,022,682
Other income	**-**	**-**	16,726
General and administrative expenses	**(30,804)**	**(30,804)**	(48,160)

	Three months ended March 31,	
	2012	2011
Key management compensation:		
Short term benefits	**135,783**	**137,712**
Termination benefits	**9,620**	**6,461**
Board of Director's remuneration	**17,500**	**17,500**

7. Contingencies and capital commitments

a) At March 31, 2012, the Group's management authorized capital commitments amounting to KD 442,750 (December 31, 2011 – KD 449,793, March 31, 2011 – KD 605,954).

b) At March 31, 2012, 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
2016 – 2019	84,000
	225,000

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.

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

	March 31, 2012	December 31, 2011 (Audited)	March 31, 2011
Letters of guarantee	**2,499,581**	3,452,931	3,085,018

d) The main legal claims of the Group are as follows:

1) 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 the parent company (the managing company). Accordingly, the parent company had recognized a provision amount of KD 13,360,424 as a result of losing its control over the assets located in KFTZ. This provision was made on a conservative basis and not as surrender to the validity of the resolution.
The managing company had filed a case under 939/2006 appealing against the decision of the Ministry of Commerce and Industry for the cancellation of a management contract for KFTZ. The case is still pending between the external legal counsel and the expert department where the court on January 26, 2011 transferred the case to the expert department which is still under discussion until date.

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

2) The Parent Company had filed a legal case No. 277/2005 against Kuwait Ports Authority and a transport company claiming for the unpaid rent amount from their utilization of certain plots in Kuwait Free Trade Zone during management by the parent company. The court of appeal in its session dated May 24, 2011had confirmed the appealed ruling of the court of first instance

obliging Kuwait Ports Authority and the transport company to jointly pay an amount of KD 6,956,416 to the parent company for the areas and periods as mentioned in the court verdict. The parent company had received the amount as stated in the Court ruling on October 11, 2011. Kuwait Ports Authority and the transport company again appealed against that ruling in the Court of Cassation which is still under discussion with the Court.

This amount represents the portion of the rental income due from Kuwait Ports Authority which is recorded in the books of the parent company. The parent company previously recorded full provision for the total amount in its books. Provisions accounted earlier were not reversed for amount collected on conservative bases until a final ruling is to be issued which will not be appealed.

3) 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 in its session dated June 30, 2009 had decided 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, which would not have negative financial impact on its financial results as all necessary provisions in that regard are accounted in the records of the Parent Company.

   In the opinion of external legal counsel of the Group, there is no ability to comment on the possible financial impact of neither the Court of Cessation's verdict nor the possible compensations which might result for either party. Taking that into consideration as well as the full provision recorded for those properties in the Parent Company's records, the Group's management had decided that no additional provisions would be necessary to be recorded in the Parent Company's records as at the date of condensed consolidated financial information.

4) 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 44,624,755 (December 31,2011 - KD 43,697,841, March 31,2011 KD 41,051,624), which represents rehabilitation costs for Kuwait Ports Authority properties in Kuwait Free Trade Zone, in addition to rents due for properties utilized by Kuwait Ports Authority in Kuwait Free Trade Zone in addition to interest on balance due from Kuwait Ports Authority, where the parent company has fully provided for this interest, and on the other hand balance due to Kuwait Ports Authority amounted to KD 6,928,556 (December 31,2011 - KD 6,928,556, March 31,2011 KD 6,928,556) which represents share of Kuwait Ports Authority in rental income collected from properties constructed and handed over from to Kuwait Free Trade Zone after deducting share relating to outstanding and unpaid rent of Kuwait Ports Authority for properties utilized, which will be refunded back to Kuwait Ports Authority In case of any settlement regarding those outstanding and unpaid rents.

   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 amount due from Kuwait Ports Authority on a conservative basis and not as surrender to the validity of the cancellation resolution.

8. Shareholders' Annual General Assembly

The Shareholders' Annual General Assembly for the year ended December 31, 2011 has not been held till the date of preparation of this interim consolidated financial information. Consequently, the consolidated financial statements for the year ended December 31, 2011 have not been approved till that date. The interim consolidated financial information for the period ended March 31, 2012 does not include any adjustments that may be necessary, if the consolidated financial statements for the year ended December 31, 2011 have been approved from the shareholder's Annual General Assembly.

9. Working capital

	March 31, 2012	December 31, 2011 (Audited)	March 31, 2011 (Restated)
Current assets:			
Cash and cash equivalents	**5,708,602**	**5,532,126**	8,090,809
Accounts receivable and other debit balances	**8,058,332**	**8,285,476**	8,395,213
Quoted investments	**5,326,498**	**5,526,516**	6,620,944
Properties held for trading	**25,106,268**	**24,579,257**	30,083,237
Total current assets	**44,199,700**	**43,923,375**	53,190,203
Current liabilities:			
Accounts payable and other credit balances	**(14,516,779)**	**(16,005,743)**	(48,761,630)
Bank facilities	**(73,122,158)**	**(63,476,974)**	(38,488,083)
Total current liabilities	**(87,638,937)**	**(79,482,717)**	(87,249,713)
Working capital	**(43,439,237)**	**(35,559,342)**	(34,059,510)

The Group's current liabilities exceed its current assets by an amount of KD 43,439,237 (December 31, 2011 - KD 35,559,342, March 31, 2011 – KD 34,059,510).

Interim consolidated financial information has been prepared assuming the Group will continue as a going concern. The consolidated interim consolidated financial information does 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 enhance 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, As the Group's management are currently about to complete the negotiations on restructuring its borrowings with the financial institutions, and also 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.

10. 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 an associate, joint venture and equity securities.

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

	2012				2011 (Restated)			
	Real estate & Others	**Wholesale**	**Investments**	**Total**	Real estate & Others	Wholesale	Investments	Total
Segment income	**2,732,608**	**1,634,940**	**2,086,160**	**6,453,708**	2,743,484	3,029,258	1,695,855	7,468,597
Segment expenses	**(1,523,868)**	**(1,737,111)**	**-**	**(3,260,979)**	(1,837,320)	(3,689,987)	-	(5,527,307)
Depreciation & amortization	**(102,820)**	**(77,504)**	**-**	**(180,324)**	(138,524)	(89,368)	-	(227,892)
Provisions	**(926,914)**	**-**	**-**	**(926,914)**	(839,054)	-	-	(839,054)
Segment profit (Loss)	**179,006**	**(179,675)**	**2,086,160**	**2,085,491**	(71,414)	(750,097)	1,695,855	874,344
Net interest				**130,120**				(174,097)
Un allocated expenses				**(77,068)**				(17,500)
Net profit for the period				**2,138,543**				682,747
Attributable to:								
Equity holders of the Parent Company				**2,163,164**				886,034
Non-controlling interest				**(24,621)**				(203,287)
				2,138,543				682,747
Total Assets	**290,434,656**	**7,939,485**	**203,103,694**	**501,477,835**	305,907,271	9,628,257	220,978,950	536,514,478

(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:

	March 31, 2012						March 31,2011 (Restated)					
	Kuwait	**GCC**	**Asia**	**Africa**	**Others**	**Total**	Kuwait	GCC	Asia	Africa	Others	Total
Cash on hand & at banks and money market funds	**2,718,824**	**46,828**	**951,354**	**385,873**	**-**	**4,102,879**	2,726,838	31,603	729,003	670,987	-	4,158,431
Bank deposits	**-**	**28,476**	**100,928**	**1,476,319**	**-**	**1,605,723**	801,003	29,380	80,000	3,021,995	-	3,932,378
Investments at fair value through income statement	**41,740**	**-**	**-**	**-**	**-**	**41,740**	49,140	-	-	-	-	49,140
Accounts receivable & other debit balances	**5,413,208**	**81,533**	**3,512,363**	**1,693,313**	**-**	**10,700,417**	6,099,028	34,084	3,966,569	987,772	-	11,087,453
Investments available for sale	**3,435,643**	**1,090,308**	**-**	**-**	**816,901**	**5,342,852**	9,880,340	1,613,731	-	-	1,395,923	12,889,994
Investment in associates	**178,168,372**	**-**	**-**	**-**	**-**	**178,168,372**	187,352,649	-	-	-	-	187,352,649
Investment in joint venture	-	-	-	-	**19,550,730**	**19,550,730**	-	-	-	-	20,687,167	20,687,167
Property, plant and equipment	**1,404,118**	**11,744**	**4,494,387**	**235,566**	**-**	**6,145,815**	2,673,007	54,526	5,628,312	979,900	-	9,335,745
Properties under development	**-**	**16,074,153**	**3,439,600**	**92,256,983**	**-**	**111,770,736**	-	18,559,150	2,365,420	85,460,265	-	106,384,835
Properties held for trading	**-**	**8,343,581**	**3,868,521**	**12,894,166**	**-**	**25,106,268**	-	12,821,449	4,824,269	12,437,519	-	30,083,237
Investment properties	**58,023,720**	**72,946,460**	**7,972,123**	**-**	**-**	**138,942,303**	60,439,525	80,633,029	7,489,493	1,991,402	-	150,553,449
Total assets	**249,205,625**	**98,623,083**	**24,339,276**	**108,942,220**	**20,367,631**	**501,477,835**	270,021,530	113,776,952	25,083,066	105,549,840	22,083,090	536,514,478
Bank facilities	**(181,317,957)**	**-**	**(1,304,200)**	**-**	**-**	**(182,622,157)**	(191,174,407)	-	(313,676)	-	-	(191,488,083)
Other liabilities	**(44,347,170)**	**(18,033,927)**	**(3,562,533)**	**(63,837,723)**	**-**	**(129,781,353)**	(36,431,640)	(15,944,472)	(2,855,467)	(59,132,680)	-	(114,364,258)
Total liabilities	**(225,665,127)**	**(18,033,927)**	**(4,866,733)**	**(63,837,723)**	**-**	**(312,403,510)**	(227,606,047)	(15,944,472)	(3,169,143)	(59,132,680)	-	(305,852,342)

	March 31,2012						March 31,2011 (Restated)					
	Kuwait	**GCC**	**Asia**	**Africa**	**Others**	**Total**	Kuwait	GCC	Asia	Africa	Others	Total
Revenues												
Rental income	**2,213,700**	**-**	**87,059**	**-**	**-**	**2,300,759**	2,125,177	-	79,276	-	-	2,204,453
Share in the associates' results	**1,589,690**	**-**	**-**	**-**	**-**	**1,589,690**	1,729,065	-	-	-	-	1,729,065
Net sales revenue	**1,446,065**	**-**	**166,013**	**-**	**-**	**1,612,078**	2,235,281	-	789,425	2,941	-	3,027,647
Net Investment Income (loss)	**7,992**	**46,020**	**-**	**-**	**(5,475)**	**48,537**	(13,796)	-	-	-	-	(13,796)
Share in the joint ventures' results	**-**	**-**	**-**	**-**	**447,933**	**447,933**	-	-	-	-	(19,414)	(19,414)
Interest Income	**927,835**	**1,430**	**8,195**	**32,229**	**-**	**969,689**	844,514	1,457	8,598	76,602	-	931,171
Other income	**426,649**	**-**	**28,062**	**-**	**-**	**454,711**	535,879	-	4,763	-	-	540,642
Total revenues	**6,611,931**	**47,450**	**289,329**	**32,229**	**442,458**	**7,423,397**	7,456,121	1,457	882,062	79,543	(19,414)	8,399,768
Expenses												
Staff costs	**(678,005)**	**(31,901)**	**(77,100)**	**(113,348)**	**-**	**(900,354)**	(975,950)	(28,639)	(226,741)	(136,165)	-	(1,367,496)
Cost of Sales	**(1,403,582)**	**-**	**(130,788)**	**-**	**-**	**(1,534,370)**	(1,990,633)	-	(903,114)	(1,290)	-	(2,895,037)
General & Administrative	**(517,241)**	**(35,538)**	**(70,866)**	**(202,610)**	**-**	**(826,255)**	(864,541)	(54,229)	(135,212)	(210,792)	-	(1,264,774)
Depreciation and amortization	**(106,361)**	**(2,014)**	**(51,727)**	**(20,222)**	**-**	**(180,324)**	(109,063)	(4,447)	(95,727)	(18,655)	-	(227,892)
Interest expense	**(830,533)**	**-**	**(9,036)**	**-**	**-**	**(839,569)**	(1,105,268)	-	-	-	-	(1,105,268)
Provision for doubtful debts and interests income	**(926,914)**	**-**	**-**	**-**	**-**	**(926,914)**	(839,054)	-	-	-	-	(839,054)
Others expenses	**(77,068)**	**-**	**-**	**-**	**-**	**(77,068)**	(17,500)	-	-	-	-	(17,500)
Total expenses	**(4,539,704)**	**(69,453)**	**(339,517)**	**(336,180)**	**-**	**(5,284,854)**	(5,902,010)	(87,315)	(1,360,794)	(366,902)	-	(7,717,021)
Net profit for the period	**2,072,227**	**(22,003)**	**(50,188)**	**(303,951)**	**442,458**	**2,138,543**	1,554,110	(85,858)	(478,732)	(287,359)	(19,414)	682,747
Attributable to:												
Equity Holders of parent company	**2,032,773**	**(17,586)**	**(47,769)**	**(246,712)**	**442,458**	**2,163,164**	1,701,134	(83,357)	(471,140)	(241,189)	(19,414)	886,034
Non-controlling interest	**39,454**	**(4,417)**	**(2,419)**	**(57,239)**	**-**	**(24,621)**	(147,020)	(2,501)	(7,592)	(46,170)	-	(203,287)
	2,072,227	**(22,003)**	**(50,188)**	**(303,951)**	**442,458**	**2,138,543**	1,554,110	(85,858)	(478,732)	(287,359)	(19,414)	682,747

11. Comparative figures

Certain prior period amounts have been restated to confirm with the current period presentation due to change in accounting policy. The details are disclosed in Note 2.