

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

Kuwait

31 March 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 subsidiaries ("the group"), as of 31 March 2007 and the related consolidated statements of income, changes in equity and cash flows for the three-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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Consolidated statement of income

	Note	Three months ended 31 March 2007 (Unaudited) KD '000	Three months ended 31 March 2006 (Unaudited) KD '000
Sales		28,734	19,533
Cost of sales		(23,391)	(15,410)
Gross profit		5,343	4,123
Investments income	3	74,899	2,638
Share of profits of associates		3,450	3,240
Other operating income		802	161
Distribution costs		(1,583)	(1,019)
General, administrative and other expenses		(4,738)	(4,340)
Profit from operations		78,173	4,803
Finance costs		(10,213)	(6,074)
Profit on partial disposal of associate		-	559
Profit on partial disposal of subsidiaries		-	30,226
Impairment in value of goodwill		(1,250)	-
Gain on foreign exchange		717	135
Profit for the period		67,427	29,649
Taxation		(172)	(73)
Provision for contribution to Kuwait Foundation for the Advancement of Sciences		(662)	(448)
Provision for Directors' remuneration		(50)	(50)
Provision for National Labour Support Tax		(1,318)	(1,624)
Net profit for the period		65,225	27,454
Attributable to :			
Shareholders of the parent		59,788	28,560
Minority interest		5,437	(1,106)
		65,225	27,454
Earnings per share attributable to the shareholders of the parent company	4	54 Fils	33 Fils

Consolidated balance sheet

	Note	31 March 2007 (Unaudited) KD '000	31 Dec. 2006 (Audited) KD '000	31 March 2006 (Unaudited) KD '000
Assets				
Non-current assets				
Goodwill		12,371	13,586	9,843
Property, plant and equipment		32,441	31,465	28,656
Investment in associates		145,954	125,912	120,936
Investment in joint ventures		-	285	255
Investment properties		-	267	2,282
Available for sale investments	5	482,663	426,399	352,140
Deferred tax		152	151	-
Total non-current assets		673,581	598,065	514,112
Current assets				
Inventories		24,286	23,960	22,541
Accounts receivable and other assets		65,898	56,330	130,791
Murabaha and wakala investments		51,785	57,608	-
Investments at fair value through statement of income	6	544,923	456,165	388,445
Short-term deposits		182,965	248,758	35,258
Bank balances and cash		25,975	16,258	23,062
Total current assets		895,832	859,079	600,097
Total assets		1,569,413	1,457,144	1,114,209
Equity and liabilities				
Equity attributable to shareholders of the parent company				
Share capital		107,033	107,033	74,674
Treasury shares		(45,212)	(56,378)	(40,968)
Reserves	8	265,977	264,315	115,446
Cumulative changes in fair value		137,592	146,409	186,729
Retained earnings		320,310	260,404	273,596
		785,700	721,783	609,477
		110,896	111,057	68,867
Minority interest		896,596	832,840	678,344
Total equity				
Non-current liabilities				
Bonds payable and Musharka bonds		45,857	45,857	17,550
Long-term borrowings		79,245	79,710	82,237
Leasing creditors		34	59	1,035
Deferred tax		-	-	766
Provisions		11,616	11,638	11,810
Total non-current liabilities		136,752	137,264	113,398
Current liabilities				
Accounts payable and other liabilities		55,034	52,203	51,824
Bonds payable		-	-	35,000
Short-term borrowings		454,629	403,185	229,826
Due to banks		26,402	31,652	5,817
Total current liabilities		536,065	487,040	322,467
Total equity and liabilities		1,569,413	1,457,144	1,114,209

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							
	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	Total 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	-	-	-	19,163	-	19,163	5,406	24,569
Share of fair value adjustment in associates	-	-	-	2,716	-	2,716	-	2,716
Realised on sale of available for sale investments	-	-	-	(30,696)	-	(30,696)	-	(30,696)
Transfer of excess depreciation	-	-	(118)	-	118	-	-	1,790
Profit on disposal of treasury shares	-	-	1,790	-	-	1,790	-	(10)
Currency translation differences	-	-	(10)	-	-	(10)	-	(10)
Net income/(expense) recognised directly in equity	-	-	1,662	(8,817)	118	(7,037)	5,406	(1,631)
Net profit for the period	-	-	1,662	(8,817)	59,788	59,788	5,437	65,225
Total recognised income/(expense) for the period	-	-	1,662	(8,817)	59,906	52,751	10,843	63,594
Purchase of treasury shares	-	(982)	-	-	-	(982)	-	(982)
Disposal of treasury shares	-	11,391	-	-	-	11,391	-	11,391
Issue of shares to staff by utilizing treasury shares	-	757	-	-	-	757	-	757
Dividend paid to minority by the subsidiary	-	-	-	-	-	-	(11,064)	(11,064)
Investment made by minority shareholders	-	-	-	-	-	-	60	60
	-	11,166	-	-	-	11,166	(11,004)	162
Balance at 31 March 2007	107,033	(45,212)	265,977	137,592	320,310	785,700	110,896	896,596

Consolidated statement of changes in equity (continued)

	Equity attributable to shareholders of the parent company							
	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	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	(2,563)	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	68,867	678,344

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

Consolidated statement of cash flows

	Three months ended 31 March 2007 (Unaudited) KD '000	Three months ended 31 March 2006 (Unaudited) KD '000
OPERATING ACTIVITIES		
Profit for the period	67,427	29,649
Adjustments for :		
Depreciation of property, plant and equipment	1,185	908
Profit on disposal of property, plant and equipment	(108)	-
Impairment in value of goodwill	1,250	-
Share of profits of associates	(3,450)	(3,240)
Dividend income from available for sale investments	(1,377)	(656)
Profit on partial disposal of associate	-	(559)
Profit on sale of available for sale investments	(25,913)	(20,402)
Profit on partial disposal of subsidiaries	-	(30,226)
Net provisions (released)/charged	(22)	277
Finance costs	10,213	6,074
Interest income	(3,880)	(474)
Operating profit/(loss) before changes in operating assets and liabilities	45,325	(18,649)
Changes in operating assets and liabilities:		
Inventories	(326)	1,189
Accounts receivable and other assets	(2,764)	48,327
Investments at fair value through statement of income	(103,951)	7,732
Accounts payable and other liabilities	2,429	5,528
Cash (used in)/from operations	(59,287)	44,127
Taxation paid	(101)	(11)
KFAS contribution paid	(1,607)	-
National Labour Support Tax paid	(4,299)	-
Net cash (used in)/from operating activities	(65,294)	44,116

Consolidated statement of cash flows (continued)

	Note	Three months ended 31 March 2007 (Unaudited) KD '000	Three months ended 31 March 2006 (Unaudited) KD '000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(973)	(1,119)
Proceeds from sale of property, plant and equipment		383	-
Purchase of available for sale investments		(70,550)	(36,808)
Investment in associated companies		(5,262)	-
Proceeds from partial disposal of associate		-	914
Proceeds on realisation of wakala investments		4,500	-
Proceeds from sale of available for sale investments		37,846	36,504
Dividend income received from available for sale investments		629	656
Interest income received		4,402	439
Net cash (used in)/from investing activities		(29,025)	586
FINANCING ACTIVITIES			
Finance lease payments		(24)	(112)
Net decrease in long-term borrowings		(465)	(15,904)
Net increase in short-term borrowings		51,444	17,742
Dividend paid to shareholders of the parent		(24)	(89)
Finance costs paid		(9,400)	(5,681)
Purchase of treasury shares		(982)	(24,168)
Proceed from sales of treasury shares		12,619	-
(Decrease)/increase in minority interest		(11,004)	9,430
Net cash from/(used in) financing activities		42,164	(18,782)
Net increase in cash and cash equivalents		(52,155)	25,920
Translation difference		6	5
Cash and cash equivalents at beginning of the period		(52,149)	25,925
		255,972	26,578
Cash and cash equivalents at end of the period	7	203,823	52,503

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

31 March 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 1 May 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.

Operating results for the period are not necessarily indicative of the results that may be expected for the year ending 31 December 2007.

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 31 March 2007 (Unaudited) KD '000	Three months ended 31 March 2006 (Unaudited) KD '000
Dividend income:		
- From investments at fair value through statement of income	4,510	6,182
- From available for sale investments	1,377	656
Profit on sale of available for sale investments	25,913	20,402
Realised gain on investments at fair value through statement of income	5,954	330
Unrealised gain on investments at fair value through statement of income	32,351	(25,879)
Income from wakaala and murabaha investments	914	-
Interest income	3,880	947
	74,899	2,638

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 by the weighted average number of shares outstanding during the period as follows:

	Three months ended 31 March 2007 (Unaudited)	Three months ended 31 March 2006 (Unaudited)
Net profit for the period attributable to the shareholders of the parent company (KD '000)	59,788	28,560
Weighted average number of shares outstanding during the period (excluding treasury shares)	1,111,313,450	878,001,401
Earnings per share	54 Fils	33 Fils

The weighted average number of shares outstanding during the previous period has been adjusted to reflect the bonus shares issued during the year ended 31 December 2006.

5 Available for sale investments

	31 March 2007 (Unaudited) KD '000	31 Dec. 2006 (Audited) KD '000	31 March 2006 (Unaudited) KD '000
Managed funds	96,715	75,990	60,283
Unquoted equity participations	131,815	141,866	156,065
Quoted shares	254,133	208,543	135,792
	482,663	426,399	352,140

6 Investments at fair value through statement of income

	31 March 2007 (Unaudited) KD '000	31 Dec. 2006 (Audited) KD '000	31 March 2006 (Unaudited) KD '000
Held for trading :			
Quoted shares	324,328	268,924	203,792
Designated on initial recognition :			
Local funds	174,067	153,305	160,696
International managed portfolios and funds	46,528	33,936	23,957
	220,595	187,241	184,653
	544,923	456,165	388,445

7 Cash and cash equivalents

	31 March 2007 (Unaudited) KD '000	31 Dec. 2006 (Audited) KD '000	31 March 2006 (Unaudited) KD '000
Murabaha and wakala investments – maturing within three months	21,285	22,608	-
Short-term deposits	182,965	248,758	35,258
Bank balances and cash	25,975	16,258	23,062
Due to banks	(26,402)	(31,652)	(5,817)
	203,823	255,972	52,503

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	-	-	-	(118)	-	-	(118)
Currency translation differences	-	-	-	2	-	(12)	(10)
Profit on disposal of treasury shares	-	-	-	-	1,790	-	1,790
Balances at 31 March 2007	152,691	85,334	25,621	234	2,590	(493)	265,977
Balance at 31 December 2005	28,234	61,270	25,159	322	236	418	115,639
Transfer of excess depreciation	-	-	-	(2)	-	-	(2)
Currency translation differences	-	-	-	2	-	(43)	(41)
Transfer on partial disposal of subsidiary	-	(150)	-	-	-	-	(150)
Balances at 31 March 2006	28,234	61,120	25,159	322	236	375	115,446

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	
	31 March 2007 KD '000	31 March 2006 KD '000	31 March 2007 KD '000	31 March 2006 KD '000	31 March 2007 KD '000	31 March 2006 KD '000	31 March 2007 KD '000	31 March 2006 KD '000
Segment revenue	78,349	5,878	7,502	7,438	20,348	11,554	106,199	24,870
Less:								
Investments income							(74,899)	(2,638)
Share of profits of associates							(3,450)	(3,240)
Unallocated sales							884	541
Sales as per consolidated statement of income							28,734	19,533
Segment profit	74,681	33,891	1,642	1,658	601	73	76,924	35,622
Finance costs							(10,213)	(6,074)
Unallocated income							716	101
Profit for the period as per consolidated statement of income							67,427	29,649

10 General assembly

The annual general assembly held on 4 April 2007 approved the 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 consolidated financial statements are as follows:

	Three months ended 31 March 2007 (Unaudited) KD '000	Three months ended 31 March 2006 (Unaudited) KD '000
Balance sheet		
Due from associates and joint ventures	11,288	26,420
Due from Key management personnel	312	577
Income statement		
Profit on partial disposal of subsidiaries	-	9,800
Purchase of raw materials	1,983	1,851
Compensation of key management personnel of the group		
Short term employee benefits	567	431
End of service benefits	33	111

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 31 March 2007 amounted to KD16,433 thousand (31 December 2006: KD10,974 thousand and 31 March 2006 KD7,632 thousand) of which assets managed on behalf of related parties amounted to KD9,842 thousand (31 December 2006: KD5,438 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 KD58,835 thousand (31 December 2006: KD57,092 thousand and 31 March 2006: KD20,158 thousand).