

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

30 June 2006 (Unaudited)

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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) (“the parent company”) and Subsidiaries (“the group”) as at 30 June 2006, 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 parent company’s management. Our responsibility is to issue a report on these interim condensed consolidated financial statements based on our review.

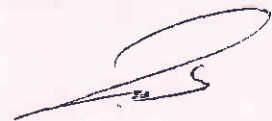
We conducted our review in accordance with the International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the interim condensed consolidated financial statements are free of material misstatement. A review is limited primarily to inquiries of the parent 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 accounting records. 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 parent company have occurred during the six months ended 30 June 2006 that might have had a material effect on the business of the group or on its financial position.



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6 August 2006

Consolidated statement of income

	Note	Three months ended		Six months ended	
		30 June 2006 (Unaudited) KD '000	30 June 2005 (Unaudited) KD '000	30 June 2006 (Unaudited) KD '000	30 June 2005 (Unaudited) KD '000
Sales		27,400	28,557	46,933	56,658
Cost of sales		(21,525)	(22,572)	(36,935)	(45,259)
Gross profit		5,875	5,985	9,998	11,399
Income from investments	3	15,172	35,601	17,810	80,392
Share of profits of associates and joint ventures		424	3,937	3,664	5,324
Other operating income		1,835	72	1,996	80
Distribution costs		(1,557)	(1,585)	(2,576)	(3,245)
General, administrative and other expenses		(4,189)	(4,264)	(8,529)	(9,333)
Profit from operations		17,560	39,746	22,363	84,617
Finance costs		(7,309)	(3,876)	(13,383)	(7,087)
Impairment in value of property, plant and equipment		-	(1,423)	-	(1,423)
Impairment in value of goodwill		-	(2,044)	-	(2,462)
Net profit/(loss) on partial disposal of subsidiaries	4	38,953	(1,379)	69,179	(1,379)
Profit on partial disposal of associates		-	-	559	-
Profit/(loss) on foreign exchange		1,950	(679)	2,085	(925)
Reorganisation, redundancy and other costs		-	(742)	-	(1,027)
Profit for the period		51,154	29,603	80,803	70,314
Taxation		(192)	(216)	(265)	(440)
Provision for contribution to Kuwait Foundation for the Advancement of Sciences		(679)	(326)	(1,127)	(712)
Provision for Directors' remuneration		(50)	(30)	(100)	(60)
Provision for National Labour Support Tax		(1,583)	(516)	(3,207)	(1,187)
Net profit for the period		48,650	28,515	76,104	67,915
Attributable to :					
Shareholders of the parent		46,024	25,237	74,584	61,755
Minority interest		2,626	3,278	1,520	6,160
		48,650	28,515	76,104	67,915
Earnings per share attributable to the shareholders of the parent	5	53 Fils	31 Fils	90 Fils	76 Fils

The notes set out on pages 9 to 15 form an integral part of these interim condensed consolidated financial statements.

Consolidated balance sheet

	Note	30 June 2006 (Unaudited) KD '000	31 Dec. 2005 (Audited) KD '000	30 June 2005 (Unaudited) KD '000
Assets				
Non-current assets				
Goodwill	6	14,253	9,776	20,858
Property, plant and equipment		29,593	26,406	28,562
Investment in associates	7	112,795	120,911	78,743
Investment in joint ventures		266	253	232
Investment properties		2,389	2,267	2,369
Available for sale investments	8	347,508	368,451	186,440
Deferred tax		-	-	1,045
Total non-current assets		506,804	528,064	318,249
Current assets				
Inventories		22,241	23,730	23,949
Accounts receivable and other assets		78,676	126,720	30,792
Investments at fair value through statement of income	9	452,859	386,741	306,953
Wakala investments	10	45,000	-	2,802
Short-term deposits		125,006	34,993	19,862
Bank balances and cash		12,764	8,712	6,329
Total current assets		736,546	580,896	390,687
Total assets		1,243,350	1,108,960	708,936
Equity and liabilities				
Equity attributable to shareholders of the parent company				
Share capital	11	107,033	74,674	74,674
Treasury shares		(54,442)	(16,800)	(5,249)
Reserves	13	237,485	115,639	93,185
Cumulative changes in fair value		144,506	202,342	60,924
Retained earnings		226,027	247,777	141,152
		660,609	623,632	364,686
Minority interest		102,809	49,878	31,666
Total equity		763,418	673,510	396,352

Consolidated balance sheet (Continued)

	30 June 2006 (Unaudited) KD '000	31 Dec. 2005 (Audited) KD '000	30 June 2005 (Unaudited) KD '000
Non-current liabilities			
Bonds payable	17,378	17,527	52,523
Long-term borrowings	32,760	98,141	43,001
Leasing creditors	155	1,028	1,683
Deferred tax	802	761	-
Provisions	12,393	11,533	8,159
Total non-current liabilities	63,488	128,990	105,366
Current liabilities			
Accounts payable and other liabilities	56,693	42,249	32,024
Bonds payable	35,000	35,000	-
Short-term borrowings	306,336	212,084	158,413
Due to banks	18,415	17,127	16,781
Total current liabilities	416,444	306,460	207,218
Total equity and liabilities	1,243,350	1,108,960	708,936

The notes set out on pages 9 to 15 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

	Share capital KD '000	Treasury shares KD '000	Staff bonus shares KD '000	Reserves (Note 13) KD '000	Cumulative changes in fair value KD '000	Retained earnings KD '000	Sub-Total KD '000	Minority Interest KD '000	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	-	-	(468)
Currency translation differences	-	-	-	(474)	-	-	(474)	6	(5,000)
Donations for the year 2005 (Note 15b)	-	-	-	-	-	(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 (Note 15a)	7,467	-	-	-	-	(7,467)	-	-	(39,577)
Distributing shares of subsidiary (Note 15a)	-	-	-	-	-	(39,577)	(39,577)	-	(43,472)
Cash dividend to shareholders of the parent company (Note 15a)	-	-	-	-	-	(43,472)	(43,472)	-	149,349
Issue of shares (Note 11)	24,892	-	-	124,457	-	-	149,349	-	(38,701)
Purchase/acquisition of treasury shares	-	(38,701)	-	-	-	-	(38,701)	-	49,887
Transfer on partial disposal of subsidiaries	-	-	-	(2,071)	(949)	2,071	(949)	50,836	1,059
Issue of staff bonus shares by utilizing treasury shares	-	1,059	-	(62)	-	-	1,059	-	(62)
Loss on issue of staff bonus shares	-	-	-	(62)	-	-	(62)	-	(1,683)
Dividend paid to minority by the subsidiary	-	-	-	-	-	-	-	(1,683)	11,724
Investment made by minority shareholders	-	-	-	-	-	-	-	11,724	-
Share issue expenses incurred by subsidiary on increase of capital	-	-	-	-	-	(310)	(310)	(110)	(420)
Balance at 30 June 2006	107,033	(54,442)	-	237,485	144,506	226,027	660,609	102,809	763,418
	32,359	(37,642)	-	122,324	(949)	(88,755)	27,337	60,767	88,104

Consolidated statement of changes in equity (continued)

Equity attributable to shareholders of the parent company

	Share capital KD '000	Treasury shares KD '000	Staff bonus shares KD '000	Reserves (Note 13) KD '000	Cumulative changes in fair value KD '000	Retained earnings KD '000	Sub-Total KD '000	Minority Interest 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	-	-	-	-	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	-	-	(500)	-	-	500	-	-	-
Issue of bonus shares	3,556	-	-	-	-	(3,556)	-	-	(21,310)
Cash dividend to shareholders of the parent company	-	-	-	-	-	(21,310)	(21,310)	-	(4,174)
Purchase of treasury shares	-	(4,174)	-	-	-	-	(4,174)	-	2,325
Issue of staff bonus shares	500	-	-	1,825	-	-	2,325	(1,427)	(1,427)
Dividend paid to minority by the subsidiary	-	-	-	-	-	-	-	(1,427)	(1,427)
Balance at 30 June 2005	4,056	(4,174)	(500)	1,825	-	(24,366)	(23,159)	(1,427)	(24,586)
	74,674	(5,249)	-	93,185	60,924	141,152	364,686	31,666	396,352

The notes set out on pages 9 to 15 form an integral part of these interim condensed consolidated financial statements.