

Interim condensed consolidated financial information and review report

**National Industries Group Holding – SAK and subsidiaries**

**Kuwait**

30 June 2009 (Unaudited)

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## Review report

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

### Report on review of interim condensed consolidated financial information

#### *Introduction*

We have reviewed the accompanying interim condensed consolidated financial position of National Industries Group Holding (A Kuwaiti Shareholding Company) (the “parent company”) and subsidiaries (collectively the “group”), as of 30 June 2009 and the related interim condensed consolidated statements of income, comprehensive 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 condensed consolidated financial information in accordance with International Accounting Standard 34, “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

#### *Scope of Review*

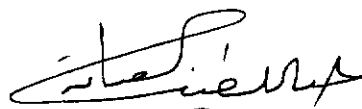
We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity.” A review of interim financial information consists of making inquiries, primarily of persons responsible for financial 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 condensed 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 condensed 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 or of the articles of association of the parent company, as amended, have occurred during the six-month period ended 30 June 2009 that might have had a material effect on the business of the group or on its financial position.



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(Licence No. 94-A)  
of Grant Thornton – Al-Qatami, Al-Aiban & Partners



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## Interim condensed consolidated statement of income

	Note	Three months ended		Six months ended	
		30 June 2009 (Unaudited) KD '000	30 June 2008 (Unaudited) KD '000	30 June 2009 (Unaudited) KD '000	30 June 2008 (Unaudited) KD '000
Sales		23,701	32,678	47,145	59,633
Cost of sales		(18,904)	(25,375)	(38,364)	(46,828)
<b>Gross profit</b>		<b>4,797</b>	7,303	<b>8,781</b>	12,805
Income from investments	3	30,223	65,842	34,736	132,903
Share of profits of associates		6,317	6,366	6,750	8,377
Income on disposal of associate	6a	5,753	-	5,753	-
Changes in fair value of investment properties	7	(1,643)	1,740	3,996	1,740
Interest and other operating income	4	365	9,412	10,210	20,180
Distribution costs		(1,016)	(1,500)	(2,124)	(2,993)
General, administrative and other expenses		(6,325)	(9,244)	(10,263)	(14,205)
		38,471	79,919	57,839	158,807
Finance costs		(15,203)	(16,215)	(29,973)	(33,180)
Impairment in value of available for sale investments	8	(522)	-	(29,542)	-
Impairment in value of wakala investments	10	-	-	(500)	-
Gain/(loss) on foreign exchange		7,110	2,646	(12,985)	13,137
<b>Profit/(loss) before taxation, KFAS, NLST, Zakat and directors' remuneration</b>		<b>29,856</b>	66,350	<b>(15,161)</b>	138,764
Taxation		(29)	(126)	(114)	(203)
Provision for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		-	(543)	-	(1,165)
Provision for National Labour Support Tax (NLST)		-	(1,179)	-	(2,383)
Provision for Zakat		-	(484)	-	(971)
Provision for Directors' remuneration		-	(50)	-	(100)
<b>Profit/(loss) for the period</b>		<b>29,827</b>	63,968	<b>(15,275)</b>	133,942
<b>Attributable to :</b>					
Shareholders of the parent company		25,371	58,405	(11,239)	119,804
Minority interest		4,456	5,563	(4,036)	14,138
		29,827	63,968	(15,275)	133,942
<b>Basic and diluted earnings/(loss) per share</b>	5	<b>20 Fils</b>	46 Fils	<b>(9) Fils</b>	95 Fils

*The notes set out on pages 9 to 20 form an integral part of this interim condensed consolidated financial information.*

## **Interim condensed consolidated statement of comprehensive income**

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>30 June 2009 (Unaudited) KD '000</b>	<b>30 June 2008 (Unaudited) KD '000</b>	<b>30 June 2009 (Unaudited) KD '000</b>	<b>30 June 2008 (Unaudited) KD '000</b>
Profit/(loss) for the period	<b>29,827</b>	63,968	<b>(15,275)</b>	133,942
<b>Other comprehensive income:</b>				
Exchange differences arising on translation of foreign operations	<b>449</b>	(1,598)	<b>2,309</b>	(4,123)
Adjustment related to acquisition of associate – reversal of changes in fair value (refer note 6b)	-	(42,563)	-	(43,903)
Adjustment related to acquisition of associate – recognition of share of profits (refer note 6b)	-	537	-	2,150
Available for sale investments				
- Net changes in fair value arising during the period	<b>77,286</b>	(2,356)	<b>59,006</b>	(1,593)
- Transferred to consolidated statement of income on disposals	<b>(2,488)</b>	(6,218)	<b>(7,799)</b>	(6,497)
- Transferred to consolidated statement of income on impairment	<b>522</b>	-	<b>29,542</b>	-
Share of other comprehensive income of associates	<b>6,344</b>	6,840	<b>2,338</b>	2,792
<b>Total other comprehensive income</b>	<b>82,113</b>	(45,358)	<b>85,396</b>	(51,174)
<b>Total comprehensive income for the period</b>	<b>111,940</b>	18,610	<b>70,121</b>	82,768
<b>Total comprehensive income attributable to:</b>				
Shareholders of the parent company	<b>93,256</b>	8,945	<b>57,384</b>	70,269
Minority interest	<b>18,684</b>	9,665	<b>12,737</b>	12,499
	<b>111,940</b>	18,610	<b>70,121</b>	82,768

*The notes set out on pages 9 to 20 form an integral part of this interim condensed consolidated financial information.*

## Interim condensed consolidated statement of financial position

	Note	30 June 2009 (Unaudited) KD '000	31 Dec. 2008 (Audited) KD '000	(Restated) 30 June 2008 (Unaudited) KD '000
<b>Assets</b>				
<b>Non-current assets</b>				
Goodwill		9,774	8,231	10,392
Property, plant and equipment		48,417	40,506	36,151
Investment in associates	6	256,299	303,079	299,288
Investment properties	7	33,498	22,645	12,000
Available for sale investments	8	749,883	634,900	879,794
Deferred tax		139	108	167
<b>Total non-current assets</b>		<b>1,098,010</b>	<b>1,009,469</b>	<b>1,237,792</b>
<b>Current assets</b>				
Inventories		23,358	22,992	23,250
Available for sale investments	8	132,555	178,114	-
Accounts receivable and other assets		78,919	89,635	200,500
Murabaha and wakala investments	10	19,671	29,800	23,000
Investments at fair value through statement of income	9	135,903	158,816	674,997
Short-term deposits	16	138,101	214,999	189,455
Bank balances and cash	16	28,280	29,325	43,745
<b>Total current assets</b>		<b>556,787</b>	<b>723,681</b>	<b>1,154,947</b>
<b>Total assets</b>		<b>1,654,797</b>	<b>1,733,150</b>	<b>2,392,739</b>
<b>Equity and liabilities</b>				
<b>Equity attributable to shareholders of the parent company</b>				
Share capital	11	129,510	129,510	129,510
Share Premium	11	152,691	152,691	152,691
Treasury shares	12	(33,415)	(31,998)	(26,809)
Reserves	17	58,102	151,451	150,216
Cumulative changes in fair value		110,767	43,968	209,941
(Accumulated losses)/ retained earnings		(11,239)	(97,752)	304,020
<b>Equity attributable to shareholders of the parent company</b>		<b>406,416</b>	<b>347,870</b>	<b>919,569</b>
Minority interest		149,803	137,927	242,443
<b>Total equity</b>		<b>556,219</b>	<b>485,797</b>	<b>1,162,012</b>
<b>Non-current liabilities</b>				
Bonds and trust certificates issued		165,164	158,720	166,096
Long-term borrowings	13	140,055	177,837	165,859
Leasing creditors		703	608	377
Provisions		9,174	8,369	9,220
<b>Total non-current liabilities</b>		<b>315,096</b>	<b>345,534</b>	<b>341,552</b>
<b>Current liabilities</b>				
Accounts payable and other liabilities		71,266	80,545	113,022
Bonds issued	14	-	14,431	-
Short-term borrowings	15	671,119	767,124	740,312
Due to banks	16	41,097	39,719	35,841
<b>Total current liabilities</b>		<b>783,482</b>	<b>901,819</b>	<b>889,175</b>
<b>Total equity and liabilities</b>		<b>1,654,797</b>	<b>1,733,150</b>	<b>2,392,739</b>

Mr. Sa'ad Mohammed Al-Sa'ad  
Chairman & Managing Director

The notes set out on pages 9 to 20 form an integral part of this interim condensed consolidated financial information.

## Interim condensed consolidated statement of changes in equity

### Equity attributable to shareholders of the parent company

	Share capital KD '000	Share Premium KD '000	Treasury shares KD '000	Reserves (Note 17) KD '000	Cumulative changes in fair value KD '000	Accumulated losses KD '000	Sub- Total KD '000	Minority interest KD '000	Total KD '000
<b>Balance at 1 January 2009</b>	129,510	152,691	(31,998)	151,451	43,968	(97,752)	347,870	137,927	485,797
Purchase of treasury shares	-	-	(5,630)	-	-	-	(5,630)	-	(5,630)
Disposal of treasury shares	-	-	4,213	-	-	-	4,213	-	4,213
Gain on sale of treasury shares	-	-	-	2,579	-	-	2,579	-	2,579
Investments made by minority shareholders of subsidiaries	-	-	-	-	-	-	-	653	653
Dividend paid to minority by the subsidiaries	-	-	-	-	-	-	-	(651)	(651)
Change in minority interest	-	-	-	-	-	-	-	(863)	(863)
Offset of accumulated losses (see note 11c)	-	-	-	(97,752)	-	97,752	-	-	-
<b>Transactions with equity holders</b>	-	-	(1,417)	(95,173)	-	97,752	1,162	(861)	301
Loss for the period	-	-	-	-	-	(11,239)	(11,239)	(4,036)	(15,275)
<b>Other comprehensive income:</b>									
Exchange differences arising on translation of foreign operations	-	-	-	1,824	-	-	1,824	485	2,309
Available for sale investments	-	-	-	-	-	-	-	-	-
-Net changes in fair value arising during the period	-	-	-	-	47,404	-	47,404	11,602	59,006
-Transferred to consolidated statement of income on disposals	-	-	-	-	(6,791)	-	(6,791)	(1,008)	(7,799)
-Transferred to consolidated statement of income on impairment	-	-	-	-	-	-	-	-	-
Share of other comprehensive income of associates	-	-	-	-	24,121	-	24,121	5,421	29,542
	-	-	-	-	2,065	-	2,065	273	2,338
<b>Total comprehensive income for the period</b>	-	-	-	1,824	66,799	(11,239)	57,384	12,737	70,121
<b>Balance at 30 June 2009</b>	<b>129,510</b>	<b>152,691</b>	<b>(33,415)</b>	<b>58,102</b>	<b>110,767</b>	<b>(11,239)</b>	<b>406,416</b>	<b>149,803</b>	<b>556,219</b>

The notes set out on pages 9 to 20 form an integral part of this interim condensed consolidated financial information.

## Interim condensed consolidated statement of changes in equity (continued)

	Equity attributable to shareholders of the parent company							Sub- Total KD '000	Minority interest KD '000	Total KD '000
	Share capital KD '000	Share Premium KD '000	Treasury shares KD '000	Reserves (Note 17) KD '000	Cumulative changes in fair value KD '000	Retained earnings KD '000				
<b>Balance at 1 January 2008</b>	117,736	152,691	(27,156)	151,032	215,451	359,741	969,495	196,999	1,166,494	
Prior period adjustment on acquisition of associate - reversal of changes in fair value (refer note 6b)	-	-	-	-	-	(65,756)	(65,756)	-	(65,756)	
- recognition of share of profits (refer note 6b)	-	-	-	-	-	29,679	29,679	-	29,679	
<b>Balance at 1 January 2008 (restated)</b>	117,736	152,691	(27,156)	151,032	215,451	323,664	933,418	196,999	1,130,417	
Issue of bonus shares	11,774	-	-	-	-	(11,774)	-	-	-	
Disposal of treasury shares	-	-	1,047	-	-	-	1,047	-	1,047	
Gain on sale of treasury shares	-	-	(700)	1,484	-	-	1,484	-	1,484	
Purchase of treasury shares	-	-	(700)	-	-	-	(700)	-	(700)	
Cash dividend to shareholders of the parent company	-	-	-	-	-	(85,949)	(85,949)	-	(85,949)	
Investment made by minority shareholders of subsidiaries	-	-	-	-	-	-	-	49,325	49,325	
Dividend paid to minority by the subsidiaries	-	-	-	-	-	-	-	(16,380)	(16,380)	
<b>Transactions with equity holders</b>	11,774	-	347	1,484	-	(97,723)	(84,118)	32,945	(51,173)	
Profit for the period	-	-	-	-	-	119,804	119,804	14,138	133,942	
<b>Other comprehensive Income:</b>	-	-	-	-	-	-	-	-	-	
Transfer to excess depreciation	-	-	-	(28)	-	28	-	-	-	
Exchange differences arising on translation of foreign operations	-	-	-	(2,272)	-	-	(2,272)	(1,851)	(4,123)	
Adjustment related to acquisition of associate – reversal of changes in fair value (refer note 6b)	-	-	-	-	-	(43,903)	(43,903)	-	(43,903)	
Adjustment related to acquisition of associate – recognition of share of profits (refer note 6b)	-	-	-	-	-	2,150	2,150	-	2,150	
Available for sale investments	-	-	-	-	(3,357)	-	(3,357)	1,764	(1,593)	
-Net change in fair value arising during the period	-	-	-	-	(4,945)	-	(4,945)	(1,552)	(6,497)	
-Transferred to consolidated statement of income on disposal	-	-	-	-	2,792	-	2,792	-	2,792	
Share of other comprehensive income of associates	-	-	-	(2,300)	(5,510)	78,079	70,269	12,499	82,768	
<b>Total comprehensive income for the period</b>	-	-	-	150,216	209,941	304,020	919,569	242,443	1,162,012	
<b>Balance at 30 June 2008</b>	129,510	152,691	(26,809)	150,216	209,941	304,020	919,569	242,443	1,162,012	

The notes set out on pages 9 to 20 form an integral part of this interim condensed consolidated financial information.

## Interim condensed consolidated statement of cash flows

	Six months ended 30 June 2009 (Unaudited) KD '000	Six months ended 30 June 2008 (Unaudited) KD '000
<b>OPERATING ACTIVITIES</b>		
(Loss)/profit before taxation, KFAS, NLST, Zakat and directors' remuneration	(15,161)	138,764
Adjustments for :		
Depreciation of property, plant and equipment	2,539	2,575
Change in fair value of investment properties	(3,996)	(1,740)
Loss on disposal of property, plant and equipment	17	97
Share of profits of associates	(6,750)	(8,377)
Income from disposal of associate	(5,753)	
Dividend income from available for sale investments	(16,652)	(16,158)
Unrealised loss on dealing in interest rate SWAPs	2,574	-
Impairment in value of available for sale investments and wakala investments	30,042	-
Profit on sale of available for sale investments	(9,839)	(18,662)
Income from murabaha and wakala investments	(839)	(954)
Net provisions charged/(released)	805	(338)
Finance costs	29,973	33,180
Interest income	(5,556)	(8,167)
	<b>1,404</b>	<b>120,220</b>
Changes in operating assets and liabilities:		
Inventories	(366)	73
Accounts receivable and other assets	(556)	(27,425)
Investments at fair value through statement of income	22,913	(114,908)
Accounts payable and other liabilities	(13,293)	37,789
Cash from operations	10,102	15,749
Taxation paid	(69)	(186)
KFAS contribution and National Labour Support Tax paid	-	(3,422)
Directors remunerations paid	-	(180)
<b>Net cash from operating activities</b>	<b>10,033</b>	<b>11,961</b>

*The notes set out on pages 9 to 20 form an integral part of this interim condensed consolidated financial information.*

## Interim condensed consolidated statement of cash flows (continued)

	Note	Six months ended 30 June 2009 (Unaudited) KD '000	Six months ended 30 June 2008 (Unaudited) KD '000
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(7,616)	(5,288)
Proceeds from sale of property, plant and equipment		248	465
Proceeds from disposal of associate		6,738	-
Investment in associated companies		(2,044)	(4,910)
Investment in property		-	(10,260)
Dividend received from associates		1,403	9,979
Purchase of available for sale investments		(57,225)	(128,252)
Proceeds from sale of available for sale investments		105,514	41,903
Decrease in wakala investments maturing after three months		8,129	7,000
Proceeds from realisation of term deposits		71,102	-
Decrease/(increase) in block balances		456	(5,000)
Dividend income received from available for sale investments		16,652	16,158
Income received from murabaha and wakala investments		1,148	954
Interest income received		9,522	6,007
<b>Net cash from/(used in) investing activities</b>		<b>154,027</b>	<b>(71,244)</b>
<b>FINANCING ACTIVITIES</b>			
Finance lease receipts		124	15
Net decrease in long-term borrowings, bonds and trust certificates		(5,769)	(4,462)
Net (decrease)/increase in short-term borrowings		(136,005)	169,101
Dividend paid to shareholders of the parent		(394)	(83,756)
Finance costs paid		(30,885)	(33,140)
Purchase of treasury shares		(5,630)	(700)
Proceeds from sale of treasury shares		5,377	-
Movement in minority interest		(861)	32,945
<b>Net cash (used in)/from financing activities</b>		<b>(174,043)</b>	<b>80,003</b>
Net (decrease)/increase in cash and cash equivalents		(9,983)	20,720
Translation difference		220	(171)
		(9,763)	20,549
Cash and cash equivalents at beginning of the period		145,003	171,810
<b>Cash and cash equivalents at end of the period</b>	16	<b>135,240</b>	<b>192,359</b>

The notes set out on pages 9 to 20 form an integral part of this interim condensed consolidated financial information.

# **Notes to the interim condensed consolidated financial information**

**30 June 2009 (Unaudited)**

## **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 along with its subsidiaries are jointly referred to as ‘the group’. The parent company’s shares are traded on the Kuwait Stock Exchange and Dubai Financial Market.

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 condensed consolidated financial information for issue on 13 August 2009.

The annual consolidated financial statements for the year ended 31 December 2008 were approved by the shareholders at the Annual General Meeting held on 21 May 2009.

## **2 Significant accounting policies**

### **Basis of presentation**

This interim condensed consolidated financial information of the group has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”. The accounting policies used in preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements, for the year ended 31 December 2008, except adoption of new and revised standards and interpretations discussed below.

### **Adoption of new and revised International Financial Reporting Standards**

During the period, the Group adopted the following Standards effective for the annual periods beginning on or after 1 January 2009.

### **IFRS 8 Operating Segments**

The new standard which replaced IAS 14 ‘Segment reporting’ requires a management approach for segment reporting under which segment information is presented on the same basis as that used for internal reporting purposes. However, the application of the revised standard has had no impact on designation of the Group’s reporting segments as it has previously been consistent with the internal reporting provided to the chief operating decision maker.

### **IAS 1 (revised 2007) Presentation of Financial Statements**

The adoption of IAS 1 (Revised 2007) makes certain changes to the format and titles of the primary financial statements and to the presentation of some items within these statements. It also gives rise to additional disclosures. The measurement and recognition of the group’s assets, liabilities, income and expenses is unchanged. However, some items that were recognised directly in equity are now recognised in other comprehensive income. IAS 1 affects the presentation of owner changes in equity and introduces a ‘Statement of comprehensive income’.

### **Improvements to IFRSs issued in May 2008**

The Improvements include 35 amendments across 20 different Standards that largely clarify the required accounting treatment where previous practice had varied, and have not resulted in any significant changes in the group’s accounting policies.

### **Following revised standards have been issued but not yet effective and have not been adopted by the group in the current period:**

- IFRS 3 Business combinations (Revised 2008) (effective for annual periods beginning 1 July 2009)
- IAS 27 Consolidated and Separate Financial Statements (Revised 2008) (effective for annual periods beginning 1 July 2009)
- IAS 28 Investments in Associates (Revised 2008) (effective for annual periods beginning 1 July 2009)

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

Results for the interim period are not necessarily indicative of the results that may be expected for the year ending 31 December 2009. For further information, refer to the consolidated financial statements and notes thereto for the year ended 31 December 2008.

**3 Income from Investments**

	Three months ended		Six months ended	
	30 June 2009 (Unaudited) KD '000	30 June 2008 (Unaudited) KD '000	30 June 2009 (Unaudited) KD '000	30 June 2008 (Unaudited) KD '000
Dividend income:				
- From investments at fair value through statement of income	515	4,428	874	16,933
- From available for sale investments	5,402	9,484	16,652	16,158
(Loss)/profit on sale of available for sale investments	(1,356)	15,502	9,839	18,662
Realised gain on investments at fair value through statement of income	4,749	12,577	1,657	18,893
Unrealised gain on investments at fair value through statement of income	20,913	23,851	5,714	62,257
	<b>30,223</b>	<b>65,842</b>	<b>34,736</b>	<b>132,903</b>

**4 Interest and other operating Income**

	Three months ended		Six months ended	
	30 June 2009 (Unaudited) KD '000	30 June 2008 (Unaudited) KD '000	30 June 2009 (Unaudited) KD '000	30 June 2008 (Unaudited) KD '000
Management and placement fees	143	3,871	1,417	5,381
Interest income on bank balances and short term deposits	2,519	2,731	5,556	8,167
Realised loss from dealing in interest rate swaps	(277)	-	(277)	-
Income from murabaha and wakala investments	357	488	839	954
Unrealised loss from dealing in interest rate swaps	(2,574)	-	(2,574)	-
Income from financing of future trade by customers	55	2,042	82	4,745
Others	142	280	5,167	933
	<b>365</b>	<b>9,412</b>	<b>10,210</b>	<b>20,180</b>

**5 Basic and diluted earnings/(loss) per share**

Earnings/(loss) per share is calculated by dividing the profit/(loss) 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		Six months ended	
	30 June 2009 (Unaudited)	30 June 2008 (Unaudited)	30 June 2009 (Unaudited)	30 June 2008 (Unaudited)
Profit /(loss) for the period attributable to the shareholders of the parent company (KD '000)	25,371	58,405	(11,239)	119,804
Weighted average number of shares outstanding during the period (excluding treasury shares) – shares	1,251,208,458	1,260,215,307	1,251,413,040	1,259,825,933
Basic & diluted earnings/(loss) per share	20 Fils	46 Fils	(9) Fils	95 Fils

**6 Investment in associates**

- a) During the three months ended 30 June 2009, in relation to one of the group's associate, KES Power Ltd., the group and the other investors in the associate agreed and executed a contract to introduce a new investor who will own a stake of 50% in KES Power Ltd, by way of a capital increase in the investee company. Consequently this has resulted in the group's shareholding diluting from 40% to 20% and the group also received an amount of KD5,753 thousand from the new investor which has been recognised as income in the interim condensed consolidated statement of income under the heading "income on disposal of associate". Although the group owns 20% of KES Power Ltd., based on the revised management structure of the investee the group does not exercise significant influence over the investee and accordingly, the group's management has reclassified the carrying value of the investment amounting to KD57,699 thousand to available for sale investments. The group's management is not aware of any decline in the value of investments occurred as a result of this transaction.
- b) During the third quarter of 2008, the group acquired additional shares in Mabane Company SAK (Closed), resulting in an increase in its stake from 17.8% at 31 December 2007 to 20% and hence providing significant influence in the investee. Accordingly during the third quarter of 2008, the group has reclassified its investment in Mabane Company SAK (Closed), a Kuwaiti shareholding company listed in the Kuwait Stock Exchange, from "investments at fair value through statement of income" to "investment in associates".

In accordance with IAS 28 "Investment in Associates" and IFRS 3 "Business Combination" the interest in the investee was accounted for under the equity method of accounting and accordingly the following were the adjustments made to the comparative information as a result of reclassification:

	30 June 2008 (Unaudited) KD '000	31 Dec. 2007 (Audited) KD '000
Carrying value of investment reclassified from investments at fair value through statement of income to investments in associates	128,312	86,725
Reversal of change in fair values in equity		
– For the period/year	(43,903)	(35,547)
– For the previous years	(65,756)	(30,209)
	(109,659)	(65,756)
Share of profits recognised in equity		
– For the period/year	2,150	26,008
– For the previous years	29,679	3,671
	31,829	29,679
<b>Net carrying value of investment transferred</b>	<b>50,482</b>	<b>50,648</b>

A total provisional goodwill amounting to KD 13,154 thousand has arisen as a result of the above acquisition in stages and is included in the carrying value of the investment.

**7 Investment properties**

Previously, the group made advance payments to acquire a property in Saudi Arabia for a total consideration of KD6,684 thousand and the advance payments were classified under accounts receivable and other assets at 31 December 2008. During the first quarter upon completion of legal formalities the amounts have been reclassified as investment properties and upon transfer the group revalued these properties and recorded a gain of KD5,486 thousand. The property is held through a special purpose entity (SPE) created specifically for this purpose and co-owned by the group with joint owners. The registered owner of the property has issued a letter confirming the co-ownership.

Further the group also revalued the other local and foreign properties owned by the group which resulted in a loss of KD1,490 being recorded in the interim condensed consolidated statement of income.

**8 Available for sale investments**

	30 June 2009 (Unaudited) KD '000	31 Dec. 2008 (Audited) KD '000	30 June 2008 (Unaudited) KD '000
<b>Non-current</b>			
Managed funds	200,090	232,975	245,398
Unquoted equity participations (refer note 8f)	226,571	171,514	205,234
Quoted shares	323,222	230,411	429,162
	<b>749,883</b>	<b>634,900</b>	<b>879,794</b>
<b>Current</b>			
Quoted shares (refer note 8a)	132,555	178,114	-
	<b>882,438</b>	<b>813,014</b>	<b>879,794</b>

- a) The quoted shares classified as current represents investments which were transferred from investments at fair value through statement of income as of 1 July 2008 (refer note 9).
- b) Managed funds include investments in private equity funds with a carrying value of KD70,032 thousand (31 December 2008: KD106,051 thousand and 30 June 2008: KD102,050 thousand). Information for these investments is limited to periodic financial reports provided by the investment managers. These investments are carried at net asset values reported by the investment managers. Due to the nature of these investments, the net asset values reported by the investment managers represent the best estimate of fair values available for these investments.
- c) During the period, the group recognised an impairment loss of KD27,180 thousand for certain local and foreign quoted shares, as the market value of these shares declined significantly below their costs and further the group also recognised an impairment loss of KD2,362 thousand against certain unquoted shares and local and foreign funds based on estimates, made by management as per information available to them and the net assets values reported by the investment managers.
- d) Unquoted investments of KD92,768 thousand (31 December 2008: KD93,318 thousand and 30 June 2008: KD96,293 thousand) are carried at cost less impairment in value if any, since their fair value cannot be reliably determined. The group's management is not aware of any circumstance that would indicate impairment/further impairment in value of these investments.
- e) Quoted shares held by a local subsidiary, with a fair value of KD20,024 thousand (31 December 2008: KD17,305 thousand and 30 June 2008: Nil) are secured against a bank loan (refer note 15).
- f) During the period ended 30 June 2009, the group transferred an unquoted foreign investment amounting to KD57,699 thousand from investments in associate to available for sale investments (refer note 6a).

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

	30 June 2009 (Unaudited) KD '000	31 Dec. 2008 (Audited) KD '000	(Restated) 30 June 2008 (Unaudited) KD '000
<b>Held for trading :</b>			
Quoted shares	58,169	70,184	492,543
<b>Designated on initial recognition :</b>			
Local funds	59,785	70,492	145,181
International managed portfolios and funds	17,949	18,140	37,273
	<b>77,734</b>	<b>88,632</b>	<b>182,454</b>
	<b>135,903</b>	<b>158,816</b>	<b>674,997</b>

**a). Effect of reclassification due to adoption of amendment to IAS 39.**

During the previous year, as a result of significant developments in the global financial markets, the Group decided to adopt amendments to IAS 39 and IFRS 7 with effect from 1 July 2008 and reclassified investments with a fair value of KD380,755 thousand as at 1 July 2008 from “fair value through profit or loss” category to “available for sale” category. The fair value of unsold reclassified investments as of 30 June 2009 is KD132,555 thousand (31 December 2008: KD178,114 thousand).

b). During the fourth quarter of the previous year two local money market funds in which, one of the subsidiary has investments totaling to KD3,151 thousand as at 30 June 2009 (31 December 2008: KD3,555 thousand), suspended declaration of weekly net asset values and redemptions requests. Management has been informed by the managers of the funds that redemptions will be made depending on availability of liquid funds. Since suspension of redemptions, the group recovered amounts totaling KD1,728 thousand up to the balance sheet date. The Group’s management considers this to be a temporary situation arising from the current crisis in the global financial market and its impact on the local market. Therefore the Group’s management expects to realise these investments at not less than its carrying value.

c). Quoted shares, held by local subsidiary, with a fair value of KD5,491 thousand (31 December 2008: KD6,251 thousand and 30 June 2008: KD36,104 thousand) are secured against short term borrowings (refer note 15).

**10 Murabaha and wakala investments**

	30 June 2009 (Unaudited) KD '000	31 Dec. 2008 (Audited) KD '000	30 June 2008 (Unaudited) KD '000
Murabaha and wakala investments	22,656	32,285	23,000
Provision for impairment in value	(2,985)	(2,485)	-
	<b>19,671</b>	<b>29,800</b>	<b>23,000</b>

The above investments include a wakala placement of KD9,968 thousand (31 December 2008: KD8,285 thousand) made by a subsidiary company with a local Islamic investment company which matured on 17 October 2008. The investee company has defaulted on settlement of this balance on the maturity date.

As at 30 June 2009 the group recognised an additional impairment provision of KD500 thousand against this wakala investment based on information available to management as of that date.

**11 Share capital and share premium**

- a) As of 30 June 2009, the issued and fully paid share capital of the parent company was made up of 1,295,098,167 shares of 100 Fils each (31 December 2008 and 30 June 2008: 1,295,098,167 shares).
- b) At the extraordinary general assembly held on 5 May 2008, the shareholders of the parent company approved to increase the paid up share capital by 25% by way of an issue of shares during the year 2008, at par value of 100 Fils per share and premium of 800 Fils per share. However due to the decline in the major stocks indices throughout the world including Kuwait and the consequent decline in the parent company's share price, the parent company's board of directors in its meeting dated 21 October 2008, has proposed to cancel the increase in share capital.
- Subsequently at the extraordinary general assembly held on 21 May 2009, the shareholders of the parent company approved to cancel the above share capital increase and then approved to increase the paid up share capital by 25% by way of issuing shares at par value of 100 Fils per share and premium of 350 Fils per share.
- c) Further the shareholders of the parent company approved at the shareholders general assembly held on 21 May 2009 to offset the accumulated losses as at 31 December 2008 amounting to KD97,752 thousand against general reserve and then statutory reserve..
- d) Share premium is not available for distribution.

**12 Treasury shares**

	<b>30 June 2009 (Unaudited)</b>	<b>31 Dec. 2008 (Audited)</b>	<b>30 June 2008 (Unaudited)</b>
Number of shares	40,934,123	41,178,605	34,518,607
Percentage of issued shares	3.16%	3.18%	2.66%
Market value (KD'000)	18,420	17,089	46,945
Cost (KD'000)	33,415	31,998	26,809

Reserves equivalent to the cost of treasury shares held are not distributable.

**13 Long-term borrowings**

During the period, the group has reclassified a Kuwait Dinar denominated loan amounting to KD40,000 thousand to short term borrowings as the loan matures in February 2010.

**14 Bond issued**

These bonds which were issued on 6 May 2004, with a face value of US Dollars 52,200 thousand were fully settled on the maturity date of 7 May 2009.