

Interim condensed consolidated financial information and review report  
**National Industries Group Holding – SAK and subsidiaries**  
Kuwait  
30 September 2010 (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 September 2010 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine-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*

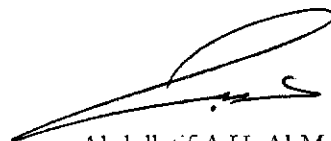
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, “Interim Financial Reporting”.

### 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 nine-month period ended 30 September 2010 that might have had a material effect on the business of the group or on its financial position.



Abdullatif M. Al-Aiban (CPA)  
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Kuwait  
10 November 2010

## Interim condensed consolidated statement of income

	Note	Three months ended		Nine months ended	
		30 Sept. 2010 (Unaudited) KD '000	30 Sept. 2009 (Unaudited) KD '000	30 Sept. 2010 (Unaudited) KD '000	30 Sept. 2009 (Unaudited) KD '000
Sales		23,075	21,056	73,707	68,201
Cost of sales		(18,734)	(17,362)	(57,046)	(55,726)
<b>Gross profit</b>		<b>4,341</b>	<b>3,694</b>	<b>16,661</b>	<b>12,475</b>
Income from investments	3	13,585	27,248	28,710	61,984
Share of results of associates		449	821	4,794	7,571
Income on disposal of associate		-	-	-	5,753
Profit on disposal of subsidiary	4	-	1,653	646	1,653
Changes in fair value of investment properties		-	-	(930)	3,996
Interest and other operating income	5	2,036	1,386	2,847	11,596
Distribution costs		(1,089)	(740)	(3,050)	(2,864)
General, administrative and other expenses		(5,587)	(7,654)	(16,834)	(17,917)
		<b>13,735</b>	<b>26,408</b>	<b>32,844</b>	<b>84,247</b>
Finance costs		(9,438)	(10,798)	(28,793)	(40,771)
Impairment in value of available for sale investments	8	(3,899)	(105)	(6,672)	(29,647)
Impairment in value of wakala investments		-	(1,998)	-	(2,498)
Impairment in value of receivable and other assets	6	(2,320)	-	(2,320)	-
Gain/(loss) on foreign currency exchange		8,146	(83)	1,885	(13,068)
<b>Profit/(loss) before taxation</b>		<b>6,224</b>	<b>13,424</b>	<b>(3,056)</b>	<b>(1,737)</b>
Taxation of foreign subsidiaries		81	(36)	51	(150)
<b>Profit/(loss) for the period</b>		<b>6,305</b>	<b>13,388</b>	<b>(3,005)</b>	<b>(1,887)</b>
<b>Attributable to :</b>					
Owners of the parent company		7,536	11,668	570	429
Non-controlling interests		(1,231)	1,720	(3,575)	(2,316)
		<b>6,305</b>	<b>13,388</b>	<b>(3,005)</b>	<b>(1,887)</b>
<b>Basic and diluted earnings per share attributable to the owners of the parent company</b>	7	<b>5.95 Fils</b>	<b>9.20 Fils</b>	<b>0.45 Fils</b>	<b>0.34 Fils</b>

The notes set out on pages 9 to 19 form an integral part of this interim condensed consolidated financial information.

## Interim condensed consolidated statement of comprehensive income

	Three months ended		Nine months ended	
	30 Sept. 2010 (Unaudited) KD '000	30 Sept. 2009 (Unaudited) KD '000	30 Sept. 2010 (Unaudited) KD '000	30 Sept. 2009 (Unaudited) KD '000
Profit/(loss) for the period	6,305	13,388	(3,005)	(1,887)
<b>Other comprehensive income:</b>				
Exchange differences arising on translation of foreign operations	(1,883)	(1,270)	(322)	1,039
Available for sale investments:				
- Net changes in fair value arising during the period	71,261	16,215	59,382	75,221
- Transferred to interim condensed consolidated statement of income on disposals	(2,686)	6,953	(3,388)	(846)
- Transferred to interim condensed consolidated statement of income on impairment	3,899	105	6,672	29,647
Share of other comprehensive income of associates	(4,093)	1,589	(2,514)	3,927
<b>Total other comprehensive income for the period</b>	<b>66,498</b>	<b>23,592</b>	<b>59,830</b>	<b>108,988</b>
<b>Total comprehensive income for the period</b>	<b>72,803</b>	<b>36,980</b>	<b>56,825</b>	<b>107,101</b>
<b>Total comprehensive income attributable to:</b>				
Owners of the parent company	66,558	32,401	56,275	89,785
Non-controlling interests	6,245	4,579	550	17,316
	<b>72,803</b>	<b>36,980</b>	<b>56,825</b>	<b>107,101</b>

*The notes set out on pages 9 to 19 form an integral part of this interim condensed consolidated financial information.*

## Interim condensed consolidated statement of financial position

	Note	30 Sept. 2010 (Unaudited) KD '000	31 Dec. 2009 (Audited) KD '000	30 Sept. 2009 (Unaudited) KD '000
<b>Assets</b>				
<b>Non-current assets</b>				
Goodwill		8,142	8,333	8,267
Property, plant and equipment		49,306	49,421	49,065
Investment in associates		270,624	263,487	257,506
Investment properties		34,530	33,742	33,498
Available for sale investments	8	759,362	703,807	764,093
Deferred tax		111	-	133
<b>Total non-current assets</b>		<b>1,122,075</b>	<b>1,058,790</b>	<b>1,112,562</b>
<b>Current assets</b>				
Inventories		20,220	22,571	21,571
Available for sale investments – current portion	8	101,965	108,406	126,045
Accounts receivable and other assets		90,215	84,918	80,847
Murabaha and wakala investments	9	11,784	10,201	15,178
Investments at fair value through profit or loss	10	118,560	128,332	135,214
Short-term deposits	14	110,932	131,464	135,572
Bank balances and cash	14	27,197	30,132	49,504
<b>Total current assets</b>		<b>480,873</b>	<b>516,024</b>	<b>563,931</b>
<b>Total assets</b>		<b>1,602,948</b>	<b>1,574,814</b>	<b>1,676,493</b>
<b>Equity and liabilities</b>				
<b>Equity attributable to owners 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		(31,840)	(28,064)	(28,064)
Reserves	12	59,658	59,678	59,519
Cumulative changes in fair value		165,628	109,872	132,190
(Accumulated losses)/retained earnings		(22,617)	(23,187)	429
<b>Equity attributable to owners of the parent company</b>		<b>453,030</b>	<b>400,500</b>	<b>446,275</b>
Non-controlling interests		146,351	143,828	154,387
<b>Total equity</b>		<b>599,381</b>	<b>544,328</b>	<b>600,662</b>
<b>Non-current liabilities</b>				
Bonds and trust certificates issued		142,433	150,773	164,936
Long-term borrowings	13.c	78,842	35,145	17,721
Leasing creditors		463	683	719
Provisions		8,456	9,055	8,957
<b>Total non-current liabilities</b>		<b>230,194</b>	<b>195,656</b>	<b>192,333</b>
<b>Current liabilities</b>				
Accounts payable and other liabilities		42,226	44,440	57,479
Bonds and trust certificates issued – current portion		14,212	14,306	-
Short-term borrowings	13	685,215	732,481	784,028
Due to banks	14	31,720	43,603	41,991
<b>Total current liabilities</b>		<b>773,373</b>	<b>834,830</b>	<b>883,498</b>
<b>Total liabilities</b>		<b>1,003,567</b>	<b>1,030,486</b>	<b>1,075,831</b>
<b>Total equity and liabilities</b>		<b>1,602,948</b>	<b>1,574,814</b>	<b>1,676,493</b>

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

The notes set out on pages 9 to 19 form an integral part of this interim condensed consolidated financial information.

## Interim condensed consolidated statement of changes in equity

### Equity attributable to the owners of the parent company

	Share Capital KD '000	Share Premium KD '000	Treasury shares KD '000	Reserves (Note 12) KD '000	Cumulative changes in fair value KD '000	Accumulated losses KD '000	Sub- Total KD '000	Non- controlling interests KD '000	Total KD '000
Balance at 1 January 2010	129,510	152,691	(28,064)	59,678	109,872	(23,187)	400,500	143,828	544,328
Investment of non-controlling interests of new subsidiary	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	(4,571)	-	-	-	(4,571)	1,973	1,973
Disposal of treasury shares	-	-	795	-	-	-	795	-	(4,571)
Gain on disposal of treasury shares	-	-	-	31	-	-	31	-	795
Transactions with owners	-	-	(3,776)	31	-	-	(3,745)	-	31
Profit/(loss) for the period	-	-	-	-	-	-	-	1,973	(1,772)
Other comprehensive income for the period	-	-	-	(51)	55,756	570	570	(3,575)	(3,005)
Total comprehensive income for the period	-	-	-	(51)	55,756	570	55,705	4,125	59,830
Balance at 30 September 2010	129,510	152,691	(31,840)	59,658	165,628	(22,617)	453,030	146,351	599,381

The notes set out on pages 9 to 19 form an integral part of this interim condensed consolidated financial information.

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

	Equity attributable to the owners of the parent company							Sub- Total KD '000	Non- controlling interests KD '000	Total KD '000
	Share capital KD '000	Share Premium KD '000	Treasury shares KD '000	Reserves (Note 12) KD '000	Cumulative changes in fair value KD '000	(Accumulated losses)/ retained earnings KD '000				
Balance at 1 January 2009	129,510	152,691	(31,998)	151,451	43,968	(97,752)	347,870	137,927	485,797	
Purchase of treasury shares	-	-	(7,015)	-	-	-	(7,015)	-	(7,015)	
Disposal of treasury shares	-	-	10,949	-	-	-	10,949	-	10,949	
Gain on disposal of treasury shares	-	-	-	4,686	-	-	4,686	-	4,686	
Investment of non-controlling interests of subsidiaries	-	-	-	-	-	-	-	653	653	
Dividend paid to non-controlling interests by the subsidiaries	-	-	-	-	-	-	-	(651)	(651)	
Change in non-controlling interests	-	-	-	-	-	-	-	(858)	(858)	
Offset of accumulated losses	-	-	-	(97,752)	-	97,752	-	-	-	
<b>Transactions with owners</b>	-	-	3,934	(93,066)	-	97,752	8,620	(856)	7,764	
Profit/(loss) for the period	-	-	-	-	-	429	429	(2,316)	(1,887)	
Other comprehensive income for the period	-	-	-	1,134	88,222	-	89,356	19,632	108,988	
<b>Total comprehensive income for the period</b>	-	-	-	1,134	88,222	429	89,785	17,316	107,101	
Balance at 30 September 2009	129,510	152,691	(28,064)	59,519	132,190	429	446,275	154,387	600,662	

The notes set out on pages 9 to 19 form an integral part of this interim condensed consolidated financial information.

## Interim condensed consolidated statement of cash flows

	Nine months ended 30 Sept. 2010 (Unaudited) KD '000	Nine months ended 30 Sept. 2009 (Unaudited) KD '000
<b>OPERATING ACTIVITIES</b>		
Loss before taxation	(3,056)	(1,737)
Adjustments for :		
Depreciation of property, plant and equipment	4,383	3,947
Change in fair value of investment properties	930	(3,996)
(Gain)/loss on disposal of property, plant and equipment	(24)	18
Share of results of associates	(4,794)	(7,571)
Income from disposal of associate	-	(5,753)
Profit on disposal of subsidiary	(646)	(1,653)
Dividend income from available for sale investments	(14,061)	(17,465)
Unrealised loss/(gain) on interest rate SWAPs	4,306	(924)
Impairment in value of available for sale investments and wakala investments	6,672	32,145
Impairment in value of accounts receivable and other assets	2,320	-
Profit on sale of available for sale investments	(8,302)	(30,363)
Net provisions (released)/charged	(599)	588
Finance costs	28,793	40,771
Interest/profit on bank balances, short-term deposits, wakala and murabaha investments	(2,701)	(7,566)
	<b>13,221</b>	<b>441</b>
Changes in operating assets and liabilities:		
Inventories	2,351	1,421
Accounts receivable and other assets	(7,873)	(3,886)
Investments at fair value through profit or loss	9,772	22,237
Accounts payable and other liabilities	(4,620)	(14,028)
Cash from operations	12,851	6,185
Taxation paid	(28)	(58)
<b>Net cash from operating activities</b>	<b>12,823</b>	<b>6,127</b>

*The notes set out on pages 9 to 19 form an integral part of this interim condensed consolidated financial information.*

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

	Note	Nine months ended 30 Sept. 2010 (Unaudited) KD '000	Nine months ended 30 Sept. 2009 (Unaudited) KD '000
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(5,670)	(12,951)
Purchase of investment properties		(1,719)	-
Proceeds from sale of property, plant and equipment		86	286
Proceeds from disposal of associate		-	6,738
Investment in associated companies		(5,651)	(2,493)
Dividend received from associates		1,473	1,403
Purchase of available for sale investments		(24,449)	(86,938)
Proceeds from sale of available for sale investments		40,636	171,964
(Increase)/decrease in wakala investments maturing after three months		(9,082)	124
Proceeds from realisation of term deposits		-	68,081
Decrease/(increase) in block balances		1,146	(690)
Dividend income received from available for sale investments		14,061	17,465
Interest/profit received from bank balances, short-term deposits, wakala and murabaha investments		2,958	12,108
<b>Net cash from investing activities</b>		<b>13,789</b>	<b>175,097</b>
<b>FINANCING ACTIVITIES</b>			
Finance lease (payment)/receipts		(239)	139
Net increase/(decrease) in long-term borrowings, bonds and trust certificates		35,263	(2,331)
Net decrease in short-term borrowings		(47,266)	(149,096)
Dividend paid to owners of the parent		(1,179)	(441)
Finance costs paid		(29,366)	(42,143)
Purchase of treasury shares		(4,571)	(7,015)
Proceeds from disposal of treasury shares		826	14,221
Increase/(decrease) in non-controlling interests		1,973	(856)
<b>Net cash used in financing activities</b>		<b>(44,559)</b>	<b>(187,522)</b>
Net decrease in cash and cash equivalents		(17,947)	(6,298)
Translation difference		9	169
Cash and cash equivalents at beginning of the period		(17,938)	(6,129)
<b>Cash and cash equivalents at end of the period</b>	14	<b>106,395</b>	<b>138,874</b>

*The notes set out on pages 9 to 19 form an integral part of this interim condensed consolidated financial information.*

# Notes to the interim condensed consolidated financial information

30 September 2010 (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 10 November 2010

The annual consolidated financial statements for the year ended 31 December 2009 were approved by the shareholders at the Annual General Meeting held on 6 May 2010.

## **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 2009, except adoption of new and revised standards and interpretations as discussed below.

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 2010. For further information, refer to the annual consolidated financial statements and notes thereto for the year ended 31 December 2009.

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

During the period, the group adopted the following new standards, revisions and amendments to IFRS issued by the International Accounting Standards Board, which are relevant to and effective for the group's financial statements for the annual period beginning on 1 January 2010. Certain other amendments to standards have been made and certain new standards and interpretations have been issued but they are not expected to have a material impact on the group's financial statements.

- IFRS 3 Business Combinations (Revised 2008)
- IAS 27 Consolidated and Separate Financial Statements (Revised 2008)
- IAS 28 Investments in Associates (Revised 2008)
- IFRIC 17 Distribution of Non Cash Assets to Owners
  
- IFRS 3 Business Combinations (Revised 2008) and IAS 27 Consolidated and Separate Financial Statements (Revised 2008)

IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after 1 January 2010. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

IAS 27 (Revised) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well.

The changes by IFRS 3 (Revised) and IAS 27 (Revised) will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests. The change in accounting policy was applied prospectively.

- IAS 28 Investments in Associates (Revised 2008)

The revised standard introduces changes to the accounting requirements for the loss of significant influence of an associate and for changes in the group's interest in associates. Consequently, when significant influence is lost, the investor measures any investment retained in the former associate at fair value, with any consequential gain or loss recognized in profit or loss. These changes will be applicable for future acquisitions and disposals.

**2 Significant accounting policies (continued)**

• IFRIC 17 Distribution of Non-Cash Assets to Owners

The Interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its owners. This interpretation will be applicable for future non-cash distributions made to the owners.

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

• IFRS 9 Financial Instruments (effective from 1 January 2013)

The IASB aims to replace IAS 39 *Financial Instruments: Recognition and Measurement* in its entirety by the end of 2010, with the replacement standard to be effective for annual periods beginning 1 January 2013. IFRS 9 is the first part of Phase 1 of this project. The main phases are:

- Phase 1: Classification and Measurement
- Phase 2: Impairment methodology
- Phase 3: Hedge accounting

In addition, a separate project is dealing with derecognition.

Although early application of this standard is permitted, the Technical Committee of the Ministry of Commerce and Industry of Kuwait decided during December 2009, to postpone this allowed early application until further notice.

- IAS 24 (Revised) “Related party disclosures” (effective for annual periods beginning from 1 January 2011)
- IAS 32 Financial Instruments: Presentation (effective for annual period beginning from 1 February 2010)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for annual period beginning 1 July 2010).

**3 Income from investments**

	Three months ended		Nine months ended	
	30 Sept. 2010 (Unaudited) KD '000	30 Sept. 2009 (Unaudited) KD '000	30 Sept. 2010 (Unaudited) KD '000	30 Sept. 2009 (Unaudited) KD '000
Dividend income:				
- From investments at fair value through profit or loss	181	-	773	874
- From available for sale investments	-	380	14,061	17,032
Profit on sale of available for sale investments	3,067	20,524	8,302	30,363
Realised gain on investments at fair value through profit or loss	1,345	3,135	3,171	4,792
Unrealised gain on investments at fair value through profit or loss	8,992	3,209	2,403	8,923
	<b>13,585</b>	<b>27,248</b>	<b>28,710</b>	<b>61,984</b>

**4 Profit on disposal of subsidiary**

During the three months ended 30 June 2010, the group disposed its fully owned subsidiary, Loloah National Industries Trading Company – WLL to an associate company for a consideration of KD1,112 thousand resulting in a profit of KD646 thousand.

The carrying value of the disposed assets and transferred liabilities of the subsidiary at the date of disposal were as follows:

	KD '000
Total assets	1,320
Total liabilities	(1,154)
<hr/>	
Sale proceeds	166
	1,112
<hr/>	
Profit on disposal	946
Less:	
Elimination of proportionate profit on disposal to the extent of the groups shareholding in the associate	(300)
<hr/>	
Profit recognised in the interim condensed consolidated statement of income	646

**5 Interest and other operating income**

	Three months ended		Nine months ended	
	30 Sept. 2010 (Unaudited) KD '000	30 Sept. 2009 (Unaudited) KD '000	30 Sept. 2010 (Unaudited) KD '000	30 Sept. 2009 (Unaudited) KD '000
Management and placement fees	604	565	1,470	1,982
Interest/profit on bank balances, short term deposits, wakala and murabaha investments	278	1,171	2,701	7,566
Realised gain on dealing in foreign currencies	846	3	1,136	709
Net loss from dealing in interest rate SWAPs	(371)	(1,134)	(3,776)	(3,985)
Income from financing of future trade by customers	50	16	143	98
Gain on disposal of property, plant and equipment	388	-	24	-
Net loss from transportation business (refer note 5a)	(106)	-	(813)	-
Others	347	765	1,962	5,226
<hr/>		<hr/>		
	2,036	1,386	2,847	11,596

5a. Net loss from transportation business (relating to a foreign subsidiary)

	Three months ended		Nine months ended	
	30 Sept. 2010 (Unaudited) KD '000	30 Sept. 2009 (Unaudited) KD '000	30 Sept. 2010 (Unaudited) KD '000	30 Sept. 2009 (Unaudited) KD '000
Revenue from services	312	-	971	-
Less: Direct operating cost	(418)	-	(1,784)	-
<hr/>		<hr/>		
	(106)	-	(813)	-

**6 Impairment in value of receivable and other assets**

During the period, one of the local subsidiaries of the group recognised an impairment loss of KD2,320 thousand (31 December 2009 and 30 September 2009: Nil) for certain projects under progress which have been classified under accounts receivable and other assets.

**7 Basic and diluted earnings per share**

Earnings per share is calculated by dividing the profit for the period attributable to the owners of the parent company by the weighted average number of shares outstanding during the period as follows:

	Three months ended		Nine months ended	
	30 Sept. 2010 (Unaudited)	30 Sept. 2009 (Unaudited)	30 Sept. 2010 (Unaudited)	30 Sept. 2009 (Unaudited)
Profit for the period attributable to owners of the parent company (KD '000)	7,536	11,668	570	429
Weighted average number of shares outstanding during the period (excluding treasury shares) – shares	1,266,841,218	1,268,933,284	1,268,994,539	1,257,317,298
Basic & diluted earnings per share	5.95 Fils	9.20 Fils	0.45 Fils	0.34 Fils

**8 Available for sale investments**

	30 Sept. 2010 (Unaudited) KD '000	31 Dec. 2009 (Audited) KD '000	30 Sept. 2009 (Unaudited) KD '000
<b>Non Current</b>			
Managed funds	218,553	186,089	197,296
Unquoted equity participations	198,891	226,382	229,038
Quoted shares	341,918	291,336	337,759
	759,362	703,807	764,093
<b>Current</b>			
Quoted shares (refer note 8a)	101,965	108,406	126,045
	861,327	812,213	890,138

- The quoted shares classified as current represents the remaining investments from those which were transferred from investments at fair value through profit or loss as of 1 July 2008.
- Managed funds include investments in private equity funds with a carrying value of KD70,921 thousand (31 December 2009: KD61,645 thousand and 30 September 2009: KD67,031 thousand). Information for these investments is limited to periodic financial reports provided by the fund managers. These investments are carried at net asset values reported by the fund managers. Due to the nature of these investments, the net asset values reported by the fund managers represent the best estimate of fair values available for these investments.
- At the end of the period, the group recognised an impairment loss of KD2,673 thousand (30 September 2009: KD27,285 thousand) for certain local and foreign quoted shares, as the market value of these shares at reporting dates declined significantly below their costs. Further the group also recognised an impairment loss of KD3,999 thousand (30 September 2009: KD2,362 thousand) against certain unquoted shares, 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 at the reporting date.
- Unquoted investments of KD109,417 thousand (31 December 2009: KD67,630 thousand and 30 September 2009: KD99,148 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 further impairment in value of these investments.
- Quoted shares held by a local subsidiary, with a fair value of KD16,164 thousand (31 December 2009: KD13,931 thousand and 30 September 2009: KD16,765 thousand) are secured against a short term borrowing (refer note 13).

**9 Murabaha and wakala investments**

	30 Sept. 2010 (Unaudited) KD '000	31 Dec. 2009 (Audited) KD '000	30 Sept. 2009 (Unaudited) KD '000
Murabaha and wakala investments	21,752	20,169	20,161
Provision for impairment in value	(9,968)	(9,968)	(4,983)
	<b>11,784</b>	<b>10,201</b>	<b>15,178</b>

No profit was recognised on impaired wakala investment during the current period.

**10 Investments at fair value through profit or loss**

	30 Sept. 2010 (Unaudited) KD '000	31 Dec. 2009 (Audited) KD '000	30 Sept. 2009 (Unaudited) KD '000
<b>Held for trading :</b>			
Quoted shares	58,201	65,310	63,097
<b>Designated on initial recognition :</b>			
Local funds	37,731	41,121	51,953
International managed portfolios and funds	22,628	21,901	20,164
	<b>60,359</b>	<b>63,022</b>	<b>72,117</b>
	<b>118,560</b>	<b>128,332</b>	<b>135,214</b>

- a) During October 2008, a local money market fund, in which the group has investments totaling to KD2,110 thousand as at 30 September 2010 (31 December 2009: KD2,244 thousand and 30 September 2009: KD2,654 thousand), suspended redemption requests. Management has been informed by the managers of the fund that redemptions will be made depending on availability of liquid funds. The group's management considers this to be a situation arising from the current crisis in the global financial market and its impact on the local market. The investment has been fair valued based on the unaudited net asset value reported by the fund manager as of 30 September 2010. The group's management expects to realise these investments at not less than its carrying value.
- b) Quoted shares, held by local subsidiary, with a fair value of KD14,446 thousand (31 December 2009: KD16,770 thousand and 30 September 2009: KD11,404 thousand) are secured against short term borrowings (refer note 13).

**11 Share capital and share premium**

- a) As of 30 September 2010, the issued and fully paid share capital of the parent company comprised of 1,295,098,167 shares of 100 Fils each (31 December 2009 and 30 September 2009: 1,295,098,167 shares).
- b) At the extraordinary general assembly held on 21 May 2009, the shareholders of the parent company 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, and it has not been affected up to the date of issuance of these financial information.
- c) Share premium is not available for distribution.

**12 Reserves**

	Statutory reserve KD '000	General reserve KD '000	Gain on Sale of treasury shares reserve KD '000	Foreign currency translation reserve KD '000	Total KD '000
Balances at 31 December 2009	41,415	-	18,997	(734)	59,678
Gain on disposal of treasury shares	-	-	31	-	31
Other comprehensive income:					
Currency translation differences	-	-	-	(51)	(51)
<b>Balances at 30 September 2010</b>	<b>41,415</b>	<b>-</b>	<b>19,028</b>	<b>(785)</b>	<b>59,658</b>
Balances at 31 December 2008	110,459	28,708	14,309	(2,025)	151,451
Gain on disposal of treasury shares	-	-	4,686	-	4,686
Offset of accumulated losses	(69,044)	(28,708)	-	-	(97,752)
Other comprehensive income:					
Currency translation differences	-	-	-	1,134	1,134
<b>Balances at 30 September 2009</b>	<b>41,415</b>	<b>-</b>	<b>18,995</b>	<b>(891)</b>	<b>59,519</b>

**13 Short-term borrowings**

Currency	Security	30 Sept. 2010 (Unaudited) KD '000	31 Dec. 2009 (Audited) KD '000	30 Sept. 2009 (Unaudited) KD '000
<b>Conventional loans</b>				
Kuwaiti Dinars	Unsecured/Secured	186,740	224,900	295,900
US Dollars	Unsecured	194,376	213,448	244,186
Sterling	Unsecured	13,846	13,987	13,927
Jordanian Dinars	Secured	4,185	-	-
		<b>399,147</b>	<b>452,335</b>	<b>554,013</b>
Current portion of long – term loans	unsecured	175,352	166,431	166,300
		<b>574,499</b>	<b>618,766</b>	<b>720,313</b>
<b>Islamic financing arrangements</b>				
Murabaha and wakala payables	Unsecured	110,716	113,715	63,715
		<b>110,716</b>	<b>113,715</b>	<b>63,715</b>
<b>Total</b>		<b>685,215</b>	<b>732,481</b>	<b>784,028</b>

- Kuwaiti Dinar loans amounting to KD23,540 thousand (31 December 2009: KD23,700 thousand and 30 September 2009: KD20,000 thousand) of a local subsidiary, are secured by certain investments at fair value through profit or loss (refer note 10), and available for sale investments (refer note 8).
- The Jordanian Dinar loan amounting to KD4,185 thousand of a foreign subsidiary is secured by property, plant and equipment of that foreign subsidiary.
- During the period group has rescheduled Kuwaiti Dinar loans amounting to KD35,000 thousand to long term loans and accordingly has reclassified these loans to long term borrowings.
- Subsequent to the reporting date the group has successfully negotiated with a local bank and rescheduled loans amounting to KD60,000 thousand to longer term loans and this would be reflected in the group's year end financial statements.

**14 Cash and cash equivalents**

	30 Sept. 2010 (Unaudited) KD '000	31 Dec. 2009 (Audited) KD '000	30 Sept. 2009 (Unaudited) KD '000
Murabaha and wakala investments – maturing within three months	-	7,500	-
Short-term deposits	110,932	131,464	135,572
Bank balances and cash	27,197	30,132	49,504
Due to banks	(31,720)	(43,603)	(41,991)
	<b>106,409</b>	<b>125,493</b>	<b>143,085</b>
Less: Short term deposits maturing after 3 months	-	-	(3,021)
Blocked balances	(14)	(1,160)	(1,190)
<b>Cash and cash equivalents for the purpose of interim condensed consolidated statement of cash flow</b>	<b>106,395</b>	<b>124,333</b>	<b>138,874</b>

**15 Segmental analysis**

The group's format for reporting segment information is business segments; which conforms to the internal reporting presented to management:

	Investment		Building materials		Specialist engineering		Total
	30 Sept. 2010 (Unaudited) KD '000	30 Sept. 2009 (Unaudited) KD '000	30 Sept. 2010 (Unaudited) KD '000	30 Sept. 2009 (Unaudited) KD '000	30 Sept. 2010 (Unaudited) KD '000	30 Sept. 2009 (Unaudited) KD '000	
Three months ended							
Segment revenue	16,070	31,091	9,463	8,612	13,612	51,145	51,411
Less:							
Income from investments						(13,585)	(27,248)
Share of results of associates						(449)	(821)
Income from disposal of subsidiary						-	(1,653)
Interest and other operating income						(2,036)	(1,386)
Unallocated sales						-	753
Sales, as per interim condensed consolidated statement of income						23,075	21,056
Segment profit/(loss)	5,605	24,301	1,935	2,112	14	7,554	24,323
Less:							
Finance costs						(9,438)	(10,798)
Other unallocated income/(expenses)						8,108	(101)
Profit for the period before taxation as per the interim condensed consolidated statement of income						6,224	13,424
Nine months ended							
Segment revenue	36,067	89,717	31,745	28,194	41,137	108,949	157,638
Less:							
Income from investments						(28,710)	(61,984)
Share of results of associates						(4,794)	(7,571)
Profit on disposal of subsidiary						(646)	(1,653)
Income from disposal of associate						-	(5,753)
Change in fair value of investment properties						930	(3,996)
Interest and other operating income						(2,847)	(11,596)
Unallocated sales						825	3,116
Sales, as per interim condensed consolidated statement of income						73,707	68,201
Segment profit/(loss)	15,774	46,366	8,344	7,460	(259)	23,859	52,396
Less:							
Finance costs						(28,793)	(40,771)
Other unallocated income/(expenses)						1,878	(13,362)
Loss for the period before taxation as per the interim condensed consolidated statement of income						(3,056)	(1,737)

**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 Sept. 2010 (Unaudited) KD '000</b>	<b>31 Dec. 2009 (Audited) KD '000</b>	<b>30 Sept. 2009 (Unaudited) KD '000</b>
<b>Balances included in interim condensed consolidated statement of financial position</b>			
Due from related parties (included in accounts receivable and other assets)			
- Due from associate companies	18,303	15,301	13,995
- Due from other related parties	940	361	11,298
- Due from key management personnel	313	313	313
Due to related parties (included in accounts payable and other liabilities)			
- Due to associate company	29	423	12,590
Short term borrowings	19,716	19,716	-

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>30 Sept. 2010 (Unaudited)</b>	<b>30 Sept. 2009 (Unaudited)</b>	<b>30 Sept. 2010 (Unaudited)</b>	<b>30 Sept. 2009 (Unaudited)</b>
<b>Transactions included in interim condensed consolidated statement of income</b>				
Realised profits on disposal of subsidiaries to an associate				
	-	1,653	646	1,653
Purchase of raw materials – from associates	2,016	677	6,786	2,429
Finance costs	149	250	466	833

**Compensation of key management personnel of the group**

	<b>30 Sept. 2010 (Unaudited)</b>	<b>30 Sept. 2009 (Unaudited)</b>	<b>30 Sept. 2010 (Unaudited)</b>	<b>30 Sept. 2009 (Unaudited)</b>
Short term employee benefits	514	485	1,877	1,363
End of service benefits	38	-	145	157
Cost of share based payment	-	-	-	1,150
	<b>552</b>	<b>485</b>	<b>2,022</b>	<b>2,670</b>

**17 Dividend distribution**

The board of directors of the parent company did not propose any dividend for the year ended 31 December 2009, and this was approved by the shareholders at the annual general assembly meeting held on 6 May 2010.

**18 Contingent liabilities**

At 30 September 2010, the group had contingent liabilities in respect of outstanding bank guarantees amounting to KD5,620 thousand (31 December 2009: KD8,443 thousand and 30 September 2009: KD9,090 thousand).

**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 interim condensed consolidated statement of financial position. Assets under management at 30 September 2010 amounted to KD162,834 thousand (31 December 2009: KD224,357 thousand and 30 September 2009: KD206,649 thousand) of which assets managed on behalf of related parties amounted to KD124,472 thousand (31 December 2009: KD178,051 thousand and 30 September 2009: KD144,963 thousand).

**20 Capital commitments**

At the reporting date the group had commitments for the purchase of investments and the acquisition of property, plant and equipment totalling to KD51,781 thousand (31 December 2009: KD70,740 thousand and 30 September 2009: KD76,124 thousand).

**21 Comparative information**

Certain comparative amounts for the previous period have been reclassified to be consistent with the presentation for the current period. Such classifications did not affect previously reported results, total assets and equity.