

Interim condensed consolidated financial statements and review report
**National Industries Group Holding – SAK (Closed) and subsidiaries
Kuwait**

30 June 2005

Contents

	Page
Review report	1
Consolidated statement of income	2
Consolidated balance sheet	3 and 4
Consolidated statement of changes in equity	5 and 6
Consolidated statement of cash flows	7 and 8
Notes to the interim condensed consolidated financial statements	9 to 17

Review report

To the directors of
National Industries Group Holding – SAK
Kuwait

We have reviewed the accompanying consolidated balance sheet of National Industries Group Holding (A Kuwaiti Shareholding Company) and Subsidiaries as at 30 June 2005, and the related consolidated statements of income, changes in equity and cash flows for the six-month period then ended. These interim condensed consolidated financial statements are the responsibility of the company's management. Our responsibility is to issue a report on these interim condensed consolidated financial statements based on our review.

We conducted our review in accordance with the International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the interim condensed consolidated financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not presented fairly, in all material respects, in accordance with International Accounting Standard 34.

Furthermore, based on our review the interim condensed consolidated financial statements are in agreement with the books of the company. We further report that, to the best of our knowledge and belief, no violations of the Commercial Companies Law of 1960, as amended, nor of the articles of association of the company have occurred during the six months ended 30 June 2005 that might have had a material effect on the business of the group or on its financial position.

Abdullatif M. Al-Aiban (CPA)
(Licence No. 94-A)
of Grant Thornton – Anwar Al-Qatami & Co.

Abdullatif A.H. Al-Majid
(Licence No. 70-A)
of Allied Accountants

Kuwait
8 August 2005

Consolidated statement of income

	Note	Three months ended		Six months ended	
		30 June 2005 (Unaudited) KD '000	Restated 30 June 2004 (Unaudited) KD '000	30 June 2005 (Unaudited) KD '000	Restated 30 June 2004 (Unaudited) KD '000
Sales		28,557	26,361	56,658	53,783
Cost of sales		(22,572)	(22,208)	(45,259)	(45,787)
Gross profit		5,985	4,153	11,399	7,996
Income from investments	3	35,601	9,679	80,392	21,226
Share of profits of associates and joint ventures		3,937	1,299	5,324	2,099
Change in fair value of investment properties		-	-	-	1,513
Other operating income		72	94	80	152
Distribution costs		(1,585)	(1,453)	(3,245)	(2,957)
General, administrative and other expenses		(4,264)	(3,274)	(9,333)	(5,847)
Profit from operations		39,746	10,498	84,617	24,182
Finance costs		(3,876)	(2,193)	(7,087)	(4,604)
Impairment in value of property, plant and equipment		(1,423)	-	(1,423)	(303)
Amortisation of goodwill		-	(532)	-	(1,063)
Impairment in value of goodwill		(2,044)	-	(2,462)	-
Net (loss)/profit on disposal of subsidiaries	4	(1,379)	275	(1,379)	(390)
Profit on partial disposal of associates		-	4,174	-	4,174
Loss on foreign exchange		(679)	(28)	(925)	(18)
Reorganisation, redundancy and other costs		(742)	-	(1,027)	-
Profit for the period		29,603	12,194	70,314	21,978
Taxation		(216)	(218)	(440)	(352)
Provision for contribution to Kuwait Foundation for the Advancement of Sciences		(326)	(125)	(712)	(275)
Provision for Directors' remuneration		(30)	(30)	(60)	(60)
Provision for National Labour Support Tax		(516)	(366)	(1,187)	(825)
Net profit for the period		28,515	11,455	67,915	20,466
Attributable to :					
Shareholders of the parent		25,237	10,599	61,755	19,187
Minority interest		3,278	856	6,160	1,279
		28,515	11,455	67,915	20,466
Earnings per share attributable to the shareholders of the parent	5	34 Fils	15 Fils	83 Fils	27 Fils

The notes set out on pages 9 to 17 form an integral part of these interim condensed consolidated financial statements.

Consolidated balance sheet

	Note	30 June 2005 (Unaudited) KD '000	Restated 31 Dec. 2004 (Audited) KD '000	Restated 30 June 2004 (Unaudited) KD '000
Assets				
Non-current assets				
Goodwill		20,858	25,060	24,682
Property, plant and equipment		28,562	32,448	29,426
Investment in associates	6	78,743	62,628	58,830
Investment in joint ventures		232	762	951
Investment properties		2,369	2,556	3,244
Available for sale investments	7	186,440	120,173	105,018
Deferred tax		1,045	1,411	1,716
Total non-current assets		318,249	245,038	223,867
Current assets				
Inventories		23,949	26,733	25,188
Accounts receivable and other assets		30,792	30,546	32,400
Wakala investment		2,802	2,802	-
Investments at fair value through statement of income	8	306,953	227,700	183,886
Short-term deposits		19,862	14,007	1,881
Bank balances and cash		6,329	4,686	26,701
Total current assets		390,687	306,474	270,056
Total assets		708,936	551,512	493,923
Equity and liabilities				
Equity attributable to shareholders of the parent company				
Share capital 746,741,208 issued and fully paid shares of 100 Kuwaiti Fils each (31 December 2004 and 30 June 2004 : 706,182,103)		74,674	70,618	70,618
Treasury shares		(5,249)	(1,075)	(4,664)
Staff bonus shares	9	-	500	500
Reserves	10	93,185	93,078	87,412
Cumulative changes in fair value		60,924	24,933	19,786
Retained earnings		141,152	103,758	85,208
		364,686	291,812	258,860
Minority interest		31,666	23,985	7,488
Total equity		396,352	315,797	266,348

Consolidated balance sheet (Continued)

	Note	30 June 2005 (Unaudited) KD '000	Restated 31 Dec. 2004 (Audited) KD '000	Restated 30 June 2004 (Unaudited) KD '000
Non-current liabilities				
Bonds payable		52,523	52,685	52,685
Long-term borrowings		43,001	45,593	19,635
Leasing creditors		1,683	2,086	376
Provisions		8,159	8,471	6,811
Total non-current liabilities		105,366	108,835	79,507
Current liabilities				
Accounts payable and other liabilities		32,024	32,117	31,673
Short-term borrowings	11	158,413	82,990	102,740
Due to banks		16,781	11,773	13,655
Total current liabilities		207,218	126,880	148,068
Total equity and liabilities		708,936	551,512	493,923

The notes set out on pages 9 to 17 form an integral part of these interim condensed consolidated financial statements.

Consolidated statement of changes in equity

	Equity attributable to shareholders of the parent company							Minority interest KD '000	Total KD '000
	Share capital KD '000	Treasury shares KD '000	Staff bonus shares KD '000	Reserves (Note 10) KD '000	Cumulative changes in fair value KD '000	Retained earnings KD '000	Total KD '000		
Balance at 1 January 2005 as previously reported	70,618	(1,075)	500	93,078	12,452	116,239	291,812	23,985	315,797
Adjustment arising from application of revised IAS 39 (Note 2)	-	-	-	-	12,481	(12,481)	-	-	-
Balance at 1 January 2005 as restated	70,618	(1,075)	500	93,078	24,933	103,758	291,812	23,985	315,797
Changes in fair value of available for sale investments	-	-	-	-	32,906	-	32,906	2,955	35,861
Share of fair value adjustment in associates	-	-	-	-	2,252	-	2,252	-	2,252
Impairment in value of available for sale investments	-	-	-	-	999	-	999	-	999
Realised on sale of available for sale investments	-	-	-	-	(166)	-	(166)	-	(166)
Transfer of excess depreciation	-	-	-	(5)	-	5	-	-	-
Currency translation differences	-	-	-	(1,713)	-	-	(1,713)	(7)	(1,720)
Net income/(expense) recognised directly in equity	-	-	-	(1,718)	35,991	5	34,278	2,948	37,226
Net profit for the period	-	-	-	-	-	61,755	61,755	6,160	67,915
Total recognised income/(expense) for the period	-	-	-	(1,718)	35,991	61,760	96,033	9,108	105,141
Transfer to retained earnings on adoption of IFRS : 2 (Note 2)	-	-	(500)	-	-	500	-	-	-
Issue of bonus shares	3,556	-	-	-	-	(3,556)	-	-	-
Cash dividend to shareholders of the parent company	-	-	-	-	-	(21,310)	(21,310)	-	(21,310)
Purchase of treasury shares	-	(4,174)	-	-	-	-	(4,174)	-	(4,174)
Issue of staff bonus shares (Note 9)	500	-	-	1,825	-	-	2,325	-	2,325
Dividend paid to minority by the subsidiary	-	-	-	-	-	-	-	(1,427)	(1,427)
	4,056	(4,174)	(500)	1,825	-	(24,366)	(23,159)	(1,427)	(24,586)
Balance at 30 June 2005	74,674	(5,249)	-	93,185	60,924	141,152	364,686	31,666	396,352

Consolidated statement of changes in equity (continued)

	Equity attributable to shareholders of the parent company							Minority interest KD '000	Total KD '000
	Share capital KD '000	Treasury shares KD '000	Staff bonus shares KD '000	Reserves (Note 10) KD '000	Cumulative changes in fair value KD '000	Retained earnings KD '000	Total KD '000		
Balance at 1 January 2004 as previously reported	61,407	(8,303)	500	86,956	22,229	102,628	265,417	8,245	273,662
Adjustment arising from application of revised IAS 39 (Note 2)	-	-	-	-	5,779	(5,779)	-	-	-
Balance at 1 January 2004 as restated	61,407	(8,303)	500	86,956	28,008	96,849	265,417	8,245	273,662
Changes in fair value of available for sale investments	-	-	-	-	2,409	-	2,409	53	2,462
Share of fair value adjustment in associates	-	-	-	-	(711)	-	(711)	-	(711)
Realised on sale of available for sale investments	-	-	-	-	(8,721)	(697)	(9,418)	-	(9,418)
Realised on disposal of subsidiary	-	-	-	-	(1,199)	-	(1,199)	-	(1,199)
Transfer of excess depreciation	-	-	-	(5)	-	5	-	-	-
Surplus on revaluation of freehold property	-	-	-	177	-	-	177	-	177
Currency translation differences	-	-	-	693	-	-	693	-	693
Net income/(expense) recognised directly in equity	-	-	-	865	(8,222)	(692)	(8,049)	53	(7,996)
Net profit for the period	-	-	-	-	-	19,187	19,187	1,279	20,466
Total recognised income/(expense) for the period	-	-	-	865	(8,222)	18,495	11,138	1,332	12,470
Transfer on disposal of subsidiary	-	2,041	-	(226)	-	226	2,041	(818)	1,223
Issue of bonus shares	9,211	-	-	-	-	(9,211)	-	-	-
Cash dividend to shareholders of the parent	-	-	-	-	-	(20,914)	(20,914)	-	(20,914)
Purchase of treasury shares	-	(6,579)	-	-	-	-	(6,579)	-	(6,579)
Sale of treasury shares	-	8,177	-	-	-	-	8,177	-	8,177
Loss on sale of treasury shares	-	-	-	(183)	-	(237)	(420)	-	(420)
Dividend paid to minority by the subsidiary	-	-	-	-	-	-	-	(1,271)	(1,271)
	9,211	3,639	-	(409)	-	(30,136)	(17,695)	(2,089)	(19,784)
Balance at 30 June 2004	70,618	(4,664)	500	87,412	19,786	85,208	258,860	7,488	266,348

The notes set out on pages 9 to 17 form an integral part of these interim condensed consolidated financial statements.

Consolidated statement of cash flows

	Six months ended 30 June 2005 (Unaudited) KD '000	Restated Six months ended 30 June 2004 (Unaudited) KD '000
OPERATING ACTIVITIES		
Profit for the period	70,314	21,978
Adjustments for :		
Depreciation of property, plant and equipment	2,439	2,308
Impairment in value of property, plant and equipment	1,423	303
Loss on sale of property, plant and equipment	4	-
Amortisation of goodwill	-	1,063
Impairment in value of goodwill	2,462	-
Share of profits of associates and joint ventures	(5,324)	(2,099)
Change in fair value of investment properties	-	(1,513)
Dividend income from available for sale investments	(2,532)	(2,147)
Impairment in value of available for sale investments	999	-
Reversal of impairment in value of available for sale investments	-	(2,720)
Profit on sale of available for sale investments	(961)	(10,169)
Net loss on disposal of subsidiaries	1,379	390
Profit on partial disposal of associates	-	(4,174)
Reorganisation, redundancy and other costs	1,027	-
Cost of share based payment	2,325	-
Net provisions (released)/charged	(312)	226
Finance costs	7,087	4,604
Interest income	(230)	(41)
Operating profit before changes in operating assets and liabilities	80,100	8,009
Changes in operating assets and liabilities:		
Inventories	2,784	1,683
Accounts receivable and other assets	(246)	(1,327)
Investments at fair value through statement of income	(79,253)	(421)
Accounts payable and other liabilities	(2,027)	5,857
Cash from operations	1,358	13,801
Payment of reorganisation, redundancy, and other costs	(353)	-
Taxation paid	(177)	(45)
KFAS contribution paid	(771)	-
Directors remunerations paid	(120)	(120)
National Labour Support Tax paid	(1,705)	-
Net cash (used in)from operating activities	(1,768)	13,636

Consolidated statement of cash flows (continued)

	Note	Six months ended 30 June 2005 (Unaudited) KD '000	Restated Six months ended 30 June 2004 (Unaudited) KD '000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,999)	(2,728)
Proceeds from sale of property, plant and equipment		11	-
Net cash inflow on disposal of subsidiary		547	14,252
Investment in associated companies		(12,230)	(6,944)
Proceeds from partial disposal of associates		-	6,650
Dividend received from associates		3,692	5,917
Purchase of available for sale investments		(35,005)	(28,230)
Proceeds from sale of available for sale investments		6,966	21,378
Dividend income received from available for sale investments		2,532	2,147
Interest income received		230	41
Net cash (used in)/from investing activities		(35,256)	12,483
FINANCING ACTIVITIES			
Finance lease payments		(403)	(184)
Proceeds from issue of bonds		-	17,685
Net (decrease)/increase in long-term borrowings		(2,592)	401
Net increase/(decrease) in short-term borrowings		75,423	(15,857)
Dividend paid to shareholders of the parent		(20,636)	(20,328)
Finance costs paid		(6,703)	(4,259)
Purchase of treasury shares		(4,174)	(6,579)
Proceeds from sale of treasury shares		-	7,757
Dividend paid to minority by the subsidiary		(1,427)	(1,271)
Net cash from/(used in) financing activities		39,488	(22,635)
Net increase in cash and cash equivalents		2,464	3,484
Translation difference		26	18
		2,490	3,502
Cash and cash equivalents at beginning of the period		6,920	11,425
Cash and cash equivalents at end of the period	12	9,410	14,927

The notes set out on pages 9 to 17 form an integral part of these interim condensed consolidated financial statements.

Notes to the interim condensed consolidated financial statements

30 June 2005

1 Incorporation and Activities

National Industries Group Holding – SAK (‘the parent company’) was incorporated in 1961 as a Kuwaiti shareholding company in accordance with the Commercial Companies Law in the State of Kuwait and in April 2003, its status was transformed to a ‘Holding Company’. The parent company’s shares are traded on the Kuwait Stock Exchange.

The main objectives of the parent company are as follows:

- Owning stocks and shares in Kuwaiti or non-Kuwaiti shareholding companies and shares in Kuwaiti or non-Kuwaiti limited liability companies and participating in the establishment of, lending to and managing of these companies and acting as a guarantor for these companies.
- Lending money to companies in which it owns 20% or more of the capital of the borrowing company, along with acting as guarantor on behalf of these companies.
- Owning industrial equities such as patents, industrial trade marks, royalties, or any other related rights, and franchising them to other companies or using them within or outside the State of Kuwait.
- Owning real estate and moveable property to conduct its operations within the limits as stipulated by law.
- Employing excess funds available with the company by investing them in investment and real estate portfolios managed by specialised companies.

The address of the parent company’s registered office is PO Box 417, Safat 13005, State of Kuwait.

The board of directors of the parent company approved these interim condensed consolidated financial statements for issue on 8 August 2005.

2 Significant accounting policies

Basis of presentation

The interim condensed consolidated financial statements of the group are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2004 except as explained in the following paragraphs.

2 Significant accounting policies (continued)

In 2003 and 2004, International Accounting Standards Board (IASB) issued a series of new International Financial Reporting Standards (IFRS) and revised International Accounting Standards (IAS). The new IFRS and revised IAS became effective for annual periods beginning 1 January 2005. All new IFRS and revised IAS have been adopted by the group but have either no or insignificant impact except for IFRS 2 : “Share-based Payment”, IFRS 3: “Business Combination” and IAS 39 : “Financial instruments, recognition and measurement”.

The adoption of revised IAS 1 : “Presentation of financial statements” has resulted in amendments to presentation of minority interest. Minority interest is now presented within equity.

Operating results for the period are not necessarily indicative of the results that may be expected for the year ending 31 December 2005.

Goodwill

The group has adopted IFRS 3 “Business Combinations” and revised IAS 36 “Impairment of Assets” and consequently changed its accounting policy for goodwill.

Goodwill represents the excess of the cost of an acquisition over the fair value of the group’s share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is measured at cost less impairment losses. Goodwill is tested for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

The change in accounting policy has resulted in the group ceasing annual goodwill amortisation from 1 January 2005.

Share-based Payment

The company has applied the requirements of IFRS 2 “Share-based Payments” from 1 January 2005.

Certain employees (including managing director) of the company receive remuneration in the form of share-based payment transactions, whereby the employees render services in exchange for shares (“equity settled transactions”).

Equity-settled transactions

The cost of equity-settled transactions with employees is measured under the intrinsic value method. Under this method, the cost is determined by comparing the period end market value of the company’s shares with the issue price. The cost of equity settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the shares vest.

The adoption of IFRS 2 “Share-based Payment” resulted in:

- A transfer of KD500 thousand from “staff bonus shares” account to retained earnings representing an amount equal to the nominal value of the 5,000,000 unvested shares at 1 January 2005 which was previously appropriated from retained earnings to “staff bonus shares” account.
- a decrease in the current period profit by KD2,325 thousand (30 June 2004 : Nil) due to an increase in the employee benefits expense charged to general and administrative expenses with a corresponding increase in equity.

2 Significant accounting policies (continued)

Investments

The group has adopted the revised IAS 39 from 1 January 2005, and reclassified its investments previously categorised as trading and available for sale into the following two categories;

- i. Investments at fair value through statement of income
- ii. Available for sale investments

Investments at fair value through statement of income

Investments at fair value through statement of income are initially recognised at fair value, excluding transaction costs. These investments are either "held for trading" or "designated" as such on initial recognition.

Held for trading investments are acquired principally for the purpose of selling or repurchasing them in the near term or are a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking. Designated investments are those investments which are initially designated as investments at fair value through statement of income.

After initial recognition, investments at fair value through statement of income are re-measured at fair value and changes in fair value are recognised in the consolidated statement of income.

In accordance with the transitional provisions of the revised IAS 39, the group reclassified certain "trading investments" to "available for sale investments" which were carried at 31 December 2004 at KD21,538 thousand (30 June 2004 : KD16,965 thousand) and the remaining "trading investments" were reclassified into "investments at fair value through statement of income".

The reclassification from "trading investments" to "available for sale investments" resulted in, changes in fair value of trading investments amounting to KD12,481 thousand at 31 December 2004 and KD5,779 thousand at 31 December 2003 previously reported in the consolidated statement of income being recorded in 'cumulative changes in fair value' within equity at 1 January 2005 and 1 January 2004 respectively. Further this reclassification resulted in a decrease in the net profit for the period by KD22,018 thousand (a decrease in net profit for the previous period by KD2,128 thousand) with a corresponding change in "cumulative changes in fair value" account.

The above changes have been accounted for with retrospective effect and the comparatives have been restated accordingly.

3 Income from investments

	Three months ended		Six months ended	
	30 June 2005 (Unaudited) KD '000	Restated 30 June 2004 (Unaudited) KD '000	30 June 2005 (Unaudited) KD '000	Restated 30 June 2004 (Unaudited) KD '000
Dividend income:				
- From investments at fair value through statement of income	1,797	1,140	6,190	4,507
- From available for sale investments	1,672	52	2,532	2,147
Profit on sale of available for sale investments	525	1,209	961	10,169
Impairment in value of available for sale investments	(999)	-	(999)	-
Reversal of impairment in value of available for sale investments	-	2,720	-	2,720
Income from investments at fair value through statement of income	32,523	4,558	71,478	1,642
Interest income	83	-	230	41
	35,601	9,679	80,392	21,226

4 Net (loss)/profit on disposal of subsidiaries

During the current quarter the group disposed Newage Transmission Limited, a wholly owned subsidiary located in the United Kingdom, for a cash consideration of KD547 thousand resulting in a loss of KD1,379 thousand.

5 Earnings per share attributable to the shareholders of the parent

Earnings per share is calculated by dividing the net profit for the period attributable to the shareholders of the parent by the weighted average number of shares outstanding during the period as follows:

	Three months ended		Six months ended	
	30 June 2005 (Unaudited)	Restated 30 June 2004 (Unaudited)	30 June 2005 (Unaudited)	Restated 30 June 2004 (Unaudited)
Net profit for the period attributable to the shareholders of the parent (KD '000)	25,237	10,599	61,755	19,187
Weighted average number of shares outstanding during the period (excluding treasury shares)	738,764,077	722,161,325	741,401,512	722,451,631
Earnings per share	34 Fils	15 Fils	83 Fils	27 Fils

The weighted average number of ordinary shares outstanding during the period ended 30 June 2004 has been restated due to the issue of bonus shares during the current period.

6 Investment in associates

- a) During May 2005 the group invested an amount of KD4,721 thousand to participate in the establishment of Al Rayah International Real Estate – KSC (Closed) which is still in the process of being incorporated as of 30 June 2005. The group has a 23% interest in this associate which will engage principally in real estate management activities and a major part of the investment was financed under a murabaha arrangement agreed with a local Islamic financial institution (see note 11 b).
- b) During the current period the group also invested a total amount of KD7,509 thousand to participate in the capital increase of its associates, Kuwait Privatization Project Company – KSC (Closed) and Marsa Alam Holding Company – SAK (Closed).

7 Available for sale investments

	30 June 2005 (Unaudited) KD '000	Restated 31 Dec. 2004 (Audited) KD '000	Restated 30 June 2004 (Unaudited) KD '000
Managed funds	46,180	45,014	45,737
Equity participations	68,286	43,007	36,076
Quoted shares	71,974	32,152	23,205
	186,440	120,173	105,018

8 Investments at fair value through statement of income

	30 June 2005 (Unaudited) KD '000	Restated 31 Dec. 2004 (Audited) KD '000	Restated 30 June 2004 (Unaudited) KD '000
Held for trading :			
Quoted shares	121,047	85,653	84,130
Designated on initial recognition :			
Local funds	160,970	123,627	84,156
International managed portfolios and funds	24,936	18,420	15,600
	185,906	142,047	99,756
	306,953	227,700	183,886

9 Staff bonus shares

During the previous quarter the parent company issued 5,000,000 shares to its senior management as bonus shares at nil value under its staff incentive scheme. The market value of these shares issued amounted to KD2,325 thousand for which an expense was charged to the current period results with a corresponding increase in equity. Subsequently the nominal value of shares issued amounting KD500 thousand was credited to capital and the excess of KD1,825 thousand was credited to the share premium account.

10 Reserves

	Share premium KD '000	Statutory reserve KD '000	General reserve KD '000	Revaluation reserve KD '000	Gain on Sale of treasury shares reserve KD '000	Foreign currency translation reserve KD '000	Total KD '000
Balance at 1 January 2005	26,409	41,099	23,460	375	-	1,735	93,078
Transfer of excess depreciation	-	-	-	(5)	-	-	(5)
Currency translation differences	-	-	-	(28)	-	(1,685)	(1,713)
Issue of staff bonus shares (Note 9)	1,825	-	-	-	-	-	1,825
Balances at 30 June 2005	28,234	41,099	23,460	342	-	50	93,185
Balance at 1 January 2004	26,409	37,754	23,116	285	183	(791)	86,956
Transfer of excess depreciation	-	-	-	(5)	-	-	(5)
Surplus on revaluation of freehold property	-	-	-	177	-	-	177
Currency translation differences	-	-	-	6	-	687	693
Transfer on disposal of subsidiary	-	(113)	(113)	-	-	-	(226)
Loss on sale of treasury shares	-	-	-	-	(183)	-	(183)
Balances at 30 June 2004	26,409	37,641	23,003	463	-	(104)	87,412

11 Short-term borrowings

- a) During the period the group obtained unsecured loans denominated in Kuwaiti Dinars and U.S. Dollars from local and foreign banks totalling to KD79,130 thousand bearing interest at rates ranging from 3.4% to 7.2% per annum.
- b) During the period the group also obtained a murabaha facility from a local Islamic financial institution at the rate of 1.75% above the Central Bank of Kuwait discount rate. The facility is repayable in May 2006 and is secured by part of an investment in associate (see note 6). The details of the murabaha facility is as follows;

	KD'000
Gross amount	4,407
Less: deferred cost	(251)
Balance as at 30 June 2005	4,156

12 Cash and cash equivalents

	30 June 2005 (Unaudited) KD '000	30 June 2004 (Unaudited) KD '000
Short-term deposits	19,862	1,881
Bank balance and cash	6,329	26,701
Due to banks	(16,781)	(13,655)
	9,410	14,927

13 Segmental analysis

The group's primary format for reporting segment information is business segments and the group primarily operates in three business segments: investment, building materials and specialist engineering. The segment information are as follows:

	Investment		Building materials		Specialist engineering		Total	
	30 June 2005 KD '000	30 June 2004 KD '000	30 June 2005 KD '000	30 June 2004 KD '000	30 June 2005 KD '000	30 June 2004 KD '000	30 June 2005 KD '000	30 June 2004 KD '000
Three months ended								
Revenue	39,538	10,978	8,643	7,049	19,440	18,707	67,621	36,734
Less:								
Income from investments							(35,601)	(9,679)
Share of profits of associates and joint ventures							(3,937)	(1,299)
Unallocated sales							474	605
Sales, per consolidated statement of income							28,557	26,361
Profit/(loss)	37,912	14,737	2,885	2,186	(6,108)	(2,474)	34,689	14,449
Less:								
Finance costs							(3,876)	(2,193)
Unallocated expenses							(1,210)	(62)
Profit for the period, per consolidated statement of income							29,603	12,194
Six months ended								
Revenue	85,716	24,838	15,772	13,827	40,029	38,390	141,517	77,055
Less:								
Income from investments							(80,392)	(21,226)
Share of profits of associates and joint ventures							(5,324)	(2,099)
Change in fair value of investment properties							-	(1,513)
Unallocated sales							857	1,566
Sales, per consolidated statement of income							56,658	53,783
Profit/(loss)	81,159	28,281	4,693	3,633	(7,415)	(5,232)	78,437	26,682
Less:								
Finance costs							(7,087)	(4,604)
Unallocated expenses							(1,036)	(100)
Profit for the period, per consolidated statement of income							70,314	21,978

14 Proposed dividend

The proposed cash dividend of 30 Fils per share amounting to KD21,310 thousand and the proposed bonus shares of 5% of paid up share capital amounting to KD3,556 thousand for the year ended 31 December 2004 to the shareholders of record on the date of the general assembly, were approved at the general assembly held on 4 May 2005. Subsequently the proposed cash dividend was paid and the bonus shares were issued.

15 Related party transactions

Purchases of raw materials during the current year from related companies amounted to KD3,719 thousand (30 June 2004 : KD3,876 thousand).

Transactions with related parties are undertaken with the approval of the respective board of directors.

16 Subsequent event

In July 2005 the parent company obtained an unsecured syndicated term loan of US Dollar 225,000 thousand (KD65,711 thousand) from local and foreign banks. The loan has a one year grace period and is then repayable in 5 equal semi annual instalments commencing from June 2006 and it carries interest at 1.15% above six-month LIBOR payable semi annually.

17 Contingent liabilities

At 30 June 2005 the group had contingent liabilities in respect of outstanding bank guarantees amounting to KD438 thousand (31 December 2004 : KD415 thousand and 30 June 2004 : KD687 thousand).

A foreign subsidiary of the group has guaranteed the leasing liability and overdraft of a joint venture totalling £1,600 thousand (KD842 thousand) [31 December 2004 : £1,700 thousand (KD965 thousand) and 30 June 2004 : £3,100 thousand (KD1,649 thousand)].

18 Capital commitments

At 30 June 2005 the group had commitments for the purchase of investments and the acquisition of property, plant and equipment totalling KD10,768 thousand (31 December 2004 : KD11,010 thousand and 30 June 2004 : KD8,521 thousand).