Interim condensed consolidated financial information and review report

National Industries Group Holding – SAK and subsidiaries

Kuwait

30 September 2008 (Unaudited)

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Review report

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

Report on review of interim condensed consolidated financial information

Introduction
We have reviewed the accompanying interim condensed consolidated balance sheet of National Industries Group Holding (A Kuwaiti Shareholding Company) (the "parent company") and subsidiaries (collectively the "group"), as of 30 September 2008 and the related interim condensed consolidated statements of income, changes in equity and cash flows for the nine-month period then ended. The parent company's directors are responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

Report on review of other legal and regulatory requirements

Based on our review, the interim condensed consolidated financial information is in agreement with the books of the parent company. We further report that, to the best of our knowledge and belief, no violations of the Commercial Companies Law of 1960 or of the articles of association of the parent company, as amended, have occurred during the nine-month period ended 30 September 2008 that might have had a material effect on the business of the group or on its financial position.

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Kuwait
13 November 2008

Interim condensed consolidated statement of income

	Note	Three months ended 30 Sept. 2008 (Unaudited) KD '000	Three months ended 30 Sept. 2007 (Unaudited) KD '000	Nine months ended 30 Sept. 2008 (Unaudited) KD '000	Nine months ended 30 Sept. 2007 (Unaudited) KD '000
Sales		**25,965**	28,320	**85,598**	88,210
Cost of sales		**(20,542)**	(22,302)	**(67,370)**	(69,646)
Gross profit		**5,423**	6,018	**18,228**	18,564
(Loss)/income from investments	4	**(22,400)**	55,506	**110,503**	245,336
Share of profits of associates		**6,859**	5,473	**15,236**	15,529
Interest and other operating income	5	**15,212**	6,424	**37,132**	16,548
Distribution costs		**(1,209)**	(1,465)	**(4,202)**	(4,544)
General, administrative and other expenses		**(2,866)**	(5,802)	**(17,071)**	(20,333)
Profit from operations		**1,019**	66,154	**159,826**	271,100
Finance costs		**(16,700)**	(12,299)	**(49,880)**	(33,598)
(Loss)/profit on sale of property		**-**	(4)	**-**	797
Impairment in value of associate		**-**	(3,050)	**-**	(5,800)
Impairment in value of goodwill		**-**	-	**-**	(1,250)
(Loss)/gain on foreign exchange		**(4,513)**	8,102	**8,624**	10,554
(Loss)/profit for the period before taxation, provision for KFAS, NLST, Zakat and directors' remuneration		**(20,194)**	58,903	**118,570**	241,803
Taxation		**(36)**	(112)	**(239)**	(517)
Provision reversal/(charge) for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		**258**	(634)	**(907)**	(2,461)
Provision reversal/(charge) for National Labour Support Tax (NLST)		**614**	(1,068)	**(1,769)**	(4,713)
Provision reversal/(charge) for Zakat		**255**	-	**(716)**	-
Provision for Directors' remuneration		**(50)**	(50)	**(150)**	(150)
(Loss)/profit for the period		**(19,153)**	57,039	**114,789**	233,962
Attributable to :					
Shareholders of the parent company		**(17,992)**	49,875	**101,812**	207,961
Minority interest		**(1,161)**	7,164	**12,977**	26,001
		(19,153)	57,039	**114,789**	233,962
Basic and diluted (loss)/earnings per share	6	**(14) Fils**	40 Fils	**81 Fils**	167 Fils

The notes set out on pages 8 to 18 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated balance sheet

	Note	30 Sept. 2008 (Unaudited) KD '000	(Restated) 31 Dec. 2007 (Audited) KD '000	(Restated) 30 Sept. 2007 (Unaudited) KD '000
Assets				
Non-current assets				
Goodwill		**9,627**	10,697	12,511
Property, plant and equipment		**37,462**	34,304	32,572
Investment in associates	7	**294,363**	261,691	215,340
Available for sale investments	8	**1,106,213**	846,206	701,627
Investment properties	9	**24,645**	-	-
Deferred tax		**153**	132	153
Total non-current assets		**1,472,463**	1,153,030	962,203
Current assets				
Inventories		**23,477**	23,323	23,691
Accounts receivable and other assets	10	**189,005**	129,232	101,624
Murabaha and wakala investments		**31,500**	33,883	48,070
Investments at fair value through statement of income	11	**230,367**	590,542	659,146
Short-term deposits		**194,475**	187,079	187,853
Bank balances and cash		**48,687**	17,894	33,683
Total current assets		**717,511**	981,953	1,054,067
Total assets		**2,189,974**	2,134,983	2,016,270
Equity and liabilities				
Equity attributable to shareholders of the parent company				
Share capital	12	**129,510**	117,736	117,736
Treasury shares		**(29,595)**	(27,156)	(27,870)
Reserves	15	**301,582**	303,723	275,705
Cumulative changes in fair value		**46,794**	215,451	142,812
Retained earnings		**261,418**	299,054	325,437
Equity attributable to shareholders of the parent company		**709,709**	908,808	833,820
Minority interest		**202,265**	196,999	166,088
Total equity		**911,974**	1,105,807	999,908
Non-current liabilities				
Bonds and trust certificates		**167,067**	171,227	175,564
Long-term borrowings		**165,029**	165,190	165,311
Leasing creditors		**371**	375	216
Provisions		**9,297**	9,558	10,991
Total non-current liabilities		**341,764**	346,350	352,082
Current liabilities				
Accounts payable and other liabilities		**91,439**	74,569	74,757
Short-term borrowings	13	**811,494**	571,211	546,490
Due to banks		**33,303**	37,046	43,033
Total current liabilities		**936,236**	682,826	664,280
Total equity and liabilities		**2,189,974**	2,134,983	2,016,270

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

The notes set out on pages 8 to 18 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of changes in equity

	Equity attributable to shareholders of the parent company							
	Share capital KD '000	Treasury shares KD '000	Reserves (Note 15) KD '000	Cumulative changes in fair value KD '000	Retained earnings KD '000	Sub-Total KD '000	Minority interest KD '000	Total KD '000
Balance at 1 January 2008 (as previously reported)	117,736	(27,156)	303,723	215,451	359,741	969,495	196,999	1,166,494
Prior period adjustment on acquisition of associate								
- reversal of change in fair value (refer note 7a.)	-	-	-	-	(65,756)	(65,756)	-	(65,756)
- recognition of share of profit (refer note 7a.)	-	-	-	-	5,069	5,069	-	5,069
Balance at 1 January 2008 (as restated)	117,736	(27,156)	303,723	215,451	299,054	908,808	196,999	1,105,807
Changes in fair value of available for sale investments	-	-	-	(146,914)	-	(146,914)	(33,199)	(180,113)
Share of fair value adjustment in associates	-	-	-	(3,417)	-	(3,417)	-	(3,417)
Realised on sale of available for sale investments	-	-	-	(18,326)	-	(18,326)	(4,198)	(22,524)
Transfer of excess depreciation	-	-	(28)	-	28	-	-	-
Currency translation differences	-	-	(3,597)	-	-	(3,597)	(3,149)	(6,746)
Net (expense)/income recognised directly in equity	-	-	(3,625)	(168,657)	28	(172,254)	(40,546)	(212,800)
Profit for the period	-	-	-	-	101,812	101,812	12,977	114,789
Adjustment related to acquisition of associate – reversal of change in fair value (refer note 7a.)	-	-	-	-	(43,903)	(43,903)	-	(43,903)
Adjustment related to acquisition of associate – recognition of share of profits (refer note 7a.)	-	-	-	-	2,150	2,150	-	2,150
Total recognised (expense)/income for the period	-	-	(3,625)	(168,657)	60,087	(112,195)	(27,569)	(139,764)
Issue of bonus share (refer note 18)	11,774	-	-	-	(11,774)	-	-	-
Issue of staff bonus shares by utilizing treasury shares	-	1,047	-	-	-	1,047	-	1,047
Gain on issue of treasury shares to staff	-	-	1,484	-	-	1,484	-	1,484
Purchase of treasury shares	-	(3,486)	-	-	-	(3,486)	-	(3,486)
Cash dividend to shareholders of the parent company (refer note 18)	-	-	-	-	(85,949)	(85,949)	-	(85,949)
Investment made by minority shareholders of subsidiaries	-	-	-	-	-	-	49,325	49,325
Dividend paid to minority by the subsidiaries	-	-	-	-	-	-	(16,490)	(16,490)
	11,774	(2,439)	1,484	-	(97,723)	(86,904)	32,835	(54,069)
Balance at 30 September 2008	**129,510**	**(29,595)**	**301,582**	**46,794**	**261,418**	**709,709**	**202,265**	**911,974**

The notes set out on pages 8 to 18 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of changes in equity (continued)

	Equity attributable to shareholders of the parent company							
	Share capital KD '000	Treasury shares KD '000	Reserves (Note 15) KD '000	Cumulative changes in fair value KD '000	Retained earnings KD '000	Sub-Total KD '000	Minority interest KD '000	Total KD '000
Balance at 1 January 2007 (as previously reported)	107,033	(56,378)	264,315	146,409	260,404	721,783	111,057	832,840
Prior period adjustment on acquisition of associate								
- reversal of change in fair value (refer note 7a.)	-	-	-	-	(30,209)	(30,209)	-	(30,209)
- recognition of share of profit (refer note 7a.)	-	-	-	-	1,607	1,607	-	1,607
Balance at 1 January 2007 (as restated)	107,033	(56,378)	264,315	146,409	231,802	693,181	111,057	804,238
Changes in fair value of available for sale investments	-	-	-	8,950	-	8,950	3,065	12,015
Share of fair value adjustment in associates	-	-	-	16,993	-	16,993	-	16,993
Impairment in value of available for sale investments	-	-	-	2,000	-	2,000	-	2,000
Realised on sale of available for sale investments	-	-	-	(31,540)	-	(31,540)	-	(31,540)
Transfer of excess depreciation and on disposal	-	-	(324)	-	324	-	-	-
Currency translation differences	-	-	(29)	-	-	(29)	-	(29)
Net (expenses)/income recognised directly in equity	-	-	(353)	(3,597)	324	(3,626)	3,065	(561)
Profit for the period	-	-	-	-	207,961	207,961	26,001	233,962
Adjustment related to acquisition of associate – reversal of change in fair value (refer note 7a.)	-	-	-	-	(35,135)	(35,135)	-	(35,135)
Adjustment related to acquisition of associate – recognition of share of profits (refer note 7a.)	-	-	-	-	2,609	2,609	-	2,609
Total recognised (expenses)/income for the period	-	-	(353)	(3,597)	175,759	171,809	29,066	200,875
Issue of bonus shares	10,703	-	-	-	(10,703)	-	-	-
Issue of staff bonus shares by utilizing treasury shares	-	757	-	-	-	757	-	757
Cash dividend to shareholders of the parent company	-	-	-	-	(71,421)	(71,421)	-	(71,421)
Purchase of treasury shares	-	(20,023)	-	-	-	(20,023)	-	(20,023)
Disposal of treasury shares	-	47,774	-	-	-	47,774	-	47,774
Profit on disposal of treasury shares	-	-	11,743	-	-	11,743	-	11,743
Investment made by minority shareholders of subsidiaries	-	-	-	-	-	-	36,982	36,982
Dividend paid to minority by the subsidiaries	-	-	-	-	-	-	(11,017)	(11,017)
	10,703	28,508	11,743	-	(82,124)	(31,170)	25,965	(5,205)
Balance at 30 September 2007 (as restated)	117,736	(27,870)	275,705	142,812	325,437	833,820	166,088	999,908

The notes set out on pages 8 to 17 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows

	Nine months ended 30 Sept. 2008 (Unaudited) KD '000	(Restated) Nine months ended 30 Sept. 2007 (Unaudited) KD '000
OPERATING ACTIVITIES		
Profit for the period before taxation, provision for KFAS, NLST, Zakat and directors' remuneration	**118,570**	241,803
Adjustments for :		
Depreciation of property, plant and equipment	**3,757**	3,763
Change in fair value of investment property	**(7,689)**	-
Impairment in value of goodwill	**-**	1,250
Profit on disposal of property, plant and equipment	**(41)**	(797)
Share of profits of associates	**(15,236)**	(15,529)
Impairment in value of associate	**-**	5,800
Dividend income from available for sale investments	**(18,588)**	(8,021)
Impairment in value of available for sale investments	**10,681**	2,000
Profit on sale of available for sale investments	**(35,895)**	(28,438)
Income from murabaha and wakala investments	**(1,484)**	(3,398)
Net provisions released	**(261)**	(647)
Finance costs	**49,880**	33,598
Interest income	**(11,691)**	(8,075)
	92,003	223,309
Changes in operating assets and liabilities:		
Inventories	**(154)**	269
Accounts receivable and other assets	**(18,023)**	(46,567)
Investments at fair value through statement of income	**(68,002)**	(294,733)
Accounts payable and other liabilities	**20,972**	11,488
Cash from/(used in) operations	**26,796**	(106,234)
Taxation paid	**(307)**	(361)
KFAS contribution and National Labour Support Tax paid	**(3,442)**	(7,166)
Directors remunerations paid	**(180)**	(180)
Net cash from/(used in) operating activities	**22,867**	(113,941)

The notes set out on pages 8 to 18 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows (continued)

	Note	Nine months ended 30 Sept.2008 (Unaudited) KD '000	(Restated) Nine months ended 30 Sept.2007 (Unaudited) KD '000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(8,735)**	(3,164)
Proceeds from sale of property, plant and equipment		**457**	1,661
Investment in associated companies		**(11,634)**	(38,874)
Investment in properties		**(16,956)**	-
Dividend received from associates		**9,979**	6,653
Purchase of available for sale investments		**(200,105)**	(331,121)
Proceeds from sale of available for sale investments		**82,582**	66,342
Decrease in wakala investments maturing after three months		**16,000**	5,000
Dividend income received from available for sale investments		**18,588**	8,021
Interest income and murabaha and wakala income received		**10,666**	12,746
Net cash used in investing activities		**(99,158)**	(272,736)
FINANCING ACTIVITIES			
Increase in finance lease		**5**	190
Net (decrease)/increase in long-term borrowings, bonds and trust certificates		**(4,321)**	231,071
Net increase in short-term borrowings		**240,283**	130,716
Dividend paid to shareholders of the parent		**(84,381)**	(70,200)
Finance costs paid		**(48,496)**	(29,416)
Purchase of treasury shares		**(3,486)**	(20,023)
Proceeds from sale of treasury shares		**-**	58,954
Increase in minority interest		**32,835**	25,965
Net cash from financing activities		**132,439**	327,257
Net increase/(decrease) in cash and cash equivalents		**56,148**	(59,420)
Translation differences		**(599)**	20
		55,549	(59,400)
Cash and cash equivalents at beginning of the period		**171,810**	255,972
Cash and cash equivalents at end of the period	14	**227,359**	196,572

The notes set out on pages 8 to 18 form an integral part of this interim condensed consolidated financial information.

Notes to the interim condensed consolidated financial information

30 September 2008 (Unaudited)

1 Incorporation and activities

National Industries Group Holding – SAK ('the parent company') was incorporated in 1961 as a Kuwaiti shareholding company in accordance with the Commercial Companies Law in the State of Kuwait and in April 2003, its status was transformed to a 'Holding Company'. The parent company along with its subsidiaries are jointly referred to as "the group". The parent company's shares are traded on the Kuwait Stock Exchange and Dubai Financial Market.

The main objectives of the parent company are as follows:

- Owning stocks and shares in Kuwaiti or non-Kuwaiti shareholding companies and shares in Kuwaiti or non-Kuwaiti limited liability companies and participating in the establishment of, lending to and managing of these companies and acting as a guarantor for these companies.
- Lending money to companies in which it owns 20% or more of the capital of the borrowing company, along with acting as guarantor on behalf of these companies.
- Owning industrial equities such as patents, industrial trade marks, royalties, or any other related rights, and franchising them to other companies or using them within or outside the State of Kuwait.
- Owning real estate and moveable property to conduct its operations within the limits as stipulated by law.
- Employing excess funds available with the company by investing them in investment and real estate portfolios managed by specialised companies.

The address of the parent company's registered office is PO Box 417, Safat 13005, State of Kuwait.

The board of directors of the parent company approved this interim condensed consolidated financial information for issue on 13 November 2008.

2 Significant accounting policies

Basis of presentation

The interim condensed consolidated financial information of the group has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting". The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2007 except for adoption of amendments to IAS 39 – Financial Instruments: Recognition and Measurement and IFRS 7 – Financial Instruments: Disclosures, relating to reclassification of financial assets and the new accounting policy adopted in respect of "investment properties".

2 Significant accounting policies (continued)

Basis of presentation (continued)
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.

Operating results for the nine months period ended 30 September 2008 are not necessarily indicative of the results that may be expected for the year ending 31 December 2008. For further details, refer to the consolidated financial statements and its related disclosures for the year ended 31 December 2007.

Adoption of amendments to IAS 39 – Financial Instruments: Recognition and Measurement and IFRS 7 – Financial Instruments: Disclosures, relating to reclassification of financial assets
On 13 October 2008, the International Accounting Standards Board issued amendments to IAS 39 – Financial Instruments: Recognition and Measurement and IFRS 7 – Financial Instruments: Disclosures. These amendments permit reclassification of financial instruments other than derivatives from "at fair value through statement of income" category to "available for sale" in rare circumstances.

These financial instruments are reclassified at its fair value on the date of reclassification. Any gain or loss already recognised in the statement of income is not reversed.

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

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

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

3 Consolidated subsidiary

During the nine month period ended 30 September 2008, the parent company incorporated the following significant subsidiary with a share capital of USD200,000 thousand and the details of the consolidated subsidiary is as follows:

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

4 (Loss)/income from investments

	Three months ended		Nine months ended	
	30 Sept. 2008 (Unaudited)	30 Sept. 2007 (Unaudited)	**30 Sept. 2008 (Unaudited)**	30 Sept. 2007 (Unaudited)
	KD '000	KD '000	**KD '000**	KD '000
Dividend income:				
- From investments at fair value through statement of income	**788**	1,381	**17,721**	9,927
- From available for sale investments	**2,430**	753	**18,588**	8,021
Profit on sale of available for sale investments	**17,233**	1,612	**35,895**	28,438
Impairment in value of available for sale investments	**(10,681)**	-	**(10,681)**	(2,000)
Realised (loss)/gain on investments at fair value through statement of income	**(7,060)**	13,953	**11,833**	81,757
Unrealised (loss)/gain on investments at fair value through statement of income	**(25,110)**	37,807	**37,147**	119,193
	(22,400)	55,506	**110,503**	245,336

5 Interest and other operating income

	Three months ended		Nine months ended	
	30 Sept. 2008 (Unaudited)	30 Sept. 2007 (Unaudited)	**30 Sept. 2008 (Unaudited)**	30 Sept. 2007 (Unaudited)
	KD '000	KD '000	**KD '000**	KD '000
Management and placement fees	**2,409**	1,086	**7,790**	1,540
Interest income on bank balances and short term deposits	**3,524**	2,816	**11,691**	8,075
Income from murabaha and wakala investments	**530**	1,036	**1,484**	3,398
Income from financing of future trade by customers	**2,516**	1,182	**7,261**	2,705
Changes in fair value of investment properties (refer note 9)	**5,949**	-	**7,689**	-
Others	**284**	304	**1,217**	830
	15,212	6,424	**37,132**	16,548

6 Basic and diluted (loss)/earnings per share

(Loss)/earnings per share is calculated by dividing the (loss)/profit for the period attributable to the shareholders of the parent by the weighted average number of shares outstanding during the period as follows:

	Three months ended		Nine months ended	
	30 Sept. 2008 (Unaudited)	30 Sept. 2007 (Unaudited)	**30 Sept. 2008 (Unaudited)**	30 Sept. 2007 (Unaudited)
(Loss)/profit for the period attributable to the shareholders of the parent company (KD '000)	**(17,992)**	49,875	**101,812**	207,961
Weighted average number of shares outstanding during the period (excluding treasury shares)	**1,259,636,082**	1,262,598,242	**1,259,887,333**	1,247,664,079
Basic & diluted (loss)/earnings per share	**(14) Fils**	40 Fils	**81 Fils**	167 Fils

The weighted average number of shares outstanding during the previous period has been adjusted to reflect the bonus shares issued during the current period (refer note 12).

7 Investment in associates

a. During the three months ended 30 September 2008, the group acquired additional shares in Mabanee Company SAK (Closed), resulting in an increase in its stake from 17.8% at 31 December 2007 to 20.0% and hence providing significant influence in the investee. Accordingly during the three months period ended 30 September 2008, the group has reclassified its investment in Mabanee Company SAK (Closed), a Kuwaiti shareholding company listed in the Kuwait Stock Exchange, from "investments at fair value through statement of income" to "investment in associates".

In accordance with IAS 28 "Investment in Associates" and IFRS 3 "Business Combination" the interest in the investee has been accounted for under the equity method of accounting. Accordingly, the carrying amount of investments as at 30 June 2008 (KD25,872 thousand), 31 December 2007 (KD26,038 thousand) and 30 September 2007 (KD15,431 thousand) have been reclassified from investments at fair value through statement of income to investments in associates (refer note11 b.). The groups also reversed the changes in fair value for the six month ended 30 June 2008 amounting to KD43,903 thousand (for the year ended 31 December 2007: KD35,547 thousand, up to 31 December 2006: KD30,209 thousand and for the nine months ended 30 September 2007: KD35,135 thousand) and recognised the share of profits for the six months ended 30 June 2008 amounting to KD2,150 thousand (for the year ended 31 December 2007: KD3,462 thousand, up to 31 December 2006: KD1,607 thousand and for the nine months ended 30 September 2007: KD2,609 thousand) in shareholders equity. A total provisional goodwill amounting to KD20,084 thousand has arisen as a result of the above acquisition in stages and is included in the carrying value of the investment.

b. During the three months ended 30 September 2008, the group acquired additional shares in Meezan Bank Limited Pakistan, increasing its equity holding in the investee from 34.7% at 30 June 2008 to 45.5%. Goodwill of KD4,061 thousand arising from this transaction is included in the carrying value of the investment.

8 Available for sale investments

	30 Sept. 2008 (Unaudited) KD '000	31 Dec. 2007 (Audited) KD '000	30 Sept. 2007 (Unaudited) KD '000
Managed funds	**247,215**	207,711	156,776
Unquoted equity participations	**208,511**	181,170	168,774
Quoted shares (see note 8a)	**650,487**	457,325	376,077
	1,106,213	846,206	701,627

a. Quoted shares at 30 September 2008 includes investments with a fair value of KD290,418 thousand which were reclassified from investment at fair value through statement of income (refer note 11 a.).

b. Managed funds include investments in private equity funds with a carrying value of KD101,764 thousand (31 December 2007: KD92,380 thousand and 30 September 2007: KD59,241 thousand). Information for these investments is limited to periodic financial reports provided by the investment managers. These investments are carried at net asset values reported by the investment managers. Due to the nature of these investments, the net asset values reported by the investment managers represent the best estimate of fair values available for these investments.

c. During the period ended 30 September 2008, the group recorded an impairment provision of KD10,681 thousands against a foreign investment. The provision is based on estimate, made by management based on information available to it at the balance sheet date.

d. Quoted shares of a local subsidiary with a fair value of KD19,861 thousand (31 December 2007 and 30 September 2007: KD Nil) are secured against short term borrowings.

9 Investment properties

Investment properties comprise of land and buildings as follows:

	30 Sept. 2008 (Unaudited) KD '000	31 Dec. 2007 (Audited) KD '000	30 Sept. 2007 (Unaudited) KD '000
Kuwait	**12,000**	-	-
Saudi Arabia	**12,645**	-	-
Total	**24,645**	-	-

During the year 2007 the group made advance payments to acquire the above properties for a total consideration of KD16,956 thousand and the advance payments were classified under accounts receivable and other assets at 31 December 2007. During the period upon completion of legal formalities the amounts have been reclassified as investment properties and upon transfer the group revalued these properties and recorded a gain of KD7,689 thousand.

The property in Saudi Arabia is held jointly (jointly controlled property) with the registered owner who has issued a letter confirming the co-ownership.

10 Accounts receivable and other assets

	30 Sept. 2008 (Unaudited) KD '000	31 Dec. 2007 (Audited) KD '000	30 Sept. 2007 (Unaudited) KD '000
Financial assets			
Trade receivables – gross	**18,401**	22,395	20,358
Less: Provision for impairment of trade receivables	**(1,155)**	(1,419)	(1,155)
Net trade receivables	**17,246**	20,976	19,203
Proceed due on sale of investments – from related party	**31,352**	-	1,864
Proceed due on sale of investments	**1,350**	2,309	11,334
Due from associates	**10,583**	13,732	5,347
Due from key management personnel	**314**	313	314
Advance payments to acquire investments	**25,438**	9,832	9,668
Due from Kuwait Clearing Company	**11,752**	1,221	2,600
Due from Kuwait Clearing Company (related to future trade)	**59,197**	36,342	28,096
Due from investment brokerage companies	**1,922**	9,018	7,984
Interest and other accrued income	**9,863**	2,203	2,023
Prepayments	**2,059**	2,406	3,718
Other financial assets	**10,124**	6,178	7,705
	181,200	104,530	99,856
Non-financial assets			
Advance payments to acquire properties	**6,685**	23,778	38
Other assets	**1,120**	924	1,730
	7,805	24,702	1,768
	189,005	129,232	101,624

11 Investments at fair value through statement of income

	30 Sept. 2008 (Unaudited) KD '000	(Restated) 31 Dec. 2007 (Audited) KD '000	(Restated) 30 Sept. 2007 (Unaudited) KD '000
Held for trading :			
Quoted shares	**90,270**	392,040	424,805
Designated on initial recognition :			
Local funds	**116,727**	157,298	198,797
International managed portfolios and funds	**23,370**	41,204	35,544
	140,097	198,502	234,341
	230,367	590,542	659,146

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

As a result of significant developments in the global financial markets, the group decided to adopt amendments to IAS 39 and IFRS 7 with effect from 1 July 2008 and reclassified investments with a fair value of KD380,755 thousand as at 1 July 2008 from "fair value through profit or loss" category to "available for sale" category.

The fair value of these reclassified investments as of 30 September 2008 is KD290,418 thousand and the resultant unrealized loss of KD90,337 thousand is taken to equity. Had the investments not been reclassified the unrealized loss would have been recorded in the interim condensed consolidated statement of income. The group recorded an unrealized gain of KD41,337 thousand in the interim condensed consolidated statement of income with respect to these reclassified investments during the six months period ended 30 June 2008.

b). The group reclassified investments with a fair value of KD128,312 thousand at 1 July 2008 (31 December 2007: KD86,725 thousand and 30 September 2007: KD76,559 thousand) to investment in associates after reversing the changes in fair value and recognising the share of profits up to the respective reporting dates. The cumulative changes in fair value reversed up to 30 June 2008 amounted to KD109,659 thousand (up to 31 December 2007: KD65,756 thousand and up to 30 September 2007: KD65,344 thousand) and the cumulative share of profits recognised up to 30 June 2008 amounted to KD7,219 thousand (up to 31 December 2007: KD5,069 thousand and up to 30 September 2007: KD4,216 thousand) (refer note 7a).

c). Quoted shares of a local subsidiary with a fair value of KD6,582 thousand (31 December 2007: KD32,491 thousand and 30 September 2007: KD28,817 thousand) are secured against short term borrowings.

12 Share capital

As of 30 September 2008, the issued and fully paid share capital of the parent company was made up of 1,295,098,167 shares of 100 Fils each (31 December 2007 and 30 September 2007: 1,177,361,971 shares).

At the extraordinary general assembly held on 5 May 2008, the shareholders of the parent company approved to increase the paid up share capital by 25% by way of an issue of shares during the year 2008, at par value of 100 Fils per share and premium of 800 Fils per share. However due to the decline in the major stocks indices throughout the world including Kuwait and the consequent decline in the parent company's share price, the parent company's board of directors in its meeting dated 21 October 2008, has proposed to cancel the increase in share capital at the next shareholders general assembly which is to be held in the near future.

13 Short-term borrowings

Currency	Effective Interest/profit rates	Security	30 Sept. 2008 (Unaudited) KD '000	31 Dec. 2007 (Audited) KD '000	30 Sept. 2007 (Unaudited) KD '000
Conventional loans					
Kuwaiti Dinars	6.50%-9.12%	Unsecured	**365,772**	287,620	255,638
Kuwaiti Dinars	7.75%-8.25%	Secured	**20,000**	20,000	20,000
US Dollars	3.29%-7.30%	Unsecured	**290,179**	240,309	233,337
Sterling	5.50%-6.42%	Unsecured	**16,381**	16,271	19,343
Euro	4.32%	Unsecured	**-**	172	234
Sterling – current portion	4.00%-7.50%	Secured	**-**	656	251
Euro – current portion	4.75%-5.75%	Secured	**162**	183	687
			692,494	565,211	529,490
Islamic financing arrangements					
Murabaha and wakala payables	6.5%-8.5%	Unsecured	**119,000**	6,000	17,000
			119,000	6,000	17,000
Total			**811,494**	571,211	546,490

14 Cash and cash equivalents

	30 Sept. 2008 (Unaudited) KD '000	31 Dec. 2007 (Audited) KD '000	30 Sept. 2007 (Unaudited) KD '000
Murabaha and wakala investments – maturing within three months	**17,500**	3,883	18,069
Short-term deposits	**194,475**	187,079	187,853
Bank balances and cash	**48,687**	17,894	33,683
Due to banks	**(33,303)**	(37,046)	(43,033)
Cash and cash equivalent for the purpose of cash flow statement	**227,359**	171,810	196,572

15 Reserves

	Share premium KD '000	Statutory reserve KD '000	General reserve KD '000	Revaluation reserve KD '000	Gain on Sale of treasury shares reserve KD '000	Foreign currency translation reserve KD '000	Total KD '000
Balance at 1 January 2008	152,691	110,459	28,708	28	12,825	(988)	303,723
Transfer of excess depreciation	-	-	-	(28)	-	-	(28)
Currency translation differences	-	-	-	-	-	(3,597)	(3,597)
Gain on issue of treasury shares to staff	-	-	-	-	1,484	-	1,484
Balances at 30 September 2008	**152,691**	**110,459**	**28,708**	**-**	**14,309**	**(4,585)**	**301,582**
Balance at 1 January 2007	152,691	85,334	25,621	350	800	(481)	264,315
Transfer of excess depreciation	-	-	-	(324)	-	-	(324)
Currency translation differences	-	-	-	4		(33)	(29)
Profit on disposal of treasury shares	-	-	-	-	11,743	-	11,743
Balances at 30 September 2007	152,691	85,334	25,621	30	12,543	(514)	275,705

16 Segmental analysis

The group's primary format for reporting segment information is business segments and the group primarily operates in three business segments: investment, building materials and specialist engineering. The segment information is as follows:

	Investment		Building materials		Specialist engineering		Total	
	30 Sept. 2008 KD '000	30 Sept. 2007 KD '000	**30 Sept. 2008 KD '000**	30 Sept. 2007 KD '000	**30 Sept. 2008 KD '000**	30 Sept. 2007 KD '000	**30 Sept. 2008 KD '000**	30 Sept. 2007 KD '000
Three months ended								
Segment (expenses)/revenue	**(329)**	67,403	**7,938**	7,918	**16,375**	19,776	**23,984**	95,097
Less:								
Loss/(income) from investments							**22,400**	(55,506)
Share of profits of associates							**(6,859)**	(5,473)
Interest and other operating income							**(15,212)**	(6,424)
Unallocated sales							**1,652**	626
Sales, as per interim condensed consolidated statement of income							**25,965**	28,320
Segment (loss)/profit	**(1,271)**	60,263	**2,020**	2,222	**196**	612	**945**	63,097
Finance costs							**(16,700)**	(12,299)
Unallocated net (loss)/income							**(4,439)**	8,105
(Loss)/profit for the period before taxation, provision for KFAS, NLST, Zakat and directors' remuneration, as per interim condensed consolidated statement of income							**(20,194)**	58,903
Nine months ended								
Segment revenue	**162,871**	277,449	**26,580**	24,170	**55,067**	61,806	**244,518**	363,425
Less:								
Income from investments							**(110,503)**	(245,336)
Share of profits of associates							**(15,236)**	(15,529)
Interest and other operating income							**(37,132)**	(16,548)
Unallocated sales							**3,951**	2,198
Sales, as per interim condensed consolidated statement of income							**85,598**	88,210
Segment profit	**152,010**	255,827	**5,931**	5,930	**1,793**	3,084	**159,734**	264,841
Finance costs							**(49,880)**	(33,598)
Unallocated net income							**8,716**	10,560
Profit for the period before taxation, provision for KFAS, NLST, Zakat and directors' remuneration, as per interim condensed consolidated statement of income							**118,570**	241,803

17 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. 2008 (Unaudited) KD '000	31 Dec. 2007 (Audited) KD '000	30 Sept. 2007 (Unaudited) KD '000
Interim condensed consolidated balance sheet			
Due from related parties (refer note 10)	**42,249**	14,045	7,525
Due to related parties (included in accounts payable and other liabilities)			
- Due to associate company	**30,136**	6,843	5,347
- Due to key management personnel	**556**	3,226	3,141

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

	Nine months ended 30 Sept.2008 (Unaudited) KD '000	Nine months ended 30 Sept.2007 (Unaudited) KD '000
Interim condensed consolidated statement of income		
Profit on sale of available for sale investments	**12,657**	-
Purchase of raw materials – from associates	**5,751**	5,963
Finance costs – charged by associate company	**1,451**	-
Compensation of key management personnel of the group		
Short term employee benefits	**2,303**	5,787
End of service benefits	**553**	384
Cost of share based payments	**972**	-
	3,828	6,171

18 Dividend distribution

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

19 Contingent liabilities

At 30 September 2008, the group had contingent liabilities in respect of outstanding bank guarantees amounting to KD464 thousand (31 December 2007: KD553 thousand and 30 September 2007: KD5,154 thousand).

20 Fiduciary assets

One of the subsidiaries of the group manages mutual funds, portfolios on behalf of related and third parties, and maintains securities in fiduciary accounts which are not reflected in the group's balance sheet. Assets under management at 30 September 2008 amounted to KD220,007 thousand (31 December 2007: KD80,768 thousand and 30 September 2007 KD65,501 thousand) of which assets managed on behalf of related parties amounted to KD111,843 thousand (31 December 2007: KD18,599 thousand and 30 September 2007 KD7,134 thousand).

21 Capital commitments

At the balance sheet date the group had commitments for the purchase of investments and the acquisition of property, plant and equipment totalling KD47,060 thousand (31 December 2007: KD61,200 thousand and 30 September 2007: KD62,731 thousand).

22 Subsequent event

The group is exposed to equity price risk with respect to its equity investments. Equity investments are classified either as investments at fair value through statement of income or available for sale.

Subsequent to the balance sheet date, as a result of volatility in the local and global equity markets, there has been a decline in the major stock indices throughout the world including Kuwait and GCC region.

The decline in the stock market indices subsequent to the balance sheet date up to 13 November 2008 was as follows:

	Up to 13 Nov. 2008 %
Kuwait market	32
Saudi Arabian market (Tadawul)	26