

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

30 September 2012 (Unaudited)

## Contents

|                                                                   | Page    |
|-------------------------------------------------------------------|---------|
| Review report                                                     | 1       |
| Interim condensed consolidated statement of income                | 2       |
| Interim condensed consolidated statement of comprehensive income  | 3       |
| Interim condensed consolidated statement of financial position    | 4       |
| Interim condensed consolidated statement of changes in equity     | 5 and 6 |
| Interim condensed consolidated statement of cash flows            | 7 and 8 |
| Notes to the interim condensed consolidated financial information | 9 to 20 |



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## Report on review of interim condensed consolidated financial information

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

### *Introduction*

We have reviewed the accompanying interim condensed consolidated financial position of National Industries Group Holding (A Kuwaiti Shareholding Company) and its subsidiaries as of 30 September 2012 and the related interim condensed consolidated statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the nine-month period then ended. Management is 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 matters**

Based on our review, the interim condensed consolidated financial information is in agreement with the books of the Company. We further report that, to the best of our knowledge and belief, no violations of the Commercial Companies Law of 1960, or of the articles of association of the Company, as amended, have occurred during the nine-month period ended 30 September 2012 that might have had a material effect on the business or financial position of the Company.

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Kuwait  
13 November 2012

## Interim condensed consolidated statement of income

|                                                                                                     | Note | Three months ended                         |                                            | Nine months ended                          |                                            |
|-----------------------------------------------------------------------------------------------------|------|--------------------------------------------|--------------------------------------------|--------------------------------------------|--------------------------------------------|
|                                                                                                     |      | 30 Sept.<br>2012<br>(Unaudited)<br>KD '000 | 30 Sept.<br>2011<br>(Unaudited)<br>KD '000 | 30 Sept.<br>2012<br>(Unaudited)<br>KD '000 | 30 Sept.<br>2011<br>(Unaudited)<br>KD '000 |
| Sales                                                                                               |      | 25,629                                     | 23,599                                     | 83,438                                     | 75,062                                     |
| Cost of sales                                                                                       |      | (20,360)                                   | (17,912)                                   | (64,794)                                   | (58,012)                                   |
| <b>Gross profit</b>                                                                                 |      | <b>5,269</b>                               | <b>5,687</b>                               | <b>18,644</b>                              | <b>17,050</b>                              |
| Income from investments                                                                             | 3    | 8,550                                      | 8                                          | 33,935                                     | 23,874                                     |
| Share of results of associates                                                                      |      | 5,878                                      | 4,966                                      | 15,117                                     | 12,049                                     |
| Changes in fair value of investment properties                                                      |      | -                                          | (456)                                      | 1,735                                      | (304)                                      |
| Realised gain on sale of investment properties                                                      |      | -                                          | 198                                        | -                                          | 198                                        |
| Interest and other operating income                                                                 | 4    | 1,792                                      | 2,189                                      | 4,908                                      | 8,043                                      |
| Distribution costs                                                                                  |      | (1,028)                                    | (929)                                      | (3,274)                                    | (3,179)                                    |
| General, administrative and other expenses                                                          |      | (5,224)                                    | (5,977)                                    | (15,738)                                   | (16,438)                                   |
| (Loss)/gain on foreign currency exchange                                                            |      | (1,291)                                    | (705)                                      | (3,152)                                    | 5,718                                      |
|                                                                                                     |      | 13,946                                     | 4,981                                      | 52,175                                     | 47,011                                     |
| Finance costs                                                                                       |      | (11,268)                                   | (9,168)                                    | (29,760)                                   | (31,164)                                   |
| Dilution loss on associate                                                                          | 6    | -                                          | -                                          | (253)                                      | -                                          |
| Impairment in value of available for sale investments                                               | 7    | -                                          | (668)                                      | (5,273)                                    | (12,837)                                   |
| Provision for doubtful debts                                                                        |      | (401)                                      | -                                          | (651)                                      | -                                          |
| <b>Profit/(loss) before taxation, NLST and Zakat</b>                                                |      | <b>2,277</b>                               | <b>(4,855)</b>                             | <b>16,238</b>                              | <b>3,010</b>                               |
| Taxation of foreign subsidiaries                                                                    |      | (48)                                       | -                                          | (113)                                      | (3)                                        |
| Reversal of provision for National Labour Support                                                   |      | -                                          | 66                                         | -                                          | -                                          |
| Tax (NLST)                                                                                          |      | -                                          | 24                                         | -                                          | -                                          |
| Reversal of provision for Zakat                                                                     |      | -                                          | -                                          | -                                          | -                                          |
| <b>Profit/(loss) for the period</b>                                                                 |      | <b>2,229</b>                               | <b>(4,765)</b>                             | <b>16,125</b>                              | <b>3,007</b>                               |
| <b>Attributable to :</b>                                                                            |      |                                            |                                            |                                            |                                            |
| Owners of the parent company                                                                        |      | 965                                        | (5,520)                                    | 11,447                                     | 3,193                                      |
| Non-controlling interests                                                                           |      | 1,264                                      | 755                                        | 4,678                                      | (186)                                      |
|                                                                                                     |      | 2,229                                      | (4,765)                                    | 16,125                                     | 3,007                                      |
| <b>Basic and diluted earnings/(loss) per share attributable to the owners of the parent company</b> | 5    | 1 Fils                                     | (4) Fils                                   | 9 Fils                                     | 3 Fils                                     |

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

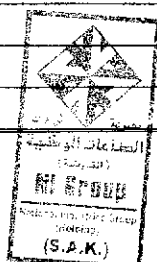
## Interim condensed consolidated statement of comprehensive income

|                                                                                   | Three months ended                         |                                            | Nine months ended                          |                                            |
|-----------------------------------------------------------------------------------|--------------------------------------------|--------------------------------------------|--------------------------------------------|--------------------------------------------|
|                                                                                   | 30 Sept.<br>2012<br>(Unaudited)<br>KD '000 | 30 Sept.<br>2011<br>(Unaudited)<br>KD '000 | 30 Sept.<br>2012<br>(Unaudited)<br>KD '000 | 30 Sept.<br>2011<br>(Unaudited)<br>KD '000 |
| Profit/(loss) for the period                                                      | 2,229                                      | (4,765)                                    | 16,125                                     | 3,007                                      |
| <b>Other comprehensive income:</b>                                                |                                            |                                            |                                            |                                            |
| Exchange differences arising on translation of foreign operations                 | 1,399                                      | 241                                        | 656                                        | (1,021)                                    |
| Available for sale investments:                                                   |                                            |                                            |                                            |                                            |
| - Net changes in fair value arising during the period                             | 19,610                                     | (46,083)                                   | 6,359                                      | (61,663)                                   |
| - Transferred to interim condensed consolidated statement of income on disposals  | (1,543)                                    | (5,231)                                    | (6,105)                                    | (12,059)                                   |
| - Transferred to interim condensed consolidated statement of income on impairment | -                                          | 668                                        | 5,273                                      | 12,837                                     |
| Share of other comprehensive income of associates                                 |                                            |                                            |                                            |                                            |
| - Change in fair value                                                            | 1,714                                      | (2,520)                                    | 4,025                                      | (9,766)                                    |
| - Exchange differences                                                            | (29)                                       | (1,153)                                    | (1,450)                                    | (1,266)                                    |
| Total other comprehensive income for the period                                   | 21,151                                     | (54,078)                                   | 8,758                                      | (72,938)                                   |
| Total comprehensive income for the period                                         | 23,380                                     | (58,843)                                   | 24,883                                     | (69,931)                                   |
| Total comprehensive income attributable to:                                       |                                            |                                            |                                            |                                            |
| Owners of the parent company                                                      | 20,064                                     | (52,095)                                   | 22,530                                     | (62,101)                                   |
| Non-controlling interests                                                         | 3,316                                      | (6,748)                                    | 2,353                                      | (7,830)                                    |
|                                                                                   | 23,380                                     | (58,843)                                   | 24,883                                     | (69,931)                                   |

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 Sept.<br>2012<br>(Unaudited)<br>KD '000 | 31 Dec.<br>2011<br>(Audited)<br>KD '000 | 30 Sept.<br>2011<br>(Unaudited)<br>KD '000 |
|----------------------------------------------------|------|--------------------------------------------|-----------------------------------------|--------------------------------------------|
| <b>Assets</b>                                      |      |                                            |                                         |                                            |
| <b>Non-current assets</b>                          |      |                                            |                                         |                                            |
| Goodwill                                           |      | 6,894                                      | 6,645                                   | 6,650                                      |
| Property, plant and equipment                      |      | 66,717                                     | 65,316                                  | 64,383                                     |
| Investment in associates                           | 6    | 293,379                                    | 283,126                                 | 275,534                                    |
| Investment properties                              |      | 25,983                                     | 13,912                                  | 25,816                                     |
| Available for sale investments                     | 7    | 744,558                                    | 739,325                                 | 750,549                                    |
| Accounts receivable                                |      | 7,765                                      | 7,848                                   | 8,218                                      |
| <b>Total non-current assets</b>                    |      | <b>1,145,296</b>                           | <b>1,116,172</b>                        | <b>1,131,150</b>                           |
| <b>Current assets</b>                              |      |                                            |                                         |                                            |
| Inventories                                        |      | 23,125                                     | 23,602                                  | 22,376                                     |
| Available for sale investments                     | 7    | 73,808                                     | 86,713                                  | 87,566                                     |
| Accounts receivable and other assets               |      | 55,844                                     | 68,224                                  | 68,499                                     |
| Murabaha and wakaia investments                    |      | 11,279                                     | 8,413                                   | 18,841                                     |
| Investments at fair value through profit or loss   | 8    | 69,542                                     | 81,816                                  | 99,475                                     |
| Short-term deposits                                | 13   | 3,587                                      | 79,041                                  | 86,050                                     |
| Bank balances and cash                             | 13   | 46,626                                     | 35,724                                  | 27,825                                     |
| <b>Total current assets</b>                        |      | <b>283,811</b>                             | <b>383,533</b>                          | <b>410,632</b>                             |
| <b>Total assets</b>                                |      | <b>1,429,107</b>                           | <b>1,499,705</b>                        | <b>1,541,782</b>                           |
| <b>Equity and liabilities</b>                      |      |                                            |                                         |                                            |
| <b>Equity attributable to owners of the parent</b> |      |                                            |                                         |                                            |
| Share capital                                      | 9    | 129,510                                    | 129,510                                 | 129,510                                    |
| Treasury shares                                    |      | (30,375)                                   | (30,375)                                | (30,375)                                   |
| Share premium                                      | 9    | 122,962                                    | 151,719                                 | 151,719                                    |
| Cumulative changes in fair value                   |      | 150,872                                    | 139,662                                 | 131,885                                    |
| Other reserves                                     | 10   | 15,037                                     | 16,931                                  | 15,021                                     |
| Retained earnings/(accumulated losses)             |      | 11,447                                     | (30,524)                                | 3,193                                      |
| <b>Equity attributable to owners of the parent</b> |      | <b>399,453</b>                             | <b>376,923</b>                          | <b>400,953</b>                             |
| Non-controlling interests                          |      | 142,422                                    | 144,686                                 | 164,982                                    |
| <b>Total equity</b>                                |      | <b>541,875</b>                             | <b>521,609</b>                          | <b>565,935</b>                             |
| <b>Non-current liabilities</b>                     |      |                                            |                                         |                                            |
| Long-term loans                                    | 11   | 542,506                                    | 394,993                                 | 373,338                                    |
| Leasing creditors                                  |      | 188                                        | 300                                     | 378                                        |
| Provisions                                         |      | 9,154                                      | 9,611                                   | 10,036                                     |
| <b>Total non-current liabilities</b>               |      | <b>551,848</b>                             | <b>404,904</b>                          | <b>383,752</b>                             |
| <b>Current liabilities</b>                         |      |                                            |                                         |                                            |
| Accounts payable and other liabilities             |      | 55,699                                     | 56,076                                  | 44,494                                     |
| Trust certificates issued – current portion        | 12   | -                                          | 132,549                                 | 137,974                                    |
| Short-term loans                                   | 11   | 251,428                                    | 360,911                                 | 381,796                                    |
| Due to banks                                       | 13   | 28,257                                     | 23,656                                  | 27,831                                     |
| <b>Total current liabilities</b>                   |      | <b>335,384</b>                             | <b>573,192</b>                          | <b>592,095</b>                             |
| <b>Total liabilities</b>                           |      | <b>887,232</b>                             | <b>978,096</b>                          | <b>975,847</b>                             |
| <b>Total equity and liabilities</b>                |      | <b>1,429,107</b>                           | <b>1,499,705</b>                        | <b>1,541,782</b>                           |



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 the owners of the parent company

|                                                                | Share Capital<br>KD '000 | Treasury shares<br>KD '000 | Share Premium<br>KD '000 | Cumulative changes in fair value<br>KD '000 | Other reserves (Note 10)<br>KD '000 | (Accumulated losses)/ retained earnings<br>KD '000 | Sub-Total<br>KD '000 | Non-controlling interests<br>KD '000 | Total<br>KD '000 |
|----------------------------------------------------------------|--------------------------|----------------------------|--------------------------|---------------------------------------------|-------------------------------------|----------------------------------------------------|----------------------|--------------------------------------|------------------|
| Balance at 1 January 2012                                      | 129,510                  | (30,375)                   | 151,719                  | 139,662                                     | 16,931                              | (30,524)                                           | 376,923              | 144,686                              | 521,609          |
| <b>Transactions with owners</b>                                |                          |                            |                          |                                             |                                     |                                                    |                      |                                      |                  |
| Offset of accumulated losses (refer note 9b)                   | -                        | -                          | (28,757)                 | -                                           | (1,767)                             | 30,524                                             | -                    | -                                    | -                |
| Redemption of units by non-controlling interests of subsidiary | -                        | -                          | -                        | -                                           | -                                   | -                                                  | -                    | (250)                                | (250)            |
| Net change in non-controlling interests                        | -                        | -                          | -                        | -                                           | -                                   | -                                                  | -                    | (957)                                | (957)            |
| Dividend paid to non-controlling interest by subsidiaries      | -                        | -                          | -                        | -                                           | -                                   | -                                                  | -                    | (3,410)                              | (3,410)          |
| <b>Total transactions with owners</b>                          | -                        | -                          | (28,757)                 | -                                           | (1,767)                             | 30,524                                             | -                    | (4,617)                              | (4,617)          |
| <b>Comprehensive income</b>                                    |                          |                            |                          |                                             |                                     |                                                    |                      |                                      |                  |
| Profit for the period                                          | -                        | -                          | -                        | -                                           | -                                   | 11,447                                             | 11,447               | 4,678                                | 16,125           |
| Other comprehensive income for the period                      | -                        | -                          | -                        | 11,210                                      | (127)                               | -                                                  | 11,083               | (2,325)                              | 8,758            |
| <b>Total comprehensive income for the period</b>               | -                        | -                          | -                        | 11,210                                      | (127)                               | 11,447                                             | 22,530               | 2,353                                | 24,883           |
| <b>Balance at 30 September 2012</b>                            | <b>129,510</b>           | <b>(30,375)</b>            | <b>122,962</b>           | <b>150,872</b>                              | <b>15,037</b>                       | <b>11,447</b>                                      | <b>399,453</b>       | <b>142,422</b>                       | <b>541,875</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 the owners of the parent company |                            |                          |                                             |                                     |                                                    |                      |
|------------------------------------------------------------|---------------------------------------------------------|----------------------------|--------------------------|---------------------------------------------|-------------------------------------|----------------------------------------------------|----------------------|
|                                                            | Share Capital<br>KD '000                                | Treasury shares<br>KD '000 | Share Premium<br>KD '000 | Cumulative changes in fair value<br>KD '000 | Other reserves (Note 10)<br>KD '000 | (Accumulated losses)/ retained earnings<br>KD '000 | Sub-Total<br>KD '000 |
| Balance at 1 January 2011                                  | 129,510                                                 | (30,804)                   | 152,691                  | 195,732                                     | 59,081                              | (42,965)                                           | 463,245              |
| Transactions with owners                                   |                                                         |                            |                          |                                             |                                     |                                                    |                      |
| Purchase of treasury shares                                | -                                                       | (728)                      | -                        | -                                           | -                                   | -                                                  | (728)                |
| Disposal of treasury shares                                | -                                                       | 1,157                      | -                        | -                                           | -                                   | -                                                  | 1,157                |
| Loss on disposal of treasury shares                        | -                                                       | -                          | -                        | -                                           | (620)                               | -                                                  | (620)                |
| Offset of accumulated losses                               | -                                                       | -                          | (972)                    | -                                           | (41,993)                            | 42,965                                             | -                    |
| Net change in non-controlling interests                    | -                                                       | -                          | -                        | -                                           | -                                   | -                                                  | -                    |
| Dividend paid to non-controlling interests by subsidiaries | -                                                       | -                          | -                        | -                                           | -                                   | -                                                  | (36)                 |
|                                                            |                                                         |                            |                          |                                             |                                     |                                                    | (1,368)              |
| <b>Total transactions with owners</b>                      | -                                                       | 429                        | (972)                    | -                                           | (42,613)                            | 42,965                                             | (191)                |
|                                                            |                                                         |                            |                          |                                             |                                     |                                                    | (1,595)              |
| Comprehensive income                                       |                                                         |                            |                          |                                             |                                     |                                                    |                      |
| Profit/(Loss) for the period                               | -                                                       | -                          | -                        | -                                           | -                                   | 3,193                                              | 3,193                |
| Other comprehensive income for the period                  | -                                                       | -                          | -                        | (63,847)                                    | (1,447)                             | -                                                  | (65,294)             |
| <b>Total comprehensive income for the period</b>           | -                                                       | -                          | -                        | (63,847)                                    | (1,447)                             | 3,193                                              | (62,101)             |
|                                                            |                                                         |                            |                          |                                             |                                     |                                                    | (7,830)              |
| <b>Balance at 30 September 2011</b>                        | 129,510                                                 | (30,375)                   | 151,719                  | 131,885                                     | 15,021                              | 3,193                                              | 400,953              |
|                                                            |                                                         |                            |                          |                                             |                                     |                                                    | 164,982              |
|                                                            |                                                         |                            |                          |                                             |                                     |                                                    | 565,935              |
|                                                            |                                                         |                            |                          |                                             |                                     |                                                    | (186)                |
|                                                            |                                                         |                            |                          |                                             |                                     |                                                    | (7,644)              |
|                                                            |                                                         |                            |                          |                                             |                                     |                                                    | (69,931)             |
|                                                            |                                                         |                            |                          |                                             |                                     |                                                    | (36)                 |
|                                                            |                                                         |                            |                          |                                             |                                     |                                                    | (1,368)              |
|                                                            |                                                         |                            |                          |                                             |                                     |                                                    | (1,595)              |
|                                                            |                                                         |                            |                          |                                             |                                     |                                                    | 3,007                |
|                                                            |                                                         |                            |                          |                                             |                                     |                                                    | (72,938)             |
|                                                            |                                                         |                            |                          |                                             |                                     |                                                    | (69,931)             |
|                                                            |                                                         |                            |                          |                                             |                                     |                                                    | (36)                 |
|                                                            |                                                         |                            |                          |                                             |                                     |                                                    | (1,368)              |
|                                                            |                                                         |                            |                          |                                             |                                     |                                                    | (1,595)              |

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

|                                                                                        | Nine months<br>ended 30<br>Sept. 2012<br>(Unaudited)<br>KD '000 | Nine months<br>ended 30<br>Sept. 2011<br>(Unaudited)<br>KD '000 |
|----------------------------------------------------------------------------------------|-----------------------------------------------------------------|-----------------------------------------------------------------|
| <b>OPERATING ACTIVITIES</b>                                                            |                                                                 |                                                                 |
| Profit before taxation, NLST and Zakat                                                 | 16,238                                                          | 3,010                                                           |
| Adjustments for :                                                                      |                                                                 |                                                                 |
| Depreciation of property, plant and equipment                                          | 4,625                                                           | 4,391                                                           |
| Change in fair value of investment properties                                          | (1,735)                                                         | 304                                                             |
| Loss on disposal of property, plant and equipment                                      | 38                                                              | 165                                                             |
| Share of results of associates                                                         | (15,117)                                                        | (12,049)                                                        |
| Dilution loss on associate                                                             | 253                                                             | -                                                               |
| Realised gain on sale of investment properties                                         | -                                                               | (198)                                                           |
| Dividend income from available for sale investments                                    | (20,159)                                                        | (15,396)                                                        |
| Net gain on interest rate SWAP                                                         | (14)                                                            | (84)                                                            |
| Impairment in value of available for sale investments                                  | 5,273                                                           | 12,837                                                          |
| Provision for doubtful debts                                                           | 651                                                             | -                                                               |
| Profit on sale of available for sale investments                                       | (10,156)                                                        | (25,179)                                                        |
| Net provision released                                                                 | (457)                                                           | (1,328)                                                         |
| Finance costs                                                                          | 29,760                                                          | 31,164                                                          |
| Interest/profit on bank balances, short-term deposits, wakala and murabaha investments | (1,465)                                                         | (3,534)                                                         |
|                                                                                        | 7,735                                                           | (5,897)                                                         |
| Changes in operating assets and liabilities:                                           |                                                                 |                                                                 |
| Inventories                                                                            | 477                                                             | (2,323)                                                         |
| Accounts receivable and other assets                                                   | 11,790                                                          | (5,315)                                                         |
| Investments at fair value through profit or loss                                       | 12,274                                                          | 19,643                                                          |
| Accounts payable and other liabilities                                                 | (322)                                                           | 4,065                                                           |
| Cash from operations                                                                   | 31,954                                                          | 10,173                                                          |
| Taxation paid                                                                          | -                                                               | (61)                                                            |
| KFAS paid                                                                              | (83)                                                            | (2,577)                                                         |
| <b>Net cash from operating activities</b>                                              | <b>31,871</b>                                                   | <b>7,535</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 | Nine months<br>ended 30<br>Sept. 2012<br>(Unaudited)<br>KD '000 | Nine months<br>ended 30<br>Sept. 2011<br>(Unaudited)<br>KD '000 |
|------------------------------------------------------------------------------------------------------|------|-----------------------------------------------------------------|-----------------------------------------------------------------|
| <b>INVESTING ACTIVITIES</b>                                                                          |      |                                                                 |                                                                 |
| Purchase of property, plant and equipment                                                            |      | (6,507)                                                         | (4,131)                                                         |
| Proceeds from sale of property, plant and equipment                                                  |      | 11                                                              | 37                                                              |
| Purchase of investment properties                                                                    |      | (10,336)                                                        | (3,386)                                                         |
| Proceeds from redemption of units of an associate                                                    |      | 2,411                                                           | -                                                               |
| Proceeds from disposal of investments properties                                                     |      | -                                                               | 1,184                                                           |
| Addition to investment in associates                                                                 |      | (1,891)                                                         | (4,287)                                                         |
| Dividend received from associates                                                                    |      | 6,429                                                           | 1,747                                                           |
| Purchase of available for sale investments                                                           |      | (6,628)                                                         | (32,868)                                                        |
| Proceeds from sale of available for sale investments                                                 |      | 26,420                                                          | 44,109                                                          |
| Increase in wakala investments maturing after three months                                           |      | (3,866)                                                         | (1,422)                                                         |
| Proceeds from realisation of term deposits                                                           |      | -                                                               | 150                                                             |
| Increase in block balances                                                                           |      | (7,435)                                                         | (105)                                                           |
| Dividend income received from available for sale investments                                         |      | 20,159                                                          | 15,396                                                          |
| Interest/profit received from bank balances, short-term deposits,<br>wakala and murabaha investments |      | 1,466                                                           | 3,631                                                           |
| <b>Net cash from investing activities</b>                                                            |      | <b>20,233</b>                                                   | <b>20,055</b>                                                   |
| <b>FINANCING ACTIVITIES</b>                                                                          |      |                                                                 |                                                                 |
| Finance lease payment                                                                                |      | (60)                                                            | (158)                                                           |
| Net increase in long-term borrowings and trust certificates issued                                   |      | 132,863                                                         | 5,220                                                           |
| Net decrease in short-term borrowings and trust certificates issued                                  |      | (227,382)                                                       | (20,281)                                                        |
| Dividend paid to owners of the parent                                                                |      | (147)                                                           | (525)                                                           |
| Finance costs paid                                                                                   |      | (30,362)                                                        | (31,310)                                                        |
| Purchase of treasury shares                                                                          |      | -                                                               | (728)                                                           |
| Proceeds from disposal of treasury shares                                                            |      | -                                                               | 537                                                             |
| Decrease in non-controlling interests                                                                |      | (4,617)                                                         | (1,404)                                                         |
| <b>Net cash used in financing activities</b>                                                         |      | <b>(129,705)</b>                                                | <b>(48,649)</b>                                                 |
| Net decrease in cash and cash equivalents                                                            |      | (77,601)                                                        | (21,059)                                                        |
| Translation difference                                                                               |      | 13                                                              | 15                                                              |
|                                                                                                      |      | (77,588)                                                        | (21,044)                                                        |
| Cash and cash equivalents at beginning of the period                                                 |      | 91,994                                                          | 109,629                                                         |
| <b>Cash and cash equivalents at end of the period</b>                                                | 13   | <b>14,406</b>                                                   | <b>88,585</b>                                                   |

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

# Notes of the interim condensed consolidated financial information

## 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 November 2012.

## 2 Basis of preparation and significant accounting policies

### *Basis of preparation*

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 preparation of annual consolidated financial statements for the year ended 31 December 2011 except for the adoption of new and revised International Financial Reporting Standards discussed below:

The interim condensed consolidated financial information has been presented in Kuwaiti Dinars which is the functional currency of the parent company.

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.

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

## Notes of the interim condensed consolidated financial information (continued)

### 2 Basis of preparation and significant accounting policies (continued)

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual audited consolidated financial statements as at and for the year ended 31 December 2011.

Results for the nine months period ended 30 September 2012 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2012. For further details, refer to the annual consolidated financial statements and its related disclosures for the year ended 31 December 2011.

#### Adoption of new IASB Standards and amendments during the period

The group has adopted the following amended IFRS during the period:

##### *IFRS 7 Financial Instruments: Disclosures- amendment*

The amendments to IFRS 7 Financial Instruments: Disclosures resulted as a part of comprehensive review of off financial position activities. The amendments allows users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitisations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also required additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The adoption of this amendment did not have any significant impact on the financial position or performance of the group.

#### IASB Standards issued but not yet effective

At the date of authorisation of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

| <i>Standard</i>                                                  | <i>Effective for annual periods beginning</i> |
|------------------------------------------------------------------|-----------------------------------------------|
| IAS 1 Presentation of Financial Statements – amendment           | 1 July 2012                                   |
| IAS 27 Consolidated and Separate Financial Statements            | 1 January 2013                                |
| - Revised as IAS 27 Separate Financial Statements                |                                               |
| IAS 28 Investments in Associates                                 | 1 January 2013                                |
| - Revised as IAS 28 Investments in Associates and Joint Ventures |                                               |
| IFRS 9 Financial Instruments                                     | 1 January 2015                                |
| IFRS 13 Fair Value Measurement                                   | 1 January 2013                                |
| IFRS 10 Consolidated Financial Statements                        | 1 January 2013                                |
| IFRS 11 Joint Arrangements                                       | 1 January 2013                                |
| IFRS 12 Disclosure of Interests in Other Entities                | 1 January 2013                                |

## Notes of the interim condensed consolidated financial information (continued)

### 2 Basis of preparation and significant accounting policies (continued)

#### IASB Standards issued but not yet effective (continued)

##### *IAS 1 Presentation of Financial Statements*

The amendment to IAS 1 requires entities to Group other comprehensive income items presented in the consolidated statement of comprehensive income based on those:

- a) Potentially reclassifiable to consolidated statement of income in a subsequent period, and
- b) That will not be reclassified to consolidated statement of income subsequently.

The Group will change the current presentation of the consolidated statement of comprehensive income when the amendment becomes effective however, it will not affect the measurement or recognition of such items.

##### *IAS 27 Consolidated and Separate Financial statements – Revised as IAS 27 Separate Financial Statements*

As a consequence of the new IFRS 10 and IFRS 12, IAS 27 now deals only with separate financial statements.

##### *IAS 28 Investments in Associates – Revised as IAS 28 Investments in Associates and Joint Ventures*

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 brings investments in joint ventures into its scope. However, the equity accounting methodology under IAS 28 remains unchanged.

##### *IFRS 9 Financial Instruments*

The IASB aims to replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety. The replacement standard (IFRS 9) is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning 1 January 2015. Further chapters dealing with impairment methodology and hedge accounting are still being developed.

Although earlier application of this standard is permitted, the Technical Committee of the Ministry of Commerce and Industry of Kuwait decided on 30 December 2009, to postpone this early application till further notice.

Management has yet to assess the impact that this amendment is likely to have on the financial statements of the Group. However, they do not expect to implement the amendments until all chapters of IFRS 9 have been published and they can comprehensively assess the impact of all changes.

##### *IFRS 13 Fair Value Measurement*

IFRS 13 does not affect which items to be fair valued, but clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. The Group's management have yet to assess the impact of this new standard.

## Notes of the interim condensed consolidated financial information (continued)

### 2 Basis of preparation and significant accounting policies (continued)

#### IASB Standards issued but not yet effective (continued)

##### Consolidation Standards

A package of consolidation standards are effective for annual periods beginning or after 1 January 2013. Information on these new standards is presented below. The Group's management has yet to assess the impact of these new and revised standards on the Group's consolidated financial statements.

##### IFRS 10 Consolidated Financial Statements

IFRS 10 supersedes IAS 27 Consolidated and Separate Financial Statements and SIC 12 Consolidation – Special Purpose Entities. It revised the definition of control together with accompanying guidance to identify an interest in a subsidiary. However, the requirements and procedures of consolidation and the accounting for any non-controlling interests and changes in control remain the same.

##### IFRS 11 Joint Arrangements

IFRS 11 supersedes IAS 31 Interests in Joint Ventures (IAS 31). It aligns more closely the accounting by the investors with their rights and obligations relating to the joint arrangement. In addition, IAS 31's option of using proportionate consolidation for joint ventures has been eliminated. IFRS 11 now requires the use of the equity accounting method, which is currently used for investments in associates.

##### IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 integrates and makes consistent the disclosure requirements for various types of investments including subsidiaries, joint arrangements, associates and unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.

### 3 Income from investments

|                                                                            | Three months ended                         |                                            | Nine months ended                          |                                            |
|----------------------------------------------------------------------------|--------------------------------------------|--------------------------------------------|--------------------------------------------|--------------------------------------------|
|                                                                            | 30 Sept.<br>2012<br>(Unaudited)<br>KD '000 | 30 Sept.<br>2011<br>(Unaudited)<br>KD '000 | 30 Sept.<br>2012<br>(Unaudited)<br>KD '000 | 30 Sept.<br>2011<br>(Unaudited)<br>KD '000 |
| Dividend income:                                                           |                                            |                                            |                                            |                                            |
| - From investments at fair value through profit or loss                    | 15                                         | 415                                        | 241                                        | 680                                        |
| - From available for sale investments                                      | 1,456                                      | -                                          | 20,159                                     | 15,396                                     |
| Profit on sale of available for sale investments                           | 3,745                                      | 7,520                                      | 10,156                                     | 25,179                                     |
| Realised (loss)/gain on investments at fair value through profit or loss   | (2)                                        | (532)                                      | 655                                        | (514)                                      |
| Unrealised gain/(loss) on investments at fair value through profit or loss | 3,336                                      | (7,395)                                    | 2,724                                      | (16,867)                                   |
|                                                                            | 8,550                                      | 8                                          | 33,935                                     | 23,874                                     |

## Notes of the interim condensed consolidated financial information (continued)

### 4 Interest and other operating income

|                                                                                        | Three months ended                         |                                            | Nine months ended                          |                                            |
|----------------------------------------------------------------------------------------|--------------------------------------------|--------------------------------------------|--------------------------------------------|--------------------------------------------|
|                                                                                        | 30 Sept.<br>2012<br>(Unaudited)<br>KD '000 | 30 Sept.<br>2011<br>(Unaudited)<br>KD '000 | 30 Sept.<br>2012<br>(Unaudited)<br>KD '000 | 30 Sept.<br>2011<br>(Unaudited)<br>KD '000 |
| Interest/profit on bank balances, short term deposits, wakala and murabaha investments | 361                                        | 1,131                                      | 1,465                                      | 3,534                                      |
| Net income/(loss) from dealing in interest rate SWAPs                                  | 2                                          | (18)                                       | 14                                         | (11)                                       |
| Income from financing of future trade by customers                                     | 52                                         | 58                                         | 218                                        | 283                                        |
| Net gain/(loss) from hotel/transportation business                                     | 320                                        | (52)                                       | 375                                        | (238)                                      |
| Rental income                                                                          | 415                                        | -                                          | 926                                        | -                                          |
| Management and placement fees and other income                                         | 642                                        | 1,070                                      | 1,910                                      | 4,475                                      |
|                                                                                        | 1,792                                      | 2,189                                      | 4,908                                      | 8,043                                      |

### 5 Basic and diluted earnings/(loss) per share attributable to the owners of the parent

Earnings/(loss) per share is calculated by dividing the profit/(loss) 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.<br>2012<br>(Unaudited) | 30 Sept.<br>2011<br>(Unaudited) | 30 Sept.<br>2012<br>(Unaudited) | 30 Sept.<br>2011<br>(Unaudited) |
| Profit/(loss) for the period attributable to owners of the parent company (KD '000)                  | 965                             | (5,520)                         | 11,447                          | 3,193                           |
| Weighted average number of shares outstanding during the period (excluding treasury shares) – shares | 1,261,959,044                   | 1,261,959,044                   | 1,261,959,044                   | 1,262,153,550                   |
| Basic & diluted earnings/(loss) per share                                                            | 1 Fils                          | (4) Fils                        | 9 Fils                          | 3 Fils                          |

### 6 Investment in associates

The movement in associates during the period is as follows:

|                                          | 30 Sept.<br>2012<br>(Unaudited)<br>KD '000 | 31 Dec.<br>2011<br>(Audited)<br>KD '000 | 30 Sept.<br>2011<br>(Unaudited)<br>KD '000 |
|------------------------------------------|--------------------------------------------|-----------------------------------------|--------------------------------------------|
| Balance at 1 January                     | 283,126                                    | 272,494                                 | 272,494                                    |
| Additions during the year                | 1,891                                      | 14,114                                  | 4,287                                      |
| Redemption of units of an associate      | (2,411)                                    | -                                       | -                                          |
| Share of results                         | 15,117                                     | 14,464                                  | 12,049                                     |
| Change in other comprehensive income     | 2,575                                      | (14,258)                                | (11,032)                                   |
| Dividend received                        | (6,429)                                    | (2,845)                                 | (1,747)                                    |
| Transferred to investment in subsidiary  | -                                          | (523)                                   | -                                          |
| Dilution loss of an associate (refer 6a) | (253)                                      | -                                       | -                                          |
| Others adjustments                       | (237)                                      | (320)                                   | (517)                                      |
|                                          | 293,379                                    | 283,126                                 | 275,534                                    |

## Notes of the interim condensed consolidated financial information (continued)

### 6 Investment in associates (continued)

- a) During the period ended 30 September 2012, one of the group's associate, Mabane Company SAK (Closed) acquired control of one of its associate by issuing its ordinary shares as a purchase consideration. Consequently this has resulted in the group's shareholding in Mabane, diluting to 19.16% from 20.05%, resulting in a dilution loss of KD253 thousand. Although, the group owns 19.16% of Mabane Company SAK (Closed), the group exercises significant influence over the associate by way of board representation.
- b) A major portion of an associate with a carrying value of KD82,305 thousand have been subject to an exchangeable option (note 11c).

### 7 Available for sale investments

|                                | 30 Sept.<br>2012<br>(Unaudited)<br>KD '000 | 31 Dec.<br>2011<br>(Audited)<br>KD '000 | 30 Sept.<br>2011<br>(Unaudited)<br>KD '000 |
|--------------------------------|--------------------------------------------|-----------------------------------------|--------------------------------------------|
| <b>Non Current</b>             |                                            |                                         |                                            |
| Managed funds                  | 194,994                                    | 191,043                                 | 206,063                                    |
| Unquoted equity participations | 205,800                                    | 188,917                                 | 197,013                                    |
| Quoted shares                  | 343,764                                    | 359,365                                 | 347,473                                    |
|                                | <b>744,558</b>                             | <b>739,325</b>                          | <b>750,549</b>                             |
| <b>Current</b>                 |                                            |                                         |                                            |
| Quoted shares                  | 73,808                                     | 86,713                                  | 87,566                                     |
|                                | <b>818,366</b>                             | <b>826,038</b>                          | <b>838,115</b>                             |

- a) 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.
- b) At the end of the period, the group recognised a total impairment loss of KD5,273 thousand (30 September 2011: KD12,837 thousand) for certain quoted and unquoted shares.
- c) Quoted shares with a fair value of KD42,443 thousand (31 December 2011: KD37,006 thousand and 30 September 2011: KD25,279 thousand) are secured against term loans (refer note 11).

### 8 Investments at fair value through profit or loss

|                                            | 30 Sept.<br>2012<br>(Unaudited)<br>KD '000 | 31 Dec.<br>2011<br>(Audited)<br>KD '000 | 30 Sept.<br>2011<br>(Unaudited)<br>KD '000 |
|--------------------------------------------|--------------------------------------------|-----------------------------------------|--------------------------------------------|
| <b>Held for trading :</b>                  |                                            |                                         |                                            |
| Quoted shares                              | 34,389                                     | 34,411                                  | 48,556                                     |
| <b>Designated on initial recognition :</b> |                                            |                                         |                                            |
| Local funds                                | 14,329                                     | 21,905                                  | 27,480                                     |
| International managed portfolios and funds | 20,824                                     | 25,500                                  | 23,439                                     |
|                                            | <b>35,153</b>                              | <b>47,405</b>                           | <b>50,919</b>                              |
|                                            | <b>69,542</b>                              | <b>81,816</b>                           | <b>99,475</b>                              |

Quoted shares, held by local subsidiaries, with a fair value of KD17,032 thousand (31 December 2011: KD17,189 thousand and 30 September 2011: KD13,599 thousand) are secured against term loans (refer note 11).



## Notes of the interim condensed consolidated financial information (continued)

### 9 Share capital and share premium

- a) As of 30 September 2012, authorized and fully paid share capital in cash of the parent company comprised of 1,295,098,167 shares of 100 Fils each (31 December 2011 and 30 September 2011: 1,295,098,167 shares).
- b) The shareholders of the parent company approved at the shareholders Annual General Assembly held on 24 May 2012, to offset the accumulated losses as at 31 December 2011, amounting to KD30,524 thousand against general reserve, statutory reserve and then share premium (see note 10).
- c) Share premium is not available for distribution.

### 10 Others reserves

|                                                 | Statutory<br>reserve<br>KD '000 | General<br>reserve<br>KD '000 | Gain on Sale<br>of treasury<br>shares reserve<br>KD '000 | Foreign<br>currency<br>translation<br>reserve<br>KD '000 | Total<br>KD '000 |
|-------------------------------------------------|---------------------------------|-------------------------------|----------------------------------------------------------|----------------------------------------------------------|------------------|
| <b>Balances at 1 January 2012</b>               | 911                             | 856                           | 18,452                                                   | (3,288)                                                  | 16,931           |
| <b>Transaction with owners:</b>                 |                                 |                               |                                                          |                                                          |                  |
| Offset of accumulated losses (refer<br>note 9b) | (911)                           | (856)                         | -                                                        | -                                                        | (1,767)          |
| <b>Total transactions with owners</b>           | (911)                           | (856)                         | -                                                        | -                                                        | (1,767)          |
| <i>Other comprehensive income:</i>              |                                 |                               |                                                          |                                                          |                  |
| Currency translation differences                | -                               | -                             | -                                                        | (127)                                                    | (127)            |
| <b>Balances at 30 September 2012</b>            | -                               | -                             | 18,452                                                   | (3,415)                                                  | 15,037           |
| <b>Balances at 1 January 2011</b>               | 41,704                          | 289                           | 19,072                                                   | (1,984)                                                  | 59,081           |
| <b>Transaction with owners:</b>                 |                                 |                               |                                                          |                                                          |                  |
| Loss on disposal of treasury shares             | -                               | -                             | (620)                                                    | -                                                        | (620)            |
| Offset of accumulated losses                    | (41,704)                        | (289)                         | -                                                        | -                                                        | (41,993)         |
| <b>Total transactions with owners</b>           | (41,704)                        | (289)                         | (620)                                                    | -                                                        | (42,613)         |
| <i>Other comprehensive income:</i>              |                                 |                               |                                                          |                                                          |                  |
| Currency translation differences                | -                               | -                             | -                                                        | (1,447)                                                  | (1,447)          |
| <b>Balances at 30 September 2011</b>            | -                               | -                             | 18,452                                                   | (3,431)                                                  | 15,021           |

## Notes of the interim condensed consolidated financial information (continued)

### 11 Term loans

#### a. Long term borrowings

| Currency                              | Effective Interest rate | Security   | 30 Sept. 2012<br>KD '000 | 31 Dec. 2011<br>KD '000 | 30 Sept. 2011<br>KD '000 |
|---------------------------------------|-------------------------|------------|--------------------------|-------------------------|--------------------------|
| <b>Conventional loans</b>             |                         |            |                          |                         |                          |
| Kuwaiti Dinars (note 11 c)            | 3.5% - 5%               | Secured    |                          |                         |                          |
| US Dollars                            | 1.75% - 3.25%           | /unsecured | 363,107                  | 337,465                 | 328,595                  |
| Euro                                  | 2% - 4.8%               | Secured    | 91,070                   | 110,115                 | 97,933                   |
|                                       |                         | /unsecured | 1,916                    | 2,207                   | 2,374                    |
| Less : Due within one year            |                         |            | 456,093<br>(77,377)      | 449,787<br>(54,794)     | 428,902<br>(55,564)      |
|                                       |                         |            | 378,716                  | 394,993                 | 373,338                  |
| <b>Islamic financing arrangements</b> |                         |            |                          |                         |                          |
| Murabaha payable (note 11 c)          | 5%                      |            | 102,000                  | -                       | -                        |
| Other Islamic financing arrangements  | 5.5%                    |            | 71,000                   | -                       | -                        |
| Less: Due within one year             |                         |            | 173,000<br>(9,210)       | -                       | -                        |
|                                       |                         |            | 163,790                  | -                       | -                        |
| Total                                 |                         |            | 542,506                  | 394,993                 | 373,338                  |

#### b. Short term borrowings

| Currency                                                          | Effective Interest rate | Security   | 30 Sept. 2012<br>KD '000 | 31 Dec. 2011<br>KD '000 | 30 Sept. 2011<br>KD '000 |
|-------------------------------------------------------------------|-------------------------|------------|--------------------------|-------------------------|--------------------------|
| <b>Conventional loans</b>                                         |                         |            |                          |                         |                          |
| Kuwaiti Dinars                                                    | 4.5% - 6%               | Secured    |                          |                         |                          |
| US Dollars                                                        | 1% - 5%                 | /unsecured | 68,348                   | 120,914                 | 140,764                  |
| Sterling                                                          | 2% - 3.5%               | Secured    | 53,198                   | 76,192                  | 78,880                   |
| Jordan Dinars                                                     | 3.9% - 5.9%             | /unsecured | 12,739                   | 12,601                  | 12,570                   |
|                                                                   |                         | Secured    | 165                      | 2,335                   | 3,018                    |
| Long term borrowings due within one year                          |                         |            | 134,450<br>77,377        | 212,042<br>54,794       | 235,232<br>55,564        |
|                                                                   |                         |            | 211,827                  | 266,836                 | 290,796                  |
| <b>Islamic financing arrangements</b>                             |                         |            |                          |                         |                          |
| Murabaha/wakala/ijara payable                                     | 3% - 6.5%               |            | 30,391                   | 94,075                  | 91,000                   |
| Long term other Islamic financing arrangement due within one year |                         |            | 30,391<br>9,210          | 94,075<br>-             | 91,000<br>-              |
|                                                                   |                         |            | 39,601                   | 94,075                  | 91,000                   |
| Total                                                             |                         |            | 251,428                  | 360,911                 | 381,796                  |

## Notes of the interim condensed consolidated financial information (continued)

### 11 Term loans (continued)

- c. As referred to in note 12, long term borrowings include KD102,000 thousand of Islamic and KD25,000 thousand of conventional borrowings due in 2015 for which the group provided an exchange option to the respective lenders on the shares of one of its associates having a carrying value of KD82,305 thousand. Under the terms of the agreements, these shares are kept in a custody portfolio account with a financial institution.
- d. A local subsidiary of the group has restructured its financing arrangements with some local banks and accordingly loans amounting to KD112,846 thousand (net of repayment of KD7,345 thousand) were converted into secured long term facilities with 100% security coverage. As of 30 September 2012, the process of identification and securitization of the required investment portfolios is partly completed (note 7 and 8) and remaining is underway. Further during the period, another local subsidiary has agreed with its local bank to restructure a loan of KD32,375 thousand to a longer term loan secured by its investments.

### 12 Trust certificates – Mudaraba sukuk

The parent company completed all arrangements to settle the outstanding Sukuk of US Dollars 475,000 thousand on the due date at 16 August 2012, this settlement was financed through new syndicated financing arrangements (note 11 c).

### 13 Cash and cash equivalents

|                                                                                                           | 30 Sept.<br>2012<br>(Unaudited)<br>KD '000 | 31 Dec.<br>2011<br>(Audited)<br>KD '000 | 30 Sept.<br>2011<br>(Unaudited)<br>KD '000 |
|-----------------------------------------------------------------------------------------------------------|--------------------------------------------|-----------------------------------------|--------------------------------------------|
| Murabaha and wakala investments – maturing within three months                                            | -                                          | 1,000                                   | 2,656                                      |
| Short-term deposits                                                                                       | 3,587                                      | 79,041                                  | 86,050                                     |
| Bank balances and cash                                                                                    | 46,626                                     | 35,724                                  | 27,825                                     |
| Due to banks                                                                                              | (28,257)                                   | (23,656)                                | (27,831)                                   |
|                                                                                                           | 21,956                                     | 92,109                                  | 88,700                                     |
| Less: Blocked balances                                                                                    | (7,550)                                    | (115)                                   | (115)                                      |
| <b>Cash and cash equivalents for the purpose of interim condensed consolidated statement of cash flow</b> | <b>14,406</b>                              | <b>91,994</b>                           | <b>88,585</b>                              |

- a. Blocked balances include an amount of KD2,277 thousand which is secured against term loans.
- b. During the current quarter, Kuwait Dinar denominated short term deposit of KD43,000 thousand and US Dollar denominated short term deposits equivalent KD19,490 thousand were utilized to settle term loans.

## Notes of the interim condensed consolidated financial information (continued)

### 14 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.<br>2012<br>KD '000 | 30 Sept.<br>2011<br>KD '000 | 30 Sept.<br>2012<br>KD '000 | 30 Sept.<br>2011<br>KD '000 | 30 Sept.<br>2012<br>KD '000 | 30 Sept.<br>2011<br>KD '000 |          |
| <b>Three months ended</b>                                                                                   |                             |                             |                             |                             |                             |                             |          |
| Segment revenue                                                                                             | 16,220                      | 6,915                       | 9,016                       | 8,733                       | 16,613                      | 30,504                      | 41,849   |
| Less:                                                                                                       |                             |                             |                             |                             |                             |                             |          |
| Income from investments                                                                                     |                             |                             |                             |                             |                             |                             |          |
| Share of results of associates                                                                              |                             |                             |                             |                             |                             | (8)                         | (8,550)  |
| Change in fair value of investment properties                                                               |                             |                             |                             |                             |                             | (4,966)                     | (5,878)  |
| Realised gain on sale of investment properties                                                              |                             |                             |                             |                             |                             | 456                         | -        |
| Interest and other operating income                                                                         |                             |                             |                             |                             |                             | (198)                       | (1,792)  |
| Sales, as per interim condensed consolidated statement of income                                            |                             |                             |                             |                             |                             | (2,189)                     |          |
| Segment profit                                                                                              | 13,608                      | 2,694                       | 991                         | 1,509                       | 237                         | 23,599                      | 25,629   |
|                                                                                                             |                             |                             |                             |                             |                             |                             | 14,836   |
|                                                                                                             |                             |                             |                             |                             |                             |                             | 5,018    |
| Less:                                                                                                       |                             |                             |                             |                             |                             |                             |          |
| Finance costs                                                                                               |                             |                             |                             |                             |                             |                             |          |
| Loss on foreign currency exchange                                                                           |                             |                             |                             |                             |                             |                             |          |
| Profit/(loss) before taxation, NLST and Zakat as per the interim condensed consolidated statement of income |                             |                             |                             |                             |                             |                             | (11,268) |
|                                                                                                             |                             |                             |                             |                             |                             |                             | (1,291)  |
| <b>Nine months ended</b>                                                                                    |                             |                             |                             |                             |                             |                             |          |
| Segment revenue                                                                                             | 55,695                      | 43,870                      | 30,952                      | 29,451                      | 52,486                      | 118,922                     | 139,133  |
| Less:                                                                                                       |                             |                             |                             |                             |                             |                             |          |
| Income from investments                                                                                     |                             |                             |                             |                             |                             |                             |          |
| Share of results of associates                                                                              |                             |                             |                             |                             |                             | (23,874)                    | (33,935) |
| Change in fair value of investment properties                                                               |                             |                             |                             |                             |                             | (12,049)                    | (15,117) |
| Realised gain on sale of investment properties                                                              |                             |                             |                             |                             |                             | 304                         | (1,735)  |
| Interest and other operating income                                                                         |                             |                             |                             |                             |                             | (198)                       | (4,908)  |
| Sales, as per interim condensed consolidated statement of income                                            |                             |                             |                             |                             |                             | (8,043)                     |          |
| Segment profit                                                                                              | 41,493                      | 20,865                      | 5,049                       | 5,609                       | 2,608                       | 75,062                      | 83,438   |
|                                                                                                             |                             |                             |                             |                             |                             |                             | 49,150   |
|                                                                                                             |                             |                             |                             |                             |                             |                             | 28,456   |
| Less:                                                                                                       |                             |                             |                             |                             |                             |                             |          |
| Finance costs                                                                                               |                             |                             |                             |                             |                             |                             |          |
| (Loss)/profit on foreign currency exchange                                                                  |                             |                             |                             |                             |                             |                             |          |
| Profit before taxation, NLST and Zakat as per the interim condensed consolidated statement of income        |                             |                             |                             |                             |                             |                             | (29,760) |
|                                                                                                             |                             |                             |                             |                             |                             |                             | (3,152)  |
|                                                                                                             |                             |                             |                             |                             |                             |                             | 16,238   |
|                                                                                                             |                             |                             |                             |                             |                             |                             | 3,010    |

## Notes of the interim condensed consolidated financial information (continued)

### 15 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:

|                                                                                            | 30 Sept.<br>2012<br>(Unaudited)<br>KD '000 | 31 Dec.<br>2011<br>(Audited)<br>KD '000    | 30 Sept.<br>2011<br>(Unaudited)<br>KD '000 |
|--------------------------------------------------------------------------------------------|--------------------------------------------|--------------------------------------------|--------------------------------------------|
| <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                                                             | 3,730                                      | 4,421                                      | 7,080                                      |
| - Due from other related parties                                                           | 19                                         | 980                                        | 317                                        |
| - Due from key management personnel                                                        | 231                                        | 231                                        | 313                                        |
| Purchase of investment from associate                                                      | -                                          | 3,493                                      | -                                          |
| Due to related parties (included in accounts payable and other liabilities)                |                                            |                                            |                                            |
| - Due to associate                                                                         | 9,398                                      | 4,487                                      | 986                                        |
|                                                                                            |                                            |                                            |                                            |
|                                                                                            | <b>Three months ended</b>                  |                                            | <b>Nine months ended</b>                   |
|                                                                                            | 30 Sept.<br>2012<br>(Unaudited)<br>KD '000 | 30 Sept.<br>2011<br>(Unaudited)<br>KD '000 | 30 Sept.<br>2012<br>(Unaudited)<br>KD '000 |
|                                                                                            |                                            |                                            | 30 Sept.<br>2011<br>(Unaudited)<br>KD '000 |
| <b>Transactions included in interim condensed consolidated statement of income</b>         |                                            |                                            |                                            |
| Purchase of raw materials – from associates                                                | 984                                        | 1,103                                      | 4,017                                      |
| Management fees and placement fees earned from related parties                             | 18                                         | -                                          | 109                                        |
|                                                                                            |                                            |                                            |                                            |
| <b>Compensation of key management personnel of the group</b>                               |                                            |                                            |                                            |
| Short term employee benefits                                                               | 1,109                                      | 607                                        | 2,687                                      |
| End of service benefits                                                                    | 202                                        | 59                                         | 319                                        |
|                                                                                            | 1,311                                      | 666                                        | 3,006                                      |
|                                                                                            |                                            |                                            | 2,712                                      |

### 16 Annual general assembly

The general assembly of the shareholders held on 24 May 2012 approved the consolidated financial statements for the year ended 31 December 2011 and the Director's proposal not to distribute any dividends for the year then ended.

### 17 Contingent liabilities

At 30 September 2012, the group had contingent liabilities in respect of outstanding bank guarantees amounting to KD13,646 thousand (31 December 2011: KD14,164 thousand and 30 September 2011: KD11,643 thousand).

## Notes of the interim condensed consolidated financial information (continued)

### **18 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 2012 amounted to KD29,338 thousand (31 December 2011: KD43,032 thousand and 30 September 2011: KD43,139 thousand) of which assets managed on behalf of related parties amounted to KD8,953 thousand (31 December 2011: KD8,930 thousand and 30 September 2011: KD9,831 thousand).

### **19 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 KD28,098 thousand (31 December 2011: KD30,521 thousand and 30 September 2011: KD34,395 thousand).

### **20 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.