

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

30 September 2005

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# 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 September 2005, and the related consolidated statements of income, changes in equity and cash flows for the nine-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 nine months ended 30 September 2005 that might have had a material effect on the business of the group or on its financial position.

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Kuwait  
31 October 2005

## Consolidated statement of income

	Note	Three months ended		Nine months ended	
		30 Sept. 2005 (Unaudited) KD '000	Restated 30 Sept. 2004 (Unaudited) KD '000	30 Sept. 2005 (Unaudited) KD '000	Restated 30 Sept. 2004 (Unaudited) KD '000
Sales		26,607	26,327	83,265	80,110
Cost of sales		(21,185)	(20,939)	(66,444)	(66,726)
<b>Gross profit</b>		<b>5,422</b>	5,388	<b>16,821</b>	13,384
Income from investments	3	37,082	14,655	117,474	35,881
Share of profits of associates and joint ventures		4,095	638	9,419	2,737
Change in fair value of investment properties		-	-	-	1,513
Profit on disposal of investment properties		-	159	-	159
Other operating income		122	30	202	182
Distribution costs		(1,020)	(1,503)	(4,265)	(4,460)
General, administrative and other expenses		(3,057)	(2,753)	(12,390)	(8,600)
<b>Profit from operations</b>		<b>42,644</b>	16,614	<b>127,261</b>	40,796
Finance costs		(4,905)	(2,508)	(11,992)	(7,112)
Impairment in value of property, plant and equipment		-	-	(1,423)	(303)
Amortisation of goodwill		-	(530)	-	(1,593)
Impairment in value of goodwill		(881)	(1,061)	(3,343)	(1,061)
Net profit/(loss) on disposal of subsidiaries	4	39	542	(1,340)	152
Profit on partial disposal of associates		-	1,013	-	5,187
Loss on foreign exchange		(491)	(129)	(1,416)	(147)
Provision for onerous property lease rentals		-	(1,327)	-	(1,327)
Provision for doubtful debts		(2,319)	(1,008)	(2,319)	(1,008)
Reorganisation, redundancy and other costs		(629)	(1,290)	(1,656)	(1,290)
<b>Profit for the period</b>		<b>33,458</b>	10,316	<b>103,772</b>	32,294
Taxation		(243)	(257)	(683)	(609)
Provision for contribution to Kuwait Foundation for the Advancement of Sciences		(362)	(188)	(1,074)	(463)
Provision for Directors' remuneration		(30)	(30)	(90)	(90)
Provision for National Labour Support Tax		(677)	(385)	(1,864)	(1,210)
<b>Net profit for the period</b>		<b>32,146</b>	9,456	<b>100,061</b>	29,922
<b>Attributable to :</b>					
Shareholders of the parent		32,559	8,885	94,314	28,072
Minority interest		(413)	571	5,747	1,850
		<b>32,146</b>	9,456	<b>100,061</b>	29,922
<b>Earnings per share attributable to the shareholders of the parent</b>	5	<b>44 F</b>	12 F	<b>128 Fils</b>	39 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 Sept. 2005 (Unaudited) KD '000	Restated 31 Dec. 2004 (Audited) KD '000	Restated 30 Sept. 2004 (Unaudited) KD '000
<b>Assets</b>				
<b>Non-current assets</b>				
Goodwill		19,520	25,060	23,020
Property, plant and equipment		28,075	32,448	29,077
Investment in associates	6	87,636	62,628	59,704
Investment in joint ventures		228	762	882
Investment properties		2,319	2,556	2,380
Available for sale investments	7	303,936	134,278	118,071
Deferred tax		836	1,411	1,478
<b>Total non-current assets</b>		<b>442,550</b>	<b>259,143</b>	<b>234,612</b>
<b>Current assets</b>				
Inventories		23,028	26,733	24,215
Accounts receivable and other assets		32,539	30,546	28,851
Wakala investment		-	2,802	-
Investments at fair value through statement of income	8	332,905	213,595	217,373
Short-term deposits		60,475	14,007	11,871
Bank balances and cash		10,002	4,686	3,333
<b>Total current assets</b>		<b>458,949</b>	<b>292,369</b>	<b>285,643</b>
<b>Total assets</b>		<b>901,499</b>	<b>551,512</b>	<b>520,255</b>
<b>Equity and liabilities</b>				
<b>Equity attributable to shareholders of the parent company</b>				
Share capital 746,741,208 issued and fully paid shares of 100 Kuwaiti Fils each (31 December 2004 and 30 September 2004 : 706,182,103)				
		74,674	70,618	70,618
Treasury shares		(11,814)	(1,075)	(1,878)
Staff bonus shares	9	-	500	500
Reserves	10	92,911	93,078	87,196
Cumulative changes in fair value		147,844	24,933	20,824
Retained earnings		173,721	103,758	93,925
		477,336	291,812	271,185
<b>Minority interest</b>		<b>38,103</b>	<b>23,985</b>	<b>8,296</b>
<b>Total equity</b>		<b>515,439</b>	<b>315,797</b>	<b>279,481</b>

## Consolidated balance sheet (Continued)

	Note	30 Sept. 2005 (Unaudited) KD '000	Restated 31 Dec. 2004 (Audited) KD '000	Restated 30 Sept. 2004 (Unaudited) KD '000
<b>Non-current liabilities</b>				
Bonds payable		52,520	52,685	52,682
Long-term borrowings	11	97,819	45,593	29,595
Leasing creditors		1,093	2,086	238
Provisions		8,000	8,471	7,902
<b>Total non-current liabilities</b>		<b>159,432</b>	108,835	90,417
<b>Current liabilities</b>				
Accounts payable and other liabilities		36,672	32,117	28,154
Short-term borrowings	12	176,643	82,990	102,522
Due to banks		13,313	11,773	19,681
<b>Total current liabilities</b>		<b>226,628</b>	126,880	150,357
<b>Total equity and liabilities</b>		<b>901,499</b>	551,512	520,255

*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		
<b>Balance at 1 January 2005 as previously reported</b>	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)	-	-	-
<b>Balance at 1 January 2005 as restated</b>	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	-	-	-	-	115,845	-	115,845	9,378	125,223
Share of fair value adjustment in associates	-	-	-	-	6,141	-	6,141	-	6,141
Impairment in value of available for sale investments	-	-	-	-	999	-	999	-	999
Realised on sale of available for sale investments	-	-	-	-	(74)	-	(74)	-	(74)
Transfer of excess depreciation	-	-	-	(6)	-	6	-	-	-
Currency translation differences	-	-	-	(1,977)	-	-	(1,977)	(9)	(1,986)
Net income/(expense) recognised directly in equity	-	-	-	(1,983)	122,911	6	120,934	9,369	130,303
Net profit for the period	-	-	-	-	-	94,314	94,314	5,747	100,061
<b>Total recognised income/(expense) for the period</b>	-	-	-	(1,983)	122,911	94,320	215,248	15,116	230,364
Transfer to retained earnings on adoption of IFRS : 2 (Note 2)	-	-	(500)	-	-	500	-	-	-
Transfer on disposal of subsidiary	-	-	-	(9)	-	9	-	429	429
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	-	(10,739)	-	-	-	-	(10,739)	-	(10,739)
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	(10,739)	(500)	1,816	-	(24,357)	(29,724)	(998)	(30,722)
<b>Balance at 30 September 2005</b>	<b>74,674</b>	<b>(11,814)</b>	<b>-</b>	<b>92,911</b>	<b>147,844</b>	<b>173,721</b>	<b>477,336</b>	<b>38,103</b>	<b>515,439</b>

## 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		
<b>Balance at 1 January 2004 as previously reported</b>	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)	-	-	-
<b>Balance at 1 January 2004 as restated</b>	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	-	-	-	-	3,959	-	3,959	290	4,249
Share of fair value adjustment in associates	-	-	-	-	(1,252)	-	(1,252)	-	(1,252)
Realised on sale of available for sale investments	-	-	-	-	(8,692)	(712)	(9,404)	-	(9,404)
Transfer of excess depreciation	-	-	-	(8)	-	8	-	-	-
Surplus on revaluation of freehold property	-	-	-	177	(1,199)	-	(1,022)	-	(1,022)
Currency translation differences	-	-	-	508	-	-	508	-	508
Net income/(expense) recognised directly in equity	-	-	-	677	(7,184)	(704)	(7,211)	290	(6,921)
Net profit for the period	-	-	-	-	-	28,072	28,072	1,850	29,922
<b>Total recognised income/(expense) for the period</b>	-	-	-	677	(7,184)	27,368	20,861	2,140	23,001
Transfer on disposal of subsidiary	-	2,041	-	(254)	-	254	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	-	10,963	-	-	-	-	10,963	-	10,963
Loss on sale of treasury shares	-	-	-	(183)	-	(421)	(604)	-	(604)
Dividend paid to minority by the subsidiary	-	-	-	-	-	-	-	(1,271)	(1,271)
	9,211	6,425	-	(437)	-	(30,292)	(15,093)	(2,089)	(17,182)
<b>Balance at 30 September 2004</b>	70,618	(1,878)	500	87,196	20,824	93,925	271,185	8,296	279,481

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

	Nine months ended 30 Sept. 2005 (Unaudited) KD '000	Restated Nine months ended 30 Sept. 2004 (Unaudited) KD '000
<b>OPERATING ACTIVITIES</b>		
<b>Profit for the period</b>	<b>103,772</b>	32,294
Adjustments for :		
Depreciation of property, plant and equipment	3,649	3,407
Impairment in value of property, plant and equipment	1,423	303
Loss on sale of property, plant and equipment	10	11
Amortisation of goodwill	-	1,593
Impairment in value of goodwill	3,343	1,061
Share of profits of associates and joint ventures	(9,419)	(2,737)
Profit on disposal of investment properties	-	(159)
Change in fair value of investment properties	-	(1,513)
Dividend income from available for sale investments	(3,956)	(2,328)
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	(1,668)	(11,284)
Net loss/(profit) on disposal of subsidiaries	1,340	(152)
Profit on partial disposal of associates	-	(5,187)
Reorganisation, redundancy and other costs	1,656	1,290
Cost of share based payment	2,325	-
Net provisions (released)/charged	(471)	1,317
Finance costs	11,992	7,112
Interest income	(1,051)	(130)
<b>Operating profit before changes in operating assets and liabilities</b>	<b>113,944</b>	22,178
Changes in operating assets and liabilities:		
Inventories	3,705	2,656
Accounts receivable and other assets	(1,993)	3,534
Investments at fair value through statement of income	(119,310)	(33,907)
Accounts payable and other liabilities	3,896	86
<b>Cash from/(used in) operations</b>	<b>242</b>	(5,453)
Payment of reorganisation, redundancy, and other costs	(1,083)	(1,290)
Taxation paid	(229)	(58)
KFAS contribution paid	(771)	-
Directors remunerations paid	(120)	(120)
National Labour Support Tax paid	(1,705)	-
<b>Net cash used in operating activities</b>	<b>(3,666)</b>	(6,921)

## Consolidated statement of cash flows (continued)

	Note	Nine months ended 30 Sept. 2005 (Unaudited) KD '000	Restated Nine months ended 30 Sept. 2004 (Unaudited) KD '000
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(3,327)	(3,622)
Proceeds from sale of property, plant and equipment		28	99
Proceeds from sale of investment properties		-	1,005
Proceeds on maturity of wakala investment		2,802	-
Net cash inflow on disposal of subsidiary		539	15,032
Investment in associated companies		(13,051)	(8,011)
Proceeds from partial disposal of associates		-	8,013
Dividend received from associates		3,692	5,917
Purchase of available for sale investments		(57,570)	(42,512)
Proceeds from sale of available for sale investments		15,394	25,281
Dividend income received from available for sale investments		3,956	2,328
Interest income received		1,051	130
<b>Net cash (used in)/from investing activities</b>		<b>(46,486)</b>	<b>3,660</b>
<b>FINANCING ACTIVITIES</b>			
Finance lease payments		(993)	(322)
Proceeds from issue of bonds		-	17,682
Net increase in long-term borrowings		62,226	361
Net increase/(decrease) in short-term borrowings		83,653	(6,075)
Dividend paid to shareholders of the parent		(21,040)	(20,598)
Finance costs paid		(11,316)	(6,211)
Purchase of treasury shares		(10,739)	(6,579)
Proceeds from sale of treasury shares		-	10,359
Dividend paid to minority by the subsidiary		(1,427)	(1,271)
<b>Net cash from/(used in) financing activities</b>		<b>100,364</b>	<b>(12,654)</b>
Net increase/(decrease) in cash and cash equivalents		50,212	(15,915)
Translation difference		32	13
		50,244	(15,902)
Cash and cash equivalents at beginning of the period		6,920	11,425
<b>Cash and cash equivalents at end of the period</b>	13	<b>57,164</b>	<b>(4,477)</b>

*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 September 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 31 October 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 September 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 KD35,643 thousand (30 September 2004 : KD20,049 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 attributable to the shareholders of the parent by KD35,637 thousand (a decrease in net profit for the previous period attributable to the shareholders of the parent by KD5,212 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		Nine months ended	
	30 Sept. 2005 (Unaudited) KD '000	Restated 30 Sept. 2004 (Unaudited) KD '000	30 Sept. 2005 (Unaudited) KD '000	Restated 30 Sept. 2004 (Unaudited) KD '000
Dividend income:				
- From investments at fair value through statement of income	1,442	431	6,614	4,938
- From available for sale investments	406	181	3,956	2,328
Profit on sale of available for sale investments	707	1,115	1,668	11,284
Impairment in value of available for sale investments	-	-	(999)	-
Reversal of impairment in value of available for sale investments	-	-	-	2,720
Income from investments at fair value through statement of income	33,706	12,839	105,184	14,481
Interest income	821	89	1,051	130
	<b>37,082</b>	<b>14,655</b>	<b>117,474</b>	<b>35,881</b>

**4 Net profit/(loss) on disposal of subsidiaries**

During the period the group disposed Newage Transmission Limited, a wholly owned subsidiary located in the United Kingdom, for a cash consideration of KD539 thousand resulting in a loss of KD1,359 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		Nine months ended	
	30 Sept. 2005 (Unaudited)	Restated 30 Sept. 2004 (Unaudited)	30 Sept. 2005 (Unaudited)	Restated 30 Sept. 2004 (Unaudited)
Net profit for the period attributable to the shareholders of the parent (KD '000)	32,559	8,885	94,314	28,072
Weighted average number of shares outstanding during the period (excluding treasury shares)	735,648,687	733,516,920	739,462,831	726,166,983
<b>Earnings per share attributable to the shareholder of the parent</b>	<b>44 Fils</b>	12 Fils	<b>128 Fils</b>	39 Fils

The weighted average number of ordinary shares outstanding during the period ended 30 September 2004 has been restated due to the issue of bonus shares during the 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). 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 12 b).
- b) During the period the group also invested a total amount of KD8,259 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 Sept. 2005 (Unaudited) KD '000	Restated 31 Dec. 2004 (Audited) KD '000	Restated 30 Sept. 2004 (Unaudited) KD '000
Managed funds	47,409	45,014	49,296
Equity participations	147,100	43,007	42,741
Quoted shares	109,427	46,257	26,034
	<b>303,936</b>	134,278	118,071

**8 Investments at fair value through statement of income**

	<b>30 Sept. 2005 (Unaudited) KD '000</b>	<b>Restated 31 Dec. 2004 (Audited) KD '000</b>	<b>Restated 30 Sept. 2004 (Unaudited) KD '000</b>
<b>Held for trading :</b>			
Quoted shares	<b>133,357</b>	71,548	80,819
<b>Designated on initial recognition :</b>			
Local funds	<b>177,647</b>	123,627	121,069
International managed portfolios and funds	<b>21,901</b>	18,420	15,485
	<b>199,548</b>	142,047	136,554
	<b>332,905</b>	213,595	217,373

**9 Staff bonus shares**

During the first 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's 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
<b>Balance at 1 January 2005</b>	26,409	41,099	23,460	375	-	1,735	93,078
Transfer of excess depreciation	-	-	-	(6)	-	-	(6)
Currency translation differences	-	-	-	(34)	-	(1,943)	(1,977)
Transfer on disposal of subsidiary	-	(9)	-	-	-	-	(9)
Issue of staff bonus shares (Note 9)	1,825	-	-	-	-	-	1,825
<b>Balances at 30 September 2005</b>	<b>28,234</b>	<b>41,090</b>	<b>23,460</b>	<b>335</b>	<b>-</b>	<b>(208)</b>	<b>92,911</b>
<b>Balance at 1 January 2004</b>	26,409	37,754	23,116	285	183	(791)	86,956
Transfer of excess depreciation	-	-	-	(8)	-	-	(8)
Surplus on revaluation of freehold property	-	-	-	177	-	-	177
Currency translation differences	-	-	-	4	-	504	508
Transfer on disposal of subsidiary	-	(131)	(123)	-	-	-	(254)
Loss on sale of treasury shares	-	-	-	-	(183)	-	(183)
<b>Balances at 30 September 2004</b>	<b>26,409</b>	<b>37,623</b>	<b>22,993</b>	<b>458</b>	<b>-</b>	<b>(287)</b>	<b>87,196</b>

**11 Long-term borrowings**

- a) During July 2005 the parent company obtained an unsecured syndicated term loan of US Dollar 225,000 thousand (KD65,700 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.
- b) As at 30 September 2005 a loan denominated in Kuwaiti Dinar amounting to KD10,000 thousand was reclassified to short-term borrowings as it is maturing within 12 months from the balance sheet date.

**12 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 KD153,173 thousand bearing interest at rates ranging from 3.4% to 8% per annum, and the group also repaid loans amounting to KD75,171 thousand.
- 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.a). The details of the murabaha facility is as follows;

	<b>KD'000</b>
Gross amount	<b>4,407</b>
Less: deferred cost	<b>(179)</b>
<b>Balance as at 30 September 2005</b>	<b>4,228</b>

**13 Cash and cash equivalents**

	<b>30 Sept. 2005 (Unaudited) KD '000</b>	<b>30 Sept. 2004 (Unaudited) KD '000</b>
Short-term deposits	<b>60,475</b>	11,871
Bank balance and cash	<b>10,002</b>	3,333
Due to banks	<b>(13,313)</b>	(19,681)
	<b>57,164</b>	(4,477)

## 14 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 Sept. 2005 KD '000	Restated 30 Sept. 2004 KD '000	30 Sept. 2005 KD '000	30 Sept. 2004 KD '000	30 Sept. 2005 KD '000	30 Sept. 2004 KD '000	30 Sept. 2005 KD '000	Restated 30 Sept. 2004 KD '000
<b>Three months ended</b>								
Revenue	41,177	15,452	8,426	6,616	17,691	19,111	67,294	41,179
Less:								
Income from investments							(37,082)	(14,655)
Share of profits of associates and joint ventures							(4,095)	(638)
Profit on disposal of investment properties							-	(159)
Unallocated sales							490	600
Sales, per consolidated statement of income							26,607	26,327
Profit/(loss)	40,522	14,508	2,890	2,144	(4,480)	(3,611)	38,932	13,041
Less:								
Finance costs							(4,905)	(2,508)
Unallocated expenses							(569)	(217)
Profit for the period, per consolidated statement of income							33,458	10,316
<b>Nine months ended</b>								
Revenue	126,893	40,290	24,198	20,443	57,720	57,501	208,811	118,234
Less:								
Income from investments							(117,474)	(35,881)
Share of profits of associates and joint ventures							(9,419)	(2,737)
Change in fair value of investment properties							-	(1,513)
Profit on disposal of investment properties							-	(159)
Unallocated sales							1,347	2,166
Sales, per consolidated statement of income							83,265	80,110
Profit/(loss)	121,681	42,789	7,583	5,777	(11,895)	(8,843)	117,369	39,723
Less:								
Finance costs							(11,992)	(7,112)
Unallocated expenses							(1,605)	(317)
Profit for the period, per consolidated statement of income							103,772	32,294

### **15 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.

### **16 Related party transactions**

Purchases of raw materials during the current year from related companies amounted to KD5,516 thousand (30 September 2004 : KD5,084 thousand).

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

### **17 Subsequent event**

Subsequent to the balance sheet date the parent company's board of directors proposed to issue 248,913,736 shares at par value of 100 Fils per share and premium of 500 Fils per share. This proposal is subject to the approval of the general assembly of the shareholders of the parent company.

### **18 Contingent liabilities**

At 30 September 2005 the group had contingent liabilities in respect of outstanding bank guarantees amounting to KD328 thousand (31 December 2004 : KD415 thousand and 30 September 2004 : KD687 thousand).

A foreign subsidiary of the group has guaranteed the leasing liability and overdraft of a joint venture totalling £1,600 thousand (KD825 thousand) [31 December 2004 : £1,700 thousand (KD965 thousand) and 30 September 2004 : £2,000 thousand (KD1,058 thousand)].

### **19 Capital commitments**

At 30 September 2005 the group had commitments for the purchase of investments and the acquisition of property, plant and equipment totalling KD21,181 thousand (31 December 2004 : KD11,010 thousand and 30 September 2004 : KD10,042 thousand).