

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

31 March 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) and Subsidiaries as at 31 March 2006, and the related consolidated statements of income, changes in equity and cash flows for the three-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 three months ended 31 March 2006 that might have had a material effect on the business of the group or on its financial position.



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13 May 2006

Consolidated statement of income

	Note	Three months ended 31 March 2006 (Unaudited) KD '000	Three months ended 31 March 2005 (Unaudited) KD '000
Sales	2 (b)	19,533	28,101
Cost of sales		(15,410)	(22,687)
Gross profit		4,123	5,414
Investment income	3	2,638	44,791
Share of profits of associates		3,240	1,387
Other operating income		161	8
Distribution costs		(1,019)	(1,660)
General, administrative and other expenses		(4,340)	(5,069)
Profit from operations		4,803	44,871
Finance costs		(6,074)	(3,211)
Impairment in value of goodwill		-	(418)
Profit on partial disposal of associate		559	-
Profit on partial disposal of subsidiaries	4	30,226	-
Gain/(loss) on foreign exchange		135	(246)
Reorganisation, redundancy and other costs		-	(285)
Profit for the period		29,649	40,711
Taxation		(73)	(224)
Provision for contribution to Kuwait Foundation for the Advancement of Sciences		(448)	(386)
Provision for Directors' remuneration		(50)	(30)
Provision for National Labour Support Tax		(1,624)	(671)
Net profit for the period		27,454	39,400
Attributable to :			
Shareholders of the parent		28,560	36,518
Minority interest		(1,106)	2,882
		27,454	39,400
Earnings per share attributable to the shareholders of the parent	5	36 Fils	44 Fils

The notes set out on pages 9 to 14 form an integral part of these unaudited condensed consolidated financial statements.

Consolidated balance sheet

	Note	31 March 2006 (Unaudited) KD '000	31 Dec. 2005 (Audited) KD '000	31 March 2005 (Unaudited) KD '000
Assets				
Non-current assets				
Goodwill		9,843	9,776	23,739
Property, plant and equipment		28,656	26,406	30,884
Investment in associates	6	120,936	120,911	63,532
Investment in joint ventures		255	253	242
Investment properties		2,282	2,267	2,463
Available for sale investments	7	352,140	368,451	145,085
Deferred tax		-	-	1,164
Total non-current assets		514,112	528,064	267,109
Current assets				
Inventories		22,541	23,730	26,921
Accounts receivable and other assets		130,791	126,720	40,970
Wakala investment		-	-	2,802
Investments at fair value through statement of income	8	388,445	386,741	275,956
Short-term deposits		35,258	34,993	1,935
Bank balances and cash		23,062	8,712	9,459
Total current assets		600,097	580,896	358,043
Total assets		1,114,209	1,108,960	625,152
Equity and liabilities				
<i>Equity attributable to shareholders of the parent company</i>				
Share capital 746,741,208 issued and fully paid shares of 100 Kuwaiti Fils each (31 March 2005 : 711,182,103)				
		74,674	74,674	71,118
Treasury shares		(40,968)	(16,800)	(1,075)
Reserves	10	115,446	115,639	93,916
Cumulative changes in fair value		186,729	202,342	40,647
Retained earnings		273,596	247,777	140,779
Minority interest		609,477	623,632	345,385
		68,867	49,878	26,500
Total equity		678,344	673,510	371,885

Consolidated balance sheet (Continued)

	31 March 2006 (Unaudited) KD '000	31 Dec. 2005 (Audited) KD '000	31 March 2005 (Unaudited) KD '000
Non-current liabilities			
Bonds payable	17,550	17,527	52,526
Long-term borrowings	82,237	98,141	45,514
Leasing creditors	1,035	1,028	1,900
Deferred tax	766	761	-
Provisions	11,810	11,533	8,337
Total non-current liabilities	113,398	128,990	108,277
Current liabilities			
Accounts payable and other liabilities	51,824	42,249	34,404
Bonds payable	35,000	35,000	-
Short-term borrowings	229,826	212,084	98,046
Due to banks	5,817	17,127	12,540
Total current liabilities	322,467	306,460	144,990
Total equity and liabilities	1,114,209	1,108,960	625,152

The notes set out on pages 9 to 14 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 10) KD '000	Cumulative changes in fair value KD '000	Retained profits 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	-	-	-	-	(14,876)	-	(14,876)	(1,487)	(16,363)
Realised on partial disposal of associate	-	-	-	-	(141)	-	(141)	-	(141)
Share of fair value adjustment in associates	-	-	-	-	13,906	(2,583)	11,323	-	11,323
Realised on sale of available for sale investments	-	-	-	-	(14,502)	-	(14,502)	(5,696)	(20,198)
Transfer of excess depreciation	-	-	-	(2)	-	2	-	-	-
Currency translation differences	-	-	-	(41)	-	-	(41)	1	(40)
Net expense recognised directly in equity	-	-	-	(43)	(15,613)	(2,581)	(18,237)	(7,182)	(25,419)
Net profit/(loss) for the period	-	-	-	-	-	28,560	28,560	(1,106)	27,454
Total recognised income/(expense) for the period	-	-	-	(43)	(15,613)	25,979	10,323	(8,288)	2,035
Purchase of treasury shares	-	(24,168)	-	-	-	-	(24,168)	-	(24,168)
Transfer on partial disposal of subsidiary	-	-	-	(150)	-	150	-	17,834	17,834
Dividend paid to minority by the subsidiary	-	-	-	-	-	-	-	(1,683)	(1,683)
Investment made by minority shareholders	-	-	-	-	-	-	-	11,236	11,236
Share issue expenses incurred by subsidiary on increase of capital	-	-	-	-	-	(310)	(310)	(110)	(420)
Balance at 31 March 2006	74,674	(40,968)	-	115,446	186,729	273,596	609,477	66,867	676,344

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 10) 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	-	-	-	-	15,570	-	15,570	1,063	16,633
Share of fair value adjustment in associates	-	-	-	-	174	-	174	-	174
Realised on sale of available for sale investments	-	-	-	-	(30)	-	(30)	-	(30)
Transfer of excess depreciation	-	-	-	(3)	-	3	-	-	-
Currency translation differences	-	-	-	(984)	-	-	(984)	(3)	(987)
Net income/(expense) recognised directly in equity	-	-	-	(987)	15,714	3	14,730	1,060	15,790
Net profit for the period	-	-	-	-	-	36,518	36,518	2,882	39,400
Total recognised income/(expense) for the period	-	-	-	(987)	15,714	36,521	51,248	3,942	55,190
Transfer to retained earnings on adoption of IFRS 2	-	-	(500)	-	-	500	-	-	-
Cost of share-based payment	-	-	2,325	-	-	-	2,325	-	2,325
Issue of staff bonus shares	500	-	(2,325)	1,825	-	-	-	-	-
Dividend paid to minority by the subsidiary	-	-	-	-	-	-	-	(1,427)	(1,427)
Balance at 31 March 2005	71,118	(1,075)	(500)	93,916	40,647	140,779	345,385	26,500	371,885

The notes set out on pages 9 to 14 form an integral part of these accounts and should be read in conjunction with these financial statements.

Consolidated statement of cash flows

	Three months ended 31 March 2006 (Unaudited) KD '000	Three months ended 31 March 2005 (Unaudited) KD '000
OPERATING ACTIVITIES		
Profit for the period	29,649	40,711
Adjustments for :		
Depreciation of property, plant and equipment	908	1,238
Impairment in value of goodwill	-	418
Share of profits of associates	(3,240)	(1,387)
Dividend income from available for sale investments	(656)	(860)
Profit on partial disposal of associate	(559)	-
Profit on sale of available for sale investments	(20,402)	(436)
Profit on partial disposal of subsidiaries	(30,226)	-
Reorganisation, redundancy and other costs	-	285
Cost of share based payment	-	2,325
Net provisions charged/(released)	277	(134)
Finance costs	6,074	3,211
Interest income	(474)	(147)
Operating (loss)/profit before changes in operating assets and liabilities	(18,649)	45,224
Changes in operating assets and liabilities:		
Inventories	1,189	(188)
Accounts receivable and other assets	48,327	(8,833)
Investments at fair value through statement of income	7,732	(48,256)
Accounts payable and other liabilities	5,528	1,903
Cash from/(used in) operations	44,127	(10,150)
Payment of reorganisation, redundancy, and other costs	-	(190)
Taxation paid	(11)	(25)
KFAS contribution paid	-	(424)
Net cash from/(cash used) in operating activities	44,116	(10,789)

Consolidated statement of cash flows (continued)

	Note	Three months ended 31 March 2006 (Unaudited) KD '000	Three months ended 31 March 2005 (Unaudited) KD '000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,119)	(675)
Purchase of available for sale investments		(36,808)	(9,422)
Investment in associated companies		-	(750)
Proceeds from partial disposal of associate		914	-
Proceeds from sale of available for sale investments		36,504	1,647
Dividend income received from available for sale investments		656	676
Interest income received		439	147
Net cash from/(used in) investing activities		586	(8,377)
FINANCING ACTIVITIES			
Finance lease payments		(112)	(186)
Net decrease in long-term borrowings		(15,904)	(79)
Net increase in short-term borrowings		17,742	15,056
Dividend paid to shareholders of the parent		(89)	(61)
Finance costs paid		(5,681)	(2,216)
Purchase of treasury shares		(24,168)	-
Increase/(decrease) in minority interest		9,430	(1,427)
Net cash (used in)/from financing activities		(18,782)	11,087
Net increase/(decrease) in cash and cash equivalents		25,920	(8,079)
Translation difference		5	13
Cash and cash equivalents at beginning of the period		25,925	(8,066)
Cash and cash equivalents at end of the period	9	52,503	(1,146)

The above is set out under Part 14 (note on interest) part of their interest condensed consolidated financial statements.