

Interim consolidated financial information and review report
National Industries Group Holding – SAK and subsidiaries
Kuwait

30 June 2007 (Unaudited)

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Review report

To the board of directors of
National Industries Group Holding – SAK
Kuwait

Report on review of interim consolidated financial information

Introduction

We have reviewed the accompanying consolidated balance sheet of National Industries Group Holding (A Kuwaiti Shareholding Company) ("the parent company") and its subsidiaries ("the group"), as of 30 June 2007 and the related consolidated statements of income, changes in equity and cash flows for the six-month period then ended. The parent company's directors are 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, "Interim Financial Reporting".

Report on review of other legal and regulatory requirements

Based on our review, the interim consolidated financial information is in agreement with the books of the parent company. We further report that, to the best of our knowledge and belief, no violations of the Commercial Companies Law of 1960 nor of the articles of association of the parent company, as amended, have occurred during the period that might have had a material effect on the business of the group or on its financial position.

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Kuwait
4 August 2007

Consolidated statement of income

	Note	Three months ended		Six months ended	
		30 June 2007 (Unaudited) KD '000	30 June 2006 (Unaudited) KD '000	30 June 2007 (Unaudited) KD '000	30 June 2006 (Unaudited) KD '000
Sales		31,156	27,400	59,890	46,933
Cost of sales		(23,953)	(21,525)	(47,344)	(36,935)
Gross profit		7,203	5,875	12,546	9,998
Investments income	3	122,552	15,172	197,451	17,810
Share of profits of associates		6,606	424	10,056	3,664
Other operating income		1,701	1,835	2,503	1,996
Distribution costs		(1,496)	(1,557)	(3,079)	(2,576)
General, administrative and other expenses		(9,793)	(4,189)	(14,531)	(8,529)
Profit from operations		126,773	17,560	204,946	22,363
Finance costs		(11,086)	(7,309)	(21,299)	(13,383)
Profit on sale of property		801	-	801	-
Impairment in value of associate		(2,750)	-	(2,750)	-
Impairment in value of goodwill		-	-	(1,250)	-
Profit on partial disposal of subsidiaries		-	38,953	-	69,179
Profit on partial disposal of associates		-	-	-	559
Gain on foreign exchange		1,735	1,950	2,452	2,085
Profit for the period		115,473	51,154	182,900	80,803
Taxation		(233)	(192)	(405)	(265)
Provision for contribution to Kuwait Foundation for the Advancement of Sciences		(1,165)	(679)	(1,827)	(1,127)
Provision for Directors' remuneration		(50)	(50)	(100)	(100)
Provision for National Labour Support Tax		(2,327)	(1,583)	(3,645)	(3,207)
Net profit for the period		111,698	48,650	176,923	76,104
Attributable to :					
Shareholders of the parent company		98,298	46,024	158,086	74,584
Minority interest		13,400	2,626	18,837	1,520
		111,698	48,650	176,923	76,104
Earnings per share attributable to the shareholders of the parent company	4	87 Fils	48 Fils	141 Fils	82 Fils

The notes set out on pages 8 to 13 form an integral part of this interim consolidated financial information.

Consolidated balance sheet

	Note	30 June 2007 (Unaudited) KD '000	31 Dec. 2006 (Audited) KD '000	30 June 2006 (Unaudited) KD '000
Assets				
Non-current assets				
Goodwill		12,594	13,586	14,253
Property, plant and equipment		30,783	31,465	29,593
Investment in associates		157,955	125,912	112,795
Investment in joint ventures		-	285	266
Investment properties		-	267	2,389
Available for sale investments	5	560,181	426,399	347,508
Deferred tax		154	151	-
Total non-current assets		761,667	598,065	506,804
Current assets				
Inventories		24,298	23,960	22,241
Accounts receivable and other assets		124,006	56,330	78,676
Murabaha and wakala investments		56,596	57,608	45,000
Investments at fair value through statement of income	6	709,532	456,165	452,859
Short-term deposits		123,081	248,758	125,006
Bank balances and cash		36,474	16,258	12,764
Total current assets		1,073,987	859,079	736,546
Total assets		1,835,654	1,457,144	1,243,350
Equity and liabilities				
Equity attributable to shareholders of the parent company				
Share capital		117,736	107,033	107,033
Treasury shares		(28,099)	(56,378)	(54,442)
Reserves	8	271,218	264,315	237,485
Cumulative changes in fair value		148,778	146,409	144,506
Retained earnings		336,691	260,404	226,027
Minority interest		158,920	111,057	102,809
Total equity		1,005,244	832,840	763,418
Non-current liabilities				
Bonds payable and Musharka bonds		43,495	45,857	17,378
Long-term borrowings		78,694	79,710	32,760
Leasing creditors		35	59	155
Deferred tax		-	-	802
Provisions		11,769	11,638	12,393
Total non-current liabilities		133,993	137,264	63,488
Current liabilities				
Accounts payable and other liabilities		95,480	52,203	56,693
Bonds payable		-	-	35,000
Short-term borrowings		551,762	403,185	306,336
Due to banks		49,175	31,652	18,415
Total current liabilities		696,417	487,040	416,444
Total equity and liabilities		1,835,654	1,457,144	1,243,350

The notes set out on pages 8 to 13 form an integral part of this interim consolidated financial information.

Consolidated statement of changes in equity

	Equity attributable to shareholders of the parent company							Total KD '000
	Share capital KD '000	Treasury shares KD '000	Reserves (Note 8) KD '000	Cumulative changes in fair value KD '000	Retained earnings KD '000	Sub- Total KD '000	Minority interest KD '000	
Balance at 1 January 2007	107,033	(56,378)	264,315	146,409	260,404	721,783	111,057	832,840
Changes in fair value of available for sale investments	-	-	-	29,196	-	29,196	3,042	32,238
Share of fair value adjustment in associates	-	-	-	4,215	-	4,215	-	4,215
Realised on sale of available for sale investments	-	-	-	(31,042)	-	(31,042)	-	(31,042)
Transfer of excess depreciation and on disposal	-	-	(325)	-	325	-	-	-
Profit on disposal of treasury shares	-	-	7,272	-	-	7,272	-	7,272
Currency translation differences	-	-	(44)	-	-	(44)	-	(44)
Net income recognised directly in equity	-	-	6,903	2,369	325	9,597	3,042	12,639
Net profit for the period	-	-	-	-	158,086	158,086	18,837	176,923
Total recognised income for the period	-	-	6,903	2,369	158,411	167,683	21,879	189,562
Issue of bonus shares	10,703	-	-	-	(10,703)	-	-	-
Issue of staff bonus shares by utilizing treasury shares	-	757	-	-	-	757	-	757
Cash dividend to shareholders of the parent company	-	-	-	-	(71,421)	(71,421)	-	(71,421)
Purchase of treasury shares	-	(6,395)	-	-	-	(6,395)	-	(6,395)
Disposal of treasury shares	-	33,917	-	-	-	33,917	-	33,917
Investment made by minority shareholders	-	-	-	-	-	-	37,002	37,002
Dividend paid to minority by the subsidiary	-	-	-	-	-	-	(11,018)	(11,018)
	10,703	28,279	-	-	(82,124)	(43,142)	25,984	(17,158)
Balance at 30 June 2007	117,736	(28,099)	271,218	148,778	336,691	846,324	158,920	1,005,244

The notes set out on pages 8 to 13 form an integral part of this interim consolidated financial information.

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	Reserves (Note 8) KD '000	Cumulative changes in fair value KD '000	Retained earnings KD '000	Sub-Total KD '000			
Balance at 1 January 2006	74,674	(16,800)	115,639	202,342	247,777	623,632	49,878	673,510	
Changes in fair value of available for sale investments	-	-	-	(47,676)	-	(47,676)	(3,604)	(51,280)	
Share of fair value adjustment in associates	-	-	-	5,760	(2,583)	3,177	-	3,177	
Realised on sale of available for sale investments	-	-	-	(14,830)	-	(14,830)	(5,758)	(20,588)	
Realised on partial disposal of associates	-	-	-	(141)	-	(141)	-	(141)	
Transfer of excess depreciation	-	-	(4)	-	4	-	-	-	
Currency translation differences	-	-	(474)	-	-	(474)	6	(468)	
Donations for the year 2005	-	-	-	-	(5,000)	(5,000)	-	(5,000)	
Net expense recognised directly in equity	-	-	(478)	(56,887)	(7,579)	(64,944)	(9,356)	(74,300)	
Net profit for the period	-	-	-	-	74,584	74,584	1,520	76,104	
Total recognised income/(expense) for the period	-	-	(478)	(56,887)	67,005	9,640	(7,836)	1,804	
Issue of bonus shares	7,467	-	-	-	(7,467)	-	-	-	
Distributing shares of subsidiary	-	-	-	-	(39,577)	(39,577)	-	(39,577)	
Cash dividend to shareholders of the parent company	-	-	-	-	(43,472)	(43,472)	-	(43,472)	
Issue of shares	24,892	-	124,457	-	-	149,349	-	149,349	
Purchase/acquisition of treasury shares	-	(38,701)	-	-	-	(38,701)	-	(38,701)	
Transfer on partial disposal of subsidiaries	-	-	(2,071)	(949)	2,071	(949)	50,836	49,887	
Issue of staff bonus shares by utilizing treasury shares	-	1,059	-	-	-	1,059	-	1,059	
Loss on issue of staff bonus shares	-	-	(62)	-	-	(62)	-	(62)	
Dividend paid to minority by the subsidiary	-	-	-	-	-	-	(1,683)	(1,683)	
Investment made by minority shareholders	-	-	-	-	-	-	11,724	11,724	
Share issue expenses incurred by subsidiary on increase of capital	-	-	-	-	(310)	(310)	(110)	(420)	
	32,359	(37,642)	122,324	(949)	(88,755)	27,337	60,767	88,104	
Balance at 30 June 2006	107,033	(54,442)	237,485	144,506	226,027	660,609	102,809	763,418	

The notes set out on pages 8 to 13 form an integral part of this interim consolidated financial information.

Consolidated statement of cash flows

	Six months ended 30 June 2007 (Unaudited) KD '000	Six months ended 30 June 2006 (Unaudited) KD '000
OPERATING ACTIVITIES		
Profit for the period	182,900	80,803
Adjustments for :		
Depreciation of property, plant and equipment	2,253	1,823
Impairment in value of goodwill	1,250	-
Profit on sale of property, plant and equipment	(113)	-
Share of profits of associates and joint ventures	(10,056)	(3,664)
Impairment in value of associates	2,750	-
Dividend income from available for sale investments	(7,268)	(4,447)
Impairment in value of available for sale investments	2,000	-
Profit on sale of available for sale investments	(26,826)	(21,336)
Net profit on partial disposal of subsidiaries	-	(69,179)
Profit on partial disposal of associates	-	(559)
Net provisions charged/(released)	131	860
Finance costs	21,299	13,383
Interest income	(5,259)	(2,530)
Operating profit/(loss) before changes in operating assets and liabilities	163,061	(4,846)
Changes in operating assets and liabilities:		
Inventories	(338)	1,489
Accounts receivable and other assets	(69,392)	67,640
Investments at fair value through statement of income	(268,560)	(56,682)
Accounts payable and other liabilities	40,252	4,867
Cash (used in)/from operations	(134,977)	12,468
Taxation paid	(225)	(84)
KFAS contribution paid	(2,114)	-
Directors remunerations paid	(180)	(200)
National Labour Support Tax paid	(4,299)	-
Net cash (used in)/from operating activities	(141,795)	12,184

The notes set out on pages 8 to 13 form an integral part of this interim consolidated financial information.

Consolidated statement of cash flows (continued)

	Note	Six months ended 30 June 2007 (Unaudited) KD '000	Six months ended 30 June 2006 (Unaudited) KD '000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(2,690)	(1,652)
Proceeds from sale of property, plant and equipment		391	-
Net cash outflow on acquisition of subsidiary		-	(4,500)
Net cash inflow on partial disposal of subsidiaries		-	63,391
Investment in associated companies		(11,907)	(2,237)
Proceeds from partial disposal of associates		-	914
Dividend received from associates		6,578	5,225
Purchase of available for sale investments		(165,871)	(75,488)
Proceeds from sale of available for sale investments		57,986	43,861
Increase in wakala investments maturing after three months		5,000	(33,000)
Increase in short term deposits maturing after three months		-	(60,012)
Dividend income received from available for sale investments		7,268	3,278
Interest income received		6,975	2,227
Net cash used in investing activities		(96,270)	(57,993)
FINANCING ACTIVITIES			
Proceeds from issue of shares		-	141,412
Finance lease payments		67	(1,458)
Net decrease in long-term borrowings		(1,016)	(25,313)
Net increase in short-term borrowings		148,577	54,184
Dividend paid to shareholders of the parent		(69,807)	(42,542)
Finance costs paid		(19,565)	(14,337)
Purchase of treasury shares		(6,395)	(30,844)
Proceeds from sale of treasury shares		41,189	-
Increase in minority interest		25,984	9,430
Net cash from financing activities		119,034	90,532
Net (decrease)/increase in cash and cash equivalents		(119,031)	44,723
Translation difference		35	42
		(118,996)	44,765
Cash and cash equivalents at beginning of the period		255,972	26,578
Cash and cash equivalents at end of the period	7	136,976	71,343

The notes set out on pages 8 to 13 form an integral part of this interim consolidated financial information.

Notes to the interim consolidated financial information

30 June 2007

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 this interim consolidated financial information for issue on 4 August 2007.

2 Significant accounting policies

Basis of presentation

This interim consolidated financial information of the group has been prepared in accordance with International Accounting Standard 34, “Interim Financial Reporting”. The accounting policies used in the preparation of the interim consolidated financial information are consistent with those used in the preparation of the annual audited consolidated financial statements for the year ended 31 December 2006.

This interim consolidated financial information does not include all information and disclosures required for complete financial statements prepared in accordance with the International Financial Reporting Standards. In the opinion of the management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included.

2 Significant accounting policies (continued)

Operating results for the six months ended 30 June 2007 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2007. For further details, refer to the consolidated financial statements and its related disclosures for the year ended 31 December 2006.

The interim consolidated financial information has been presented in Kuwaiti Dinars (KD) which is the functional currency of the parent company.

3 Investments income

	Three months ended		Six months ended	
	30 June 2007 (Unaudited) KD '000	30 June 2006 (Unaudited) KD '000	30 June 2007 (Unaudited) KD '000	30 June 2006 (Unaudited) KD '000
Dividend income:				
- From investments at fair value through statement of income	4,036	3,463	8,546	9,645
- From available for sale investments	5,891	3,791	7,268	4,447
Profit on sale of available for sale investments	913	934	26,826	21,336
Impairment in value of available for sale investments	(2,000)	-	(2,000)	-
Realised gain on investments at fair value through statement of income	61,850	-	67,804	-
Unrealised gain on investments at fair value through statement of income	49,035	5,295	81,386	(20,254)
Income from wakala and murabaha investments	1,448	-	2,362	-
Interest income	1,379	1,689	5,259	2,636
	122,552	15,172	197,451	17,810

4 Earnings per share attributable to the shareholders of the parent company

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

	Three months ended		Six months ended	
	30 June 2007 (Unaudited)	30 June 2006 (Unaudited)	30 June 2007 (Unaudited)	30 June 2006 (Unaudited)
Net profit for the period attributable to the shareholders of the parent company (KD '000)	98,298	46,024	158,086	74,584
Weighted average number of shares outstanding during the period (excluding treasury shares)	1,128,786,990	949,387,610	1,120,918,396	912,313,697
Earnings per share	87 Fils	48 Fils	141 Fils	82 Fils

The weighted average number of shares outstanding during the previous period has been adjusted to reflect the bonus shares issued during the current period.

5 Available for sale investments

	30 June 2007 (Unaudited) KD '000	31 Dec. 2006 (Audited) KD '000	30 June 2006 (Unaudited) KD '000
Managed funds	129,487	75,990	63,600
Unquoted equity participations	160,083	141,866	183,094
Quoted shares	270,611	208,543	100,814
	560,181	426,399	347,508

6 Investments at fair value through statement of income

	30 June 2007 (Unaudited) KD '000	31 Dec. 2006 (Audited) KD '000	30 June 2006 (Unaudited) KD '000
Held for trading :			
Quoted shares	467,362	268,924	223,900
Designated on initial recognition :			
Local funds	195,794	153,305	188,829
International managed portfolios and funds	46,376	33,936	40,130
	242,170	187,241	228,959
	709,532	456,165	452,859

7 Cash and cash equivalents

	30 June 2007 (Unaudited) KD '000	31 Dec. 2006 (Audited) KD '000	30 June 2006 (Unaudited) KD '000
Murabaha and wakala investments – maturing within three months	26,596	22,608	12,000
Short-term deposits	123,081	248,758	64,994
Bank balances and cash	36,474	16,258	12,764
Due to banks	(49,175)	(31,652)	(18,415)
	136,976	255,972	71,343

8 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 31 December 2006	152,691	85,334	25,621	350	800	(481)	264,315
Transfer of excess depreciation and on disposal	-	-	-	(325)	-	-	(325)
Currency translation differences	-	-	-	6	-	(50)	(44)
Profit on disposal of treasury shares	-	-	-	-	7,272	-	7,272
Balances at 30 June 2007	152,691	85,334	25,621	31	8,072	(531)	271,218
Balance at 31 December 2005	28,234	61,270	25,159	322	236	418	115,639
Transfer of excess depreciation	-	-	-	(4)	-	-	(4)
Currency translation differences	-	-	-	17	-	(491)	(474)
Issue of shares	124,457	-	-	-	-	-	124,457
Transfer on partial disposal of subsidiaries	-	(1,329)	(742)	-	-	-	(2,071)
Loss on issue of staff bonus shares	-	-	-	-	(62)	-	(62)
Balances at 30 June 2006	152,691	59,941	24,417	335	174	(73)	237,485

9 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 2007 KD '000	30 June 2006 KD '000	30 June 2007 KD '000	30 June 2006 KD '000	30 June 2007 KD '000	30 June 2006 KD '000	30 June 2007 KD '000	30 June 2006 KD '000
Three months ended								
Segment revenue	129,158	15,596	8,750	7,810	21,682	19,044	159,590	42,450
Less:								
Investments income							(122,552)	(15,172)
Share of profits of associates							(6,606)	(424)
Unallocated sales							724	546
Sales, as per consolidated statement of income							31,156	27,400
Segment profit	118,638	53,798	4,311	2,444	1,870	321	124,819	56,563
Less:								
Finance costs							(11,086)	(7,309)
Unallocated net income							1,740	1,900
Profit for the period, as per consolidated statement of income							115,473	51,154
Six months ended								
Segment revenue	207,507	21,474	16,252	15,248	42,030	30,598	265,789	67,320
Less:								
Investments income							(197,451)	(17,810)
Share of profits of associates							(10,056)	(3,664)
Unallocated sales							1,608	1,087
Sales, as per consolidated statement of income							59,890	46,933
Segment profit	193,319	87,689	5,953	4,102	2,471	394	201,743	92,185
Less:								
Finance costs							(21,299)	(13,383)
Unallocated net income							2,456	2,001
Profit for the period, as per consolidated statement of income							182,900	80,803

10 General assembly

The annual general assembly held on 4 April 2007 approved the consolidated financial statements and proposed dividends of 70 Fils cash per share and 10% bonus shares for the year ended 31 December 2006.

11 Related party transactions

Related party transactions are entered on terms approved by the group's management. Significant related party transactions and balances included in the interim consolidated financial information are as follows:

	Six months ended 30 June 2007 (Unaudited) KD '000	Six months ended 30 June 2006 (Unaudited) KD '000
Balance sheet		
Due from associates and joint ventures	12,331	19,674
Due from Key management personnel	313	350
Income statement		
Profit on partial disposal of subsidiaries	-	2,904
Purchase of raw materials	3,921	3,943
Compensation of key management personnel of the group		
Short term employee benefits	4,527	937
End of service benefits	286	414

12 Contingent liabilities

There have been no significant changes in the contingent liabilities subsequent to 31 December 2006.

13 Fiduciary assets

One of the subsidiaries of the group manages portfolios on behalf of related and third parties, and maintains securities in fiduciary accounts which are not reflected in the group's balance sheet. Assets under management at 30 June 2007 amounted to KD18,401 thousand (31 December 2006: KD10,974 thousand and 30 June 2006: KD14,436 thousand) of which assets managed on behalf of related parties amounted to KD10,907 thousand (31 December 2006: KD5,438 thousand 30 June 2006: KD2,154 thousand).

14 Capital commitments

At the balance sheet date the group had commitments for the purchase of investments and the acquisition of property, plant and equipment totalling KD71,306 thousand (31 December 2006: KD57,092 thousand and 30 June 2006: KD36,744 thousand).