

Interim condensed consolidated financial information and review report

National Industries Group Holding - SAG and subsidiaries

Kuwait

30 June 2008 (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 balance sheet of National Industries Group Holding (A Kuwaiti Shareholding Company) (the “parent company”) and subsidiaries (collectively the “group”), as of 30 June 2008 and the related interim condensed 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 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*

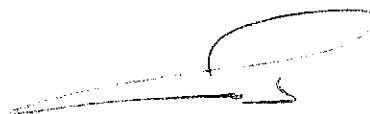
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, “Interim Financial Reporting”.

### 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 period that might have had a material effect on the business of the group or on its financial position.



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## Interim condensed consolidated statement of income

	Note	Three months ended		Six months ended	
		30 June 2008 (Unaudited) KD '000	30 June 2007 (Unaudited) KD '000	30 June 2008 (Unaudited) KD '000	30 June 2007 (Unaudited) KD '000
Sales		32,678	31,156	59,633	59,890
Cost of sales		(25,375)	(23,953)	(46,828)	(47,344)
<b>Gross profit</b>		<b>7,303</b>	7,203	<b>12,805</b>	12,546
Income from investments	4	65,842	119,725	132,903	189,830
Share of profits of associates		6,366	6,606	8,377	10,056
Interest and other operating income	5	11,152	4,528	21,920	10,124
Distribution costs		(1,500)	(1,496)	(2,993)	(3,079)
General, administrative and other expenses		(9,244)	(9,793)	(14,205)	(14,531)
<b>Profits from operations</b>		<b>79,919</b>	126,773	<b>158,807</b>	204,946
Finance costs		(16,215)	(11,086)	(33,180)	(21,299)
Profit on sale of property		-	801	-	801
Impairment in value of associate		-	(2,750)	-	(2,750)
Impairment in value of goodwill		-	-	-	(1,250)
Gain on foreign exchange		2,646	1,735	13,137	2,452
<b>Profit for the period before taxation, provision for KFAS, NLST, Zakat and directors' remuneration</b>		<b>66,350</b>	115,473	<b>138,764</b>	182,900
Taxation		(126)	(233)	(203)	(405)
Provision for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(543)	(1,165)	(1,165)	(1,827)
Provision for National Labour Support Tax (NLST)		(1,179)	(2,327)	(2,383)	(3,645)
Provision for Zakat		(484)	-	(971)	-
Provision for Directors' remuneration		(50)	(50)	(100)	(100)
<b>Profit for the period</b>		<b>63,968</b>	111,698	<b>133,942</b>	176,923
<b>Attributable to :</b>					
Shareholders of the parent company		58,405	98,298	119,804	158,086
Minority interest		5,563	13,400	14,138	18,837
		<b>63,968</b>	111,698	<b>133,942</b>	176,923
<b>Basic and diluted earnings per share</b>	6	<b>46 Fils</b>	79 Fils	<b>95 Fils</b>	128 Fils

The notes set out on pages 8 to 16 form an integral part of this interim condensed consolidated financial information.

## Interim condensed consolidated balance sheet

	Note	30 June 2008 (Unaudited) KD '000	31 Dec. 2007 (Audited) KD '000	30 June 2007 (Unaudited) KD '000
<b>Assets</b>				
<b>Non-current assets</b>				
Goodwill		10,392	10,697	12,594
Property, plant and equipment		36,151	34,304	30,783
Investment in associates		248,806	235,653	157,955
Available for sale investments	7	879,794	846,206	560,181
Investment property	8	12,000	-	-
Deferred tax		167	132	154
<b>Total non-current assets</b>		<b>1,187,310</b>	<b>1,126,992</b>	<b>761,667</b>
<b>Current assets</b>				
Inventories		23,250	23,323	24,298
Accounts receivable and other assets	9	200,500	129,232	124,006
Murabaha and wakala investments		23,000	33,883	56,596
Investments at fair value through statement of income	10	803,309	677,267	709,532
Short-term deposits		189,455	187,079	123,081
Bank balances and cash		43,745	17,894	36,474
<b>Total current assets</b>		<b>1,283,259</b>	<b>1,068,678</b>	<b>1,073,987</b>
<b>Total assets</b>		<b>2,470,569</b>	<b>2,195,670</b>	<b>1,835,654</b>
<b>Equity and liabilities</b>				
<b>Equity attributable to shareholders of the parent company</b>				
Share capital	11	129,510	117,736	117,736
Treasury shares		(26,809)	(27,156)	(28,099)
Reserves	14	302,907	303,723	271,218
Cumulative changes in fair value		209,941	215,451	148,778
Retained earnings		381,850	359,741	336,691
<b>Equity attributable to shareholders of the parent company</b>		<b>997,399</b>	<b>969,495</b>	<b>846,324</b>
<b>Minority interest</b>		<b>242,443</b>	<b>196,999</b>	<b>158,920</b>
<b>Total equity</b>		<b>1,239,842</b>	<b>1,166,494</b>	<b>1,005,244</b>
<b>Non-current liabilities</b>				
Bonds and trust certificates		166,096	171,227	43,495
Long-term borrowings		165,859	165,190	78,694
Leasing creditors		377	375	35
Provisions		9,220	9,558	11,769
<b>Total non-current liabilities</b>		<b>341,552</b>	<b>346,350</b>	<b>133,993</b>
<b>Current liabilities</b>				
Accounts payable and other liabilities		113,022	74,569	95,480
Short-term borrowings	12	740,312	571,211	551,762
Due to banks		35,841	37,046	49,175
<b>Total current liabilities</b>		<b>889,175</b>	<b>682,826</b>	<b>696,417</b>
<b>Total equity and liabilities</b>		<b>2,470,569</b>	<b>2,195,670</b>	<b>1,835,654</b>



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

The notes set out on pages 8 to 16 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							Minority interest KD '000	Total KD '000
	Share capital KD '000	Treasury shares KD '000	Reserves (Note 14) KD '000	Cumulative changes in fair value KD '000	Retained earnings KD '000	Sub-Total KD '000			
<b>Balance at 1 January 2008</b>	117,736	(27,156)	303,723	215,451	359,741	969,495	196,999	1,166,494	
Changes in fair value of available for sale investments	-	-	-	(3,357)	-	(3,357)	1,764	(1,593)	
Share of fair value adjustment in associates	-	-	-	2,792	-	2,792	-	2,792	
Realised on sale of available for sale investments	-	-	-	(4,945)	-	(4,945)	(1,552)	(6,497)	
Transfer of excess depreciation	-	-	(28)	-	28	-	-	-	
Currency translation differences	-	-	(2,272)	-	-	(2,272)	(1,851)	(4,123)	
Net (expense)/income recognised directly in equity	-	-	(2,300)	(5,510)	28	(7,782)	(1,639)	(9,421)	
Profit for the period	-	-	-	-	119,804	119,804	14,138	133,942	
<b>Total recognised (expense)/income for the period</b>	-	-	(2,300)	(5,510)	119,832	112,022	12,499	124,521	
Issue of bonus share (refer note 17)	11,774	-	-	-	(11,774)	-	-	-	
Issue of staff bonus shares by utilizing treasury shares	-	1,047	-	-	-	1,047	-	1,047	
Gain on issue of treasury shares to staff	-	-	1,484	-	-	1,484	-	1,484	
Purchase of treasury shares	-	(700)	-	-	-	(700)	-	(700)	
Cash dividend to shareholders of the parent company (refer note 17)	-	-	-	-	(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>Balance at 30 June 2008</b>	<b>129,510</b>	<b>(26,809)</b>	<b>302,907</b>	<b>209,941</b>	<b>381,850</b>	<b>997,399</b>	<b>242,443</b>	<b>1,239,842</b>	

The notes set out on pages 8 to 16 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

	Share capital KD '000	Treasury shares KD '000	Reserves (Note 14) KD '000	Cumulative changes in fair value KD '000	Retained earnings KD '000	Sub- Total KD '000	Minority interest KD '000	Total KD '000
<b>Balance at 1 January 2007</b>	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	-	-	-
Currency translation differences	-	-	(44)	-	-	(44)	-	(44)
Net income recognised directly in equity	-	-	(369)	2,369	325	2,325	3,042	5,367
Profit for the period	-	-	-	-	158,086	158,086	18,837	176,923
<b>Total recognised income for the period</b>	-	-	(369)	2,369	158,411	160,411	21,879	182,290
Issue of bonus shares	10,703	-	-	-	(10,703)	-	-	757
Issue of staff bonus shares by utilizing treasury shares	-	757	-	-	-	757	-	(71,421)
Cash dividend to shareholders of the parent company	-	-	-	-	(71,421)	(71,421)	-	(6,395)
Purchase of treasury shares	-	(6,395)	-	-	-	(6,395)	-	33,917
Disposal of treasury shares	-	33,917	-	-	-	33,917	-	7,272
Profit on disposal of treasury shares	-	-	7,272	-	-	7,272	-	-
Investment made by minority shareholders of subsidiaries	-	-	-	-	-	-	37,002	37,002
Dividend paid to minority by the subsidiary	-	-	-	-	-	-	(11,018)	(11,018)
	10,703	28,279	7,272	-	(82,124)	(35,870)	25,984	(9,886)
<b>Balance at 30 June 2007</b>	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 16 form an integral part of this interim condensed consolidated financial information.

## Interim condensed consolidated statement of cash flows

	Six months ended 30 June 2008 (Unaudited) KD '000	Six months ended 30 June 2007 (Unaudited) KD '000
<b>OPERATING ACTIVITIES</b>		
Profit for the period before taxation, provision for KFAS, NLST, Zakat and directors' remuneration	138,764	182,900
Adjustments for:		
Depreciation of property, plant and equipment	2,575	2,253
Change in fair value of investment property	(1,740)	-
Impairment in value of goodwill	-	1,250
Loss/(profit) on disposal of property, plant and equipment	97	(113)
Share of profits of associates	(8,377)	(10,056)
Impairment in value of associate	-	2,750
Dividend income from available for sale investments	(16,158)	(7,268)
Impairment in value of available for sale investments	-	2,000
Profit on sale of available for sale investments	(18,662)	(26,826)
Income from murabaha and wakala investments	(954)	(2,362)
Net provisions (released)/charged	(338)	131
Finance costs	33,180	21,299
Interest income	(8,167)	(5,259)
	<b>120,220</b>	<b>160,699</b>
Changes in operating assets and liabilities:		
Inventories	73	(338)
Accounts receivable and other assets	(27,425)	(69,392)
Investments at fair value through statement of income	(114,908)	(268,560)
Accounts payable and other liabilities	37,789	40,252
Cash from/(used in) operations	15,749	(137,339)
Taxation paid	(186)	(225)
KFAS contribution and National Labour Support Tax paid	(3,422)	(6,413)
Directors remunerations paid	(180)	(180)
<b>Net cash from/(used in) operating activities</b>	<b>11,961</b>	<b>(144,157)</b>

*The notes set out on pages 8 to 16 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 2008 (Unaudited) KD '000	Six months ended 30 June 2007 (Unaudited) KD '000
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(5,288)	(2,690)
Proceeds from sale of property, plant and equipment		465	391
Investment in associated companies		(4,910)	(11,907)
Investment in property		(10,260)	-
Dividend received from associates		9,979	6,578
Purchase of available for sale investments		(128,252)	(165,871)
Proceeds from sale of available for sale investments		41,903	57,986
Decrease in wakala investments maturing after three months		7,000	5,000
Dividend income received from available for sale investments		16,158	7,268
Interest income and murabaha and wakala income received		6,961	9,337
<b>Net cash used in investing activities</b>		<b>(66,244)</b>	<b>(93,908)</b>
<b>FINANCING ACTIVITIES</b>			
Increase in finance lease		15	67
Net decrease in long-term borrowings, bonds and trust certificates		(4,462)	(1,016)
Net increase in short-term borrowings		169,101	148,577
Dividend paid to shareholders of the parent		(83,756)	(69,807)
Finance costs paid		(33,140)	(19,565)
Purchase of treasury shares		(700)	(6,395)
Proceeds from sale of treasury shares		-	41,189
Increase in minority interest		32,945	25,984
<b>Net cash from financing activities</b>		<b>80,003</b>	<b>119,034</b>
Net increase/(decrease) in cash and cash equivalents		25,720	(119,031)
Translation difference		(171)	35
Cash and cash equivalents at beginning of the period		25,549	(118,996)
		171,810	255,972
<b>Cash and cash equivalents at end of the period</b>	13	<b>197,359</b>	<b>136,976</b>

The notes set out on pages 8 to 16 form an integral part of this interim condensed consolidated financial information.

# Notes to the interim condensed consolidated financial information

30 June 2008

## 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 the interim condensed consolidated financial information for issue on 12 August 2008.

## 2 Significant accounting policies

### Basis of presentation

The 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 the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the annual audited consolidated financial statements for the year ended 31 December 2007, except for the new accounting policy adopted in respect of ‘investment properties’.

The interim condensed 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 parent company’s 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 period ended 30 June 2008 are not necessarily indicative of the results that may be expected for the year ending 31 December 2008. For further details, refer to the consolidated financial statements and its related disclosures for the year ended 31 December 2007.

**Investment properties**

Investment properties are initially recorded at cost, being the purchase price and any directly attributable expenditure for a purchased investment property or cost at the date when construction or development is complete for a self-constructed investment property. Subsequent to initial recognition, investment properties are re-measured at fair value on an individual basis based on a valuation by an independent, registered real estate valuer. Changes in fair value are taken to the consolidated statement of income.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of income in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party or completion of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

**3 Consolidated subsidiary**

During the six month period ended 30 June 2008, the parent company incorporated the following significant subsidiary with a share capital of USD 200,000 thousand, and the details of the consolidated subsidiary is as follows:

	Country incorporation	Percentage ownership	Principal activities
Eagle Proprietary Investments Limited	UAE	100%	Investment activities

**4 Income from investments**

	Three months ended		Six months ended	
	30 June 2008 (Unaudited) KD '000	30 June 2007 (Unaudited) KD '000	30 June 2008 (Unaudited) KD '000	30 June 2007 (Unaudited) KD '000
Dividend income:				
- From investments at fair value through statement of income	4,428	4,036	16,933	8,546
- From available for sale investments	9,484	5,891	16,158	7,268
Profit on sale of available for sale investments	15,502	913	18,662	26,826
Impairment in value of available for sale investments	-	(2,000)	-	(2,000)
Realised gain on investments at fair value through statement of income	12,577	61,850	18,893	67,804
Unrealised gain on investments at fair value through statement of income	23,851	49,035	62,257	81,386
	<b>65,842</b>	<b>119,725</b>	<b>132,903</b>	<b>189,830</b>

**5 Interest and other operating income**

	Three months ended		Six months ended	
	30 June 2008 (Unaudited) KD '000	30 June 2007 (Unaudited) KD '000	30 June 2008 (Unaudited) KD '000	30 June 2007 (Unaudited) KD '000
Management and placement fees	3,871	382	5,381	454
Interest income on bank balances and short term deposits	2,731	1,379	8,167	5,259
Income from murabaha and wakala investments	488	1,448	954	2,362
Income from financing of future trade by customers	2,042	1,080	4,745	1,523
Changes in fair value of investment property (refer note 8)	1,740	-	1,740	-
Others	280	239	933	526
	<b>11,152</b>	<b>4,528</b>	<b>21,920</b>	<b>10,124</b>

**6 Basic and diluted earnings per share**

Earnings per share is calculated by dividing the 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		Six months ended	
	30 June 2008 (Unaudited)	30 June 2007 (Unaudited)	30 June 2008 (Unaudited)	30 June 2007 (Unaudited)
Profit for the period attributable to the shareholders of the parent company (KD '000)	58,405	98,298	119,804	158,086
Weighted average number of shares outstanding during the period (excluding treasury shares)	1,260,215,307	1,243,385,132	1,259,825,933	1,235,516,539
Basic & diluted earnings per share	46 Fils	79 Fils	95 Fils	128 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.

**7 Available for sale investments**

	30 June 2008 (Unaudited) KD '000	31 Dec. 2007 (Audited) KD '000	30 June 2007 (Unaudited) KD '000
Managed funds	245,398	207,711	129,487
Unquoted equity participations	205,234	181,170	160,083
Quoted shares	429,162	457,325	270,611
	<b>879,794</b>	<b>846,206</b>	<b>560,181</b>

Foreign funds with a carrying value of KD18,233 thousand which were carried at cost at 31 December 2007, were disposed for a consideration of KD22,698 thousand which resulted in a gain of KD4,466 thousand.

**8 Investment property**

In December 2007 the group made an advance payment of KD7,260 thousand to acquire a property located in Kuwait with a total cost of KD10,260 thousand and the advance payment was classified under accounts receivable and other assets as at 31 December 2007. During the period the required legal formalities were completed and the title of the property was transferred to the group and accordingly the balance payment of KD3,000 thousand was made and the property was classified as investment property. Subsequently, in June 2008, the group revalued the property based on a valuation provided by an independent professional valuer and recorded a gain of KD1,740 thousand.

**9 Accounts receivable and other assets**

	30 June 2008 (Unaudited) KD '000	31 Dec. 2007 (Audited) KD '000	30 June 2007 (Unaudited) KD '000
<b>Financial assets</b>			
Trade receivables – gross	25,798	22,395	21,958
Less: Provision for impairment of trade receivables	(1,155)	(1,419)	(1,155)
Net trade receivables	24,643	20,976	20,803
Proceed due on sale of investments – from related party	40,201	-	-
Proceed due on sale of investments – from others	3,792	2,309	33,843
Due from associates	13,946	13,732	13,473
Due from key management personnel	313	313	313
Advance payments to acquire investments	7,204	9,832	2,369
Due from Kuwait Clearing Company (related to future trade)	68,902	37,563	35,936
Due from investment brokerage companies	5,465	9,018	2,047
Interest and other accrued income	9,474	2,203	2,580
Other financial assets	12,098	8,584	12,642
	<b>186,038</b>	<b>104,530</b>	<b>124,006</b>
<b>Non-financial assets</b>			
Advance payments to acquire properties	13,370	23,778	-
Other assets	1,092	924	-
	<b>14,462</b>	<b>24,702</b>	<b>-</b>
	<b>200,500</b>	<b>129,232</b>	<b>124,006</b>

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

	30 June 2008 (Unaudited) KD '000	31 Dec. 2007 (Audited) KD '000	30 June 2007 (Unaudited) KD '000
<b>Held for trading :</b>			
Quoted shares	620,855	478,765	467,362
<b>Designated on initial recognition :</b>			
Local funds	145,181	157,298	195,794
International managed portfolios and funds	37,273	41,204	46,376
	<b>182,454</b>	<b>198,502</b>	<b>242,170</b>
	<b>803,309</b>	<b>677,267</b>	<b>709,532</b>

Quoted shares with a fair value of KD36,104 thousand (31 December 2007: KD32,491 thousand and 30 June 2007 KD32,494 thousand) are secured against short term borrowings.

**11 Share capital**

As of 30 June 2008, the authorised, 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 2007 and 30 June 2007: 1,177,361,971 shares).

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, which is not yet called as of 30 June 2008.

**12 Short-term borrowings**

Currency	Effective Interest/profit rates	Security	30 June 2008 (Unaudited) KD '000	31 Dec. 2007 (Audited) KD '000	30 June 2007 (Unaudited) KD '000
<b>Conventional loans</b>					
Kuwaiti Dinars	6.50%-8.70%	Unsecured	300,550	287,620	245,324
Kuwaiti Dinars	8.25%	Secured	20,000	20,000	20,000
US Dollars	3.29%-7.30%	Unsecured	293,835	240,309	263,000
Sterling	5.50%-6.42%	Unsecured	15,750	16,271	20,179
Euro	4.32%	Unsecured	-	172	236
Sterling – current portion	4.00%-7.50%	Secured	-	656	692
Euro – current portion	4.75%-5.75%	Secured	177	183	331
			<b>630,312</b>	<b>565,211</b>	<b>549,762</b>
<b>Islamic financing arrangements</b>					
Murabaha and wakala payables	6.50%-8.37%	Unsecured	110,000	6,000	2,000
			<b>110,000</b>	<b>6,000</b>	<b>2,000</b>
<b>Total</b>			<b>740,312</b>	<b>571,211</b>	<b>551,762</b>

**13 Cash and cash equivalents**

	30 June 2008 (Unaudited) KD '000	31 Dec. 2007 (Audited) KD '000	30 June 2007 (Unaudited) KD '000
Murabaha and wakala investments – maturing within three months	-	3,883	26,596
Short-term deposits	189,455	187,079	123,081
Bank balances and cash	43,745	17,894	36,474
Due to banks	(35,841)	(37,046)	(49,175)
	<b>197,359</b>	<b>171,810</b>	<b>136,976</b>

14 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
<b>Balance at 1 January 2008</b>	152,691	110,459	28,708	28	12,825	(988)	303,723
Transfer of excess depreciation	-	-	-	(28)	-	-	(28)
Currency translation differences	-	-	-	-	-	(2,272)	(2,272)
Gain on issue of treasury shares to staff	-	-	-	-	1,484	-	1,484
<b>Balances at 30 June 2008</b>	<b>152,691</b>	<b>110,459</b>	<b>28,708</b>	<b>-</b>	<b>14,309</b>	<b>(3,260)</b>	<b>302,907</b>
<b>Balance at 1 January 2007</b>	152,691	85,334	25,621	350	800	(481)	264,315
Transfer of excess depreciation	-	-	-	(325)	-	-	(325)
Currency translation differences	-	-	-	6	-	(50)	(44)
Profit on disposal of treasury shares	-	-	-	-	7,272	-	7,272
<b>Balances at 30 June 2007</b>	<b>152,691</b>	<b>85,334</b>	<b>25,621</b>	<b>31</b>	<b>8,072</b>	<b>(531)</b>	<b>271,218</b>

**15 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 2008 KD '000	30 June 2007 KD '000	30 June 2008 KD '000	30 June 2007 KD '000	30 June 2008 KD '000	30 June 2007 KD '000	30 June 2008 KD '000	30 June 2007 KD '000
<b>Three months ended</b>								
Segment revenue	83,360	130,859	10,124	8,750	21,254	21,682	114,738	161,291
Less:								
Income from investments							(65,842)	(119,725)
Share of profits of associates							(6,366)	(6,606)
Interest and other operating income							(11,152)	(4,528)
Unallocated sales							1,300	724
Sales, as per interim condensed consolidated statement of income							32,678	31,156
Segment profit	76,844	120,439	2,038	2,510	993	1,870	79,875	124,819
Finance costs								
Unallocated net income							(16,215)	(11,086)
Profit for the period, as per interim condensed consolidated statement of income							2,690	1,740
<b>Six months ended</b>								
Segment revenue	163,200	210,010	18,642	16,252	38,692	42,030	220,534	268,292
Less:								
Income from investments							(132,903)	(189,830)
Share of profits of associates							(8,377)	(10,056)
Interest and other operating income							(21,920)	(10,124)
Unallocated sales							2,299	1,608
Sales, as per interim condensed consolidated statement of income							59,633	59,890
Segment profit	153,280	195,564	3,911	3,708	1,597	2,471	158,788	201,743
Finance costs								
Unallocated net income							(33,180)	(21,299)
Profit for the period, as per interim condensed consolidated statement of income							13,156	2,456
							138,764	182,900

## **16 Related party transactions**

Related parties represent associates, directors and key management personnel of the group, and other related parties such as major shareholders and companies in which directors and key management personnel of the group are principal owners or over which they are able to exercise significant influence or joint control. Pricing policies and terms of these transactions are approved by the group's management.

Details of significant related party transactions and balances are as follows:

	<b>30 June 2008 (Unaudited) KD '000</b>	<b>31 Dec. 2007 (Audited) KD '000</b>	<b>30 June 2007 (Unaudited) KD '000</b>
<b>Interim condensed consolidated balance sheet</b>			
Due from related parties (refer note 9)	<b>54,460</b>	14,045	13,786
Due to related parties (included in accounts payable and other liabilities)			
- Due to associate company	<b>30,137</b>	6,843	-
- Due to key management personnel	<b>1,211</b>	3,226	2,409

Due to associate company includes a short term loan of KD30,000 thousand availed by the parent company with an effective interest rate of 6.5% per annum.

	<b>Six months ended 30 June 2008 (Unaudited) KD '000</b>	<b>Six months ended 30 June 2007 (Unaudited) KD '000</b>
<b>Interim condensed consolidated statement of income</b>		
Realised gain on sale of available for sale investments	<b>8,892</b>	-
Purchase of raw materials – from associates	<b>4,041</b>	4,279
Finance costs – charged by associate company	<b>941</b>	-
<b>Compensation of key management personnel of the group</b>		
Short term employee benefits	<b>2,393</b>	4,527
End of service benefits	<b>155</b>	286
Cost of share based payments	<b>972</b>	-
	<b>3,520</b>	4,813

## **17 Dividend distribution**

Following approval of the annual general assembly of the shareholders on 5 May 2008 the parent company distributed a cash dividend of 75 Fils (2006: 70 Fils) per share amounting to KD85,949 thousand (2006: KD71,421 thousand) and issued 10% (2006: 10%) bonus shares amounting to KD11,774 thousand for the year ended 31 December 2007 (2006: KD10,703 thousand).

## **18 Contingent liabilities**

At 30 June 2008, the group had contingent liabilities in respect of outstanding bank guarantees amounting to KD41 thousand (31 December 2007: KD553 thousand and 30 June 2007: Nil).

## **19 Fiduciary assets**

One of the subsidiaries of the group manages mutual funds, 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 2008 amounted to KD133,596 thousand (31 December 2007: KD80,768 thousand and 30 June 2007 KD18,401 thousand) of which assets managed on behalf of related parties amounted to KD25,845 thousand (31 December 2007: KD18,599 thousand and 30 June 2007 KD10,907 thousand).

**20 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 KD53,069 thousand (31 December 2007: KD61,200 thousand and 30 June 2007: KD71,306 thousand).