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

INTERIM CONSOLIDATED FINANCIAL INFORMATION
FOR THE PERIOD ENDED SEPTEMBER 30, 2008
(UNAUDITED)
WITH
REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL INFORMATION

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REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL INFORMATION

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

Introduction

We have reviewed the accompanying interim condensed consolidated balance sheet of National Real Estate Company K.S.C. (the Parent Company) and its subsidiaries (the Group) as of September 30, 2008 and the related interim condensed consolidated statements of 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.

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 September 30, 2008 of either the Commercial Companies Law or the Parent Company's Articles of Association, which might have materially affected the Group's financial position or results of its operations, except that the Parent Company holds certain direct investments in shares in violation of its objectives.

Emphasis of matter

Without qualifying our conclusion we would like to draw attention to notes (7), (9), and (19) to the interim consolidated financial information.

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State of Kuwait
November 13, 2008

NATIONAL REAL ESTATE COMPANY K.S.C. AND ITS SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)
AS OF SEPTEMBER 30, 2008
(All amounts are in Kuwaiti Dinars)

ASSETS	Note	September 30, 2008	December 31, 2007 (Audited)	September 30, 2007
Cash and short term funds		**15,529,262**	12,959,872	18,414,225
Investments at fair value through income statement	4	**1,393,304**	2,688,041	3,319,494
Accounts receivable and other debit balances	5	**81,358,337**	70,801,705	38,241,821
Investments available for sale	6	**23,128,334**	17,875,026	15,159,114
Investment in associates	7	**175,892,376**	185,405,109	176,349,173
Investment in a joint venture		**343,583**	295,681	292,075
Capital work in progress	8	**47,131,016**	38,216,590	35,280,986
Fixed assets		**2,148,855**	1,622,360	1,364,290
Investment properties		**66,429,799**	66,411,513	65,900,913
Total assets		**413,354,866**	396,275,897	354,322,091
LIABILITIES AND EQUITY				
Liabilities:				
Accounts payable and other credit balances		**28,740,071**	27,910,930	23,742,052
Bank facilities	10	**142,235,427**	114,807,428	88,435,936
Bonds	11	**6,776,000**	3,031,500	-
Provision for end of service indemnity		**726,449**	611,934	676,380
Total liabilities		**178,477,947**	146,361,792	112,854,368
Equity:				
Share capital	12	**81,419,506**	74,017,733	74,017,733
Treasury shares	13	**(6,742,923)**	(5,554,583)	(5,494,340)
Statutory reserve		**34,503,518**	34,503,518	30,585,134
Treasury shares reserve		**12,854,484**	12,051,208	11,772,668
Effect of changes in associates' equity	7	**(9,044,511)**	5,897,123	8,750,688
Cumulative changes in fair value		**(3,226,115)**	997,834	344,808
Foreign currency translation adjustments		**(1,309,320)**	373,733	888,144
Dilution gain		**9,686**	-	-
Retained earnings		**105,039,214**	106,085,640	104,489,562
Attributable to equity holders of the parent company		**213,503,539**	228,372,206	225,354,397
Minority interest		**21,373,380**	21,541,899	16,113,326
Total equity		**234,876,919**	249,914,105	241,467,723
Total liabilities and equity		**413,354,866**	396,275,897	354,322,091

The accompanying notes (1) to (22) 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, 2008
(All amounts are in Kuwaiti Dinars)

	Note	Three months ended September 30,		Nine months ended September 30,	
		2008	2007	**2008**	2007
Revenues:					
Rental income		**2,121,449**	2,021,488	**5,988,138**	5,619,584
Share in the associates' results	7	**8,059,803**	8,851,001	**24,915,980**	27,863,875
Change in fair value of investment properties		**(117,472)**	(105,607)	**(352,362)**	(316,822)
		10,063,780	10,766,882	**30,551,756**	33,166,637
Expenses:					
Staff costs		**(1,270,313)**	(1,216,239)	**(3,993,392)**	(4,017,057)
General and administrative		**(1,294,465)**	(915,038)	**(5,477,837)**	(3,021,380)
Depreciation		**(92,541)**	(54,330)	**(293,629)**	(157,979)
		(2,657,319)	(2,185,607)	**(9,764,858)**	(7,196,416)
Operating profit		**7,406,461**	8,581,275	**20,786,898**	25,970,221
Net investment income	14	**532,371**	4,568,276	**3,778,320**	8,563,510
Other income	15	**167,602**	110,462	**2,790,482**	2,717,616
Share in the joint venture results		**(12,247)**	(14,056)	**(29,293)**	(35,989)
Interest income		**866,411**	667,272	**2,469,780**	2,071,457
Interest expense		**(2,589,396)**	(1,672,728)	**(6,938,792)**	(3,543,308)
Provision for interest income on the balance due from Kuwait Ports Authority	9	**(654,128)**	(592,129)	**(1,914,536)**	(1,733,066)
Provision for doubtful debts		**(29,656)**	-	**(35,614)**	-
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		**5,687,418**	11,648,372	**20,907,245**	34,010,441
Contribution to KFAS	16	**-**	(25,771)	**-**	(46,954)
National Labor Support Tax	16	**-**	(69,168)	**-**	(142,955)
Contribution to Zakat	16	**-**	-	**-**	-
Board of Director's remuneration		**(17,500)**	(17,500)	**(52,500)**	(52,500)
Net profit for the period		**5,669,918**	11,535,933	**20,854,745**	33,768,032
Attributable to :					
Equity holders of the Parent Company		**5,575,747**	11,505,280	**20,542,013**	33,506,646
Minority interest		**94,171**	30,653	**312,732**	261,386
		5,669,918	11,535,933	**20,854,745**	33,768,032
Earnings per share attributable to equity holders of the Parent Company (fils)	17	**7.15**	14.80	**26.34**	43.12

The accompanying notes (1) to (22) 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, 2008
(All amounts are in Kuwaiti Dinars)

	Attributable to equity holders of the Parent Company											
	Share capital	Treasury shares	Statutory reserve	Treasury shares reserve	Effect of changes in associates' equity	Cumulative changes in fair value	Foreign currency translation adjustments	Dilution gain	Retained earnings	Subtotal	Minority interest	Total
Balance at December 31, 2007	74,017,733	(5,554,583)	34,503,518	12,051,208	5,897,123	997,834	373,733	-	106,085,640	228,372,206	21,541,899	249,914,105
Gain on sale of treasury shares	-	-	-	803,276	-	-	-	-	-	803,276	-	803,276
Change in fair value of investments available for sale	-	-	-	-	-	(3,489,650)	-	-	-	(3,489,650)	9,434	(3,480,216)
Reversal on sale of investments available for sale	-	-	-	-	-	(734,299)	-	-	-	(734,299)	(41,752)	(776,051)
Share of changes in associates' equity – Note 7	-	-	-	-	(4,146,229)	-	-	-	-	(4,146,229)	-	(4,146,229)
Foreign currency translation adjustments	-	-	-	-	-	-	(1,683,053)	-	-	(1,683,053)	(427,295)	(2,110,348)
Dilution gain(Loss)	-	-	-	-	-	-	-	9,686	-	9,686	(9,686)	-
Net income (loss) recognized directly in equity	-	-	-	803,276	(4,146,229)	(4,223,949)	(1,683,053)	9,686	-	(9,240,269)	(469,299)	(9,709,568)
Net profit for the period	-	-	-	-	-	-	-	-	20,542,013	20,542,013	312,732	20,854,745
Total recognized income (loss) for the period	-	-	-	803,276	(4,146,229)	(4,223,949)	(1,683,053)	9,686	20,542,013	11,301,744	(156,567)	11,145,177
Purchase of treasury shares	-	(1,637,965)	-	-	-	-	-	-	-	(1,637,965)	-	(1,637,965)
Sale of treasury shares	-	449,625	-	-	-	-	-	-	-	449,625	-	449,625
Net movement in associate's treasury shares - Note 7	-	-	-	-	(10,795,405)	-	-	-	-	(10,795,405)	-	(10,795,405)
Paid to minority	-	-	-	-	-	-	-	-	-	-	(11,952)	(11,952)
Cash dividend (2007 – 20 fils per share) – Note 20	-	-	-	-	-	-	-	-	(14,186,666)	(14,186,666)	-	(14,186,666)
Bonus share (2007 – 10%) – Note 20	7,401,773	-	-	-	-	-	-	-	(7,401,773)	-	-	-
Balance at September 30, 2008	**81,419,506**	**(6,742,923)**	**34,503,518**	**12,854,484**	**(9,044,511)**	**(3,226,115)**	**(1,309,320)**	**9,686**	**105,039,214**	**213,503,539**	**21,373,380**	**234,876,919**
Balance at December 31, 2006	64,363,246	(5,184,069)	30,585,134	9,582,304	9,824,085	94,225	805,452	-	102,154,215	212,224,592	8,725,763	220,950,355
Gain on sale of treasury shares	-	-	-	2,190,364	-	-	-	-	-	2,190,364	-	2,190,364
Change in fair value of investments available for sale	-	-	-	-	-	250,583	-	-	-	250,583	36,605	287,188
Share of changes in associate's equity – Note 7	-	-	-	-	(1,073,397)	-	-	-	-	(1,073,397)	-	(1,073,397)
Foreign currency translation adjustments	-	-	-	-	-	-	82,692	-	-	82,692	(29,656)	53,036
Net income (loss) recognized directly in equity	-	-	-	2,190,364	(1,073,397)	250,583	82,692	-	-	1,450,242	6,949	1,457,191
Net profit for the period	-	-	-	-	-	-	-	-	33,506,646	33,506,646	261,386	33,768,032
Total recognized income (loss) for the period		-	-	2,190,364	(1,073,397)	250,583	82,692	-	33,506,646	34,956,888	268,335	35,225,223
Purchase of treasury shares	-	(1,104,519)	-	-	-	-	-	-	-	(1,104,519)	-	(1,104,519)
Sale of treasury shares	-	794,248	-	-	-	-	-	-	-	794,248	-	794,248
Share of minority from additional investment in a consolidated subsidiary	-	-	-	-	-	-	-	-	-	-	7,653,941	7,653,941
Paid to minority	-	-	-	-	-	-	-	-	-	-	(534,713)	(534,713)
Cash dividend (2006 – 35 fils per share) – Note 20	-	-	-	-	-	-	-	-	(21,516,812)	(21,516,812)	-	(21,516,812)
Bonus share (2006 – 15%) – Note 20	9,654,487	-	-	-	-	-	-	-	(9,654,487)	-	-	-
Balance at September 30, 2007	74,017,733	(5,494,340)	30,585,134	11,772,668	8,750,688	344,808	888,144	-	104,489,562	225,354,397	16,113,326	241,467,723

The accompanying notes (1) to (22) form an integral part of the interim consolidated financial information

NATIONAL REAL ESTATE COMPANY K.S.C. AND ITS SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2008
(All amounts are in Kuwaiti Dinars)

	Note	Nine months ended September 30, 2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit for the period before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration		**20,907,245**	33,957,941
Adjustments for:			
Depreciation		**293,629**	157,979
Net investment income	14	**(3,778,320)**	(8,563,510)
Share in the associates' results		**(24,915,980)**	(27,863,875)
Share in the joint venture results		**29,293**	35,989
Gain on sale of fixed assets		**(9,002)**	(1,360)
Gain on partial sale of investment properties		**(9,475)**	-
Change in fair value of investment properties		**352,362**	316,822
Interest income		**(2,469,780)**	(2,071,457)
Interest expense		**6,938,792**	3,543,308
Provision for interest income on the balance due from Kuwait Ports Authority		**1,914,536**	1,733,066
Provision for doubtful debts		**35,614**	-
Provision for end of service indemnity		**152,358**	129,907
		(558,728)	1,374,810
Changes in operating assets and liabilities:			
Accounts receivable and other debit balances		**(1,231,943)**	(31,054,971)
Accounts payable and other credit balances		**234,250**	1,967,886
Cash used in operations		**(1,556,421)**	(27,712,275)
Payment for Board of Directors' remuneration		**(70,000)**	(70,000)
Payment for end of service indemnity		**(39,577)**	(28,437)
Net cash used in operating activities		**(1,665,998)**	(27,810,712)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investments at fair value through income statement		**(18,233,834)**	-
Proceeds from sale of investments at fair value through income statement		**10,923,505**	-
Purchase of investments available for sale		**(7,417,670)**	(10,269,079)
Proceeds from sale of investments available for sale		**4,063,124**	3,057,420
Purchase of additional investment in an associate		**(17,934)**	(3,176,959)
Proceeds from partial disposal of investment in an associate		**7,576,954**	12,830,157
Payment for long term loan to joint venture		**(55,230)**	(98,228)
Payment for additions for capital work in progress		**(11,991,072)**	(18,161,659)
Payment for additions for fixed assets		**(821,122)**	(970,712)
Proceeds from sale of fixed assets		**10,000**	13,000
Payment for additions to investment properties		**(370,648)**	(295,563)
Proceeds from partial sale of investment properties		**9,475**	-
Advance payment for purchase of land		**(9,332,487)**	-
Dividend income received		**697,193**	210,031
Dividends received from an associate		**17,459,220**	16,943,831
Interest received		**505,466**	320,532
Net cash (used in) generated from investing activities		**(6,995,060)**	402,771

NATIONAL REAL ESTATE COMPANY K.S.C. AND ITS SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED) (CONTD.)
FOR THE PERIOD ENDED SEPTEMBER 30, 2008
(All amounts are in Kuwaiti Dinars)

	Note	Nine months ended September 30, 2008	2007
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net change in bank overdraft		**6,201,501**	7,899,612
Net change in term loans		**21,226,498**	46,018,843
Proceeds from issue of bonds		**3,957,000**	-
Paid for purchase of treasury shares		**(1,637,965)**	(1,104,519)
Proceeds from sale of treasury shares		**1,252,901**	2,984,612
Interest paid		**(6,621,739)**	(3,530,534)
Dividends paid		**(13,889,594)**	(21,430,245)
Paid to minority		**(11,952)**	(534,713)
Share of minority from additional investment in a consolidated subsidiary		**-**	7,653,941
Net cash generated from financing activities		**10,476,650**	37,956,997
Foreign currency translation adjustments		**753,798**	(186,636)
Cash related to newly consolidated subsidiaries		**-**	31,742
Net increase in cash and short term funds		**2,569,390**	10,394,162
Cash and short term funds at beginning of the period		**12,959,872**	8,020,063
Cash and short term funds at end of the period		**15,529,262**	18,414,225

The accompanying notes (1) to (22) form an integral part of the interim consolidated financial information