Interim condensed consolidated financial information and review report

# National Industries Group Holding – SAK and subsidiaries

# Kuwait

31 March 2009 (Unaudited)

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# Review report

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

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

*Introduction*
We have reviewed the accompanying interim condensed consolidated financial position of National Industries Group Holding (A Kuwaiti Shareholding Company) (the "parent company") and subsidiaries (collectively the "group"), as of 31 March 2009 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three-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 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 three-month period ended 31 March 2009 that might have had a material effect on the business of the group or on its financial position.

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

Abdullatif A.H. Al-Majid
(Licence No. 70-A)
of Allied Accountants - MAZARS

# Interim condensed consolidated statement of income

| | Note | Three months ended 31 March 2009 (Unaudited) | Three months ended 31 March 2008 (Unaudited) |
|---|---|---|---|
| | | KD '000 | KD '000 |
| Sales | | **23,444** | 26,955 |
| Cost of sales | | **(19,460)** | (21,453) |
| **Gross profit** | | **3,984** | 5,502 |
| Income from investments | 3 | **4,513** | 67,061 |
| Share of profits of associates | | **433** | 2,011 |
| Changes in fair value of investment property | 7 | **5,639** | - |
| Interest and other operating income | 4 | **9,845** | 10,768 |
| Distribution costs | | **(1,108)** | (1,493) |
| General, administrative and other expenses | | **(3,938)** | (4,961) |
| | | **19,368** | 78,888 |
| Finance costs | | **(14,770)** | (16,965) |
| Impairment in value of available for sale investments | 8 | **(29,020)** | - |
| Impairment in value of wakala investments | 10 | **(500)** | - |
| (Loss)/gain on foreign exchange | | **(20,095)** | 10,491 |
| **(Loss)/profit before taxation, KFAS, NLST, Zakat and directors' remuneration** | | **(45,017)** | 72,414 |
| Taxation | | **(85)** | (77) |
| Provision for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) | | **-** | (622) |
| Provision for National Labour Support Tax (NLST) | | **-** | (1,204) |
| Provision for Zakat | | **-** | (487) |
| Provision for Directors' remuneration | | **-** | (50) |
| **(Loss)/profit for the period** | | **(45,102)** | 69,974 |
| **Attributable to :** | | | |
| Shareholders of the parent company | | **(36,610)** | 61,399 |
| Minority interest | | **(8,492)** | 8,575 |
| | | **(45,102)** | 69,974 |
| **Basic and diluted (loss)/earnings per share** | 5 | **(29) Fils** | 49 Fils |

# Interim condensed consolidated statement of comprehensive income

| | Three months ended 31 March 2009 (Unaudited) | Three months ended 31 March 2008 (Unaudited) |
|---|---|---|
| | KD '000 | KD '000 |
| (Loss)/Profit for the period | **(45,102)** | 69,974 |
| **Other comprehensive income:** | | |
| Exchange differences arising on translation of foreign operations | **1,860** | (2,525) |
| Adjustment related to acquisition of associate – reversal of changes in fair value (refer note 6) | **-** | (1,340) |
| Adjustment related to acquisition of associate – recognition of share of profits (refer note 6) | **-** | 1,613 |
| Available for sale investments | | |
| - Net changes in fair value arising during the period | **(18,280)** | 763 |
| - Transferred to consolidated statement of income on disposals | **(5,311)** | (279) |
| - Transferred to consolidated statement of income on impairment | **29,020** | - |
| Share of other comprehensive income of associates | **(4,006)** | (4,048) |
| Total other comprehensive income | **3,283** | (5,816) |
| Total comprehensive income for the period | **(41,819)** | 64,158 |
| Total comprehensive attributable to: | | |
| Shareholders of the parent company | **(35,872)** | 61,324 |
| Minority interest | **(5,947)** | 2,834 |
| | **(41,819)** | 64,158 |

# Interim condensed consolidated statement of financial position

| | Note | 31 March 2009 (Unaudited) KD '000 | 31 Dec. 2008 (Audited) KD '000 | (Restated) 31 March 2008 (Unaudited) KD '000 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Non-current assets** | | | | |
| Goodwill | | **8,682** | 8,231 | 10,409 |
| Property, plant and equipment | | **45,709** | 40,506 | 34,748 |
| Investment in associates | 6 | **300,983** | 303,079 | 294,605 |
| Investment properties | 7 | **34,968** | 22,645 | - |
| Available for sale investments | 8 | **595,915** | 634,900 | 910,624 |
| Deferred tax | | **112** | 108 | 167 |
| **Total non-current assets** | | **986,369** | 1,009,469 | 1,250,553 |
| **Current assets** | | | | |
| Inventories | | **24,502** | 22,992 | 23,619 |
| Available for sale investments | 8 | **162,625** | 178,114 | - |
| Accounts receivable and other assets | | **88,353** | 89,635 | 175,544 |
| Murabaha and wakala investments | 10 | **33,508** | 29,800 | 18,000 |
| Investments at fair value through statement of income | 9 | **127,273** | 158,816 | 628,385 |
| Short-term deposits | 16 | **218,205** | 214,999 | 249,421 |
| Bank balances and cash | 16 | **47,127** | 29,325 | 47,203 |
| **Total current assets** | | **701,593** | 723,681 | 1,142,172 |
| **Total assets** | | **1,687,962** | 1,733,150 | 2,392,725 |
| **Equity and liabilities** | | | | |
| **Equity attributable to shareholders of the parent company** | | | | |
| Share capital | 11 | **129,510** | 129,510 | 117,736 |
| Share Premium | 11 | **152,691** | 152,691 | 152,691 |
| Treasury shares | 12 | **(32,927)** | (31,998) | (27,156) |
| Reserves | 17 | **55,012** | 151,451 | 149,600 |
| Cumulative changes in fair value | | **43,393** | 43,968 | 216,507 |
| (Accumulated losses)/ retained earnings | | **(36,610)** | (97,752) | 385,364 |
| **Equity attributable to shareholders of the parent company** | | **311,069** | 347,870 | 994,742 |
| Minority interest | | **132,643** | 137,927 | 232,801 |
| **Total equity** | | **443,712** | 485,797 | 1,227,543 |
| **Non-current liabilities** | | | | |
| Bonds and trust certificates issued | | **167,627** | 158,720 | 170,699 |
| Long-term borrowings | 13 | **138,778** | 177,837 | 162,486 |
| Leasing creditors | | **689** | 608 | 377 |
| Provisions | | **8,699** | 8,369 | 9,316 |
| **Total non-current liabilities** | | **315,793** | 345,534 | 342,878 |
| **Current liabilities** | | | | |
| Accounts payable and other liabilities | | **73,947** | 80,545 | 111,253 |
| Bonds issued | 14 | **15,232** | 14,431 | - |
| Short-term borrowings | 15 | **798,828** | 767,124 | 681,706 |
| Due to banks | 16 | **40,450** | 39,719 | 29,345 |
| **Total current liabilities** | | **928,457** | 901,819 | 822,304 |
| **Total equity and liabilities** | | **1,687,962** | 1,733,150 | 2,392,725 |

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

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

# Interim condensed consolidated statement of changes in equity

| | Equity attributable to shareholders of the parent company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Share capital** KD '000 | **Share Premium** KD '000 | **Treasury shares** KD '000 | **Reserves (Note 17)** KD '000 | **Cumulative changes in fair value** KD '000 | **Accumulated losses** KD '000 | **Sub-Total** KD '000 | **Minority interest** KD '000 | **Total** KD '000 |
| **Balance at 1 January 2009** | 129,510 | 152,691 | (31,998) | 151,451 | 43,968 | (97,752) | 347,870 | 137,927 | 485,797 |
| Purchase of treasury shares | - | - | (929) | - | - | - | (929) | - | (929) |
| Investment made by minority shareholders of subsidiaries | - | - | - | - | - | - | - | 663 | 663 |
| Offset of accumulated losses (see note 11) | - | - | - | (97,752) | - | 97,752 | - | - | - |
| **Transactions with equity holders** | - | - | (929) | (97,752) | - | 97,752 | (929) | 663 | (266) |
| Loss for the period | - | - | - | - | - | (36,610) | (36,610) | (8,492) | (45,102) |
| Other comprehensive income: | | | | | | | | | |
| Exchange differences arising on translation of foreign operations | - | - | - | 1,313 | - | - | 1,313 | 547 | 1,860 |
| *Available for sale investments* | | | | | | | | | |
| -Net change in fair value arising during the period | - | - | - | - | (15,131) | - | (15,131) | (3,149) | (18,280) |
| -Transferred to consolidated statement of income on disposals | - | - | - | - | (5,440) | - | (5,440) | 129 | (5,311) |
| -Transferred to consolidated statement of income on impairment | - | - | - | - | 23,877 | - | 23,877 | 5,143 | 29,020 |
| Share of other comprehensive income of associates | - | - | - | - | (3,881) | - | (3,881) | (125) | (4,006) |
| **Total comprehensive income for the period** | - | - | - | 1,313 | (575) | (36,610) | (35,872) | (5,947) | (41,819) |
| **Balance at 31 March 2009** | **129,510** | **152,691** | **(32,927)** | **55,012** | **43,393** | **(36,610)** | **311,069** | **132,643** | **443,712** |

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

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

| | Equity attributable to shareholders of the parent company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Share capital** KD '000 | **Share Premium** KD '000 | **Treasury shares** KD '000 | **Reserves (Note 17)** KD '000 | **Cumulative changes in fair value** KD '000 | **Retained earnings** KD '000 | **Sub-Total** KD '000 | **Minority interest** KD '000 | **Total** KD '000 |
| **Balance at 1 January 2008** | 117,736 | 152,691 | (27,156) | 151,032 | 215,451 | 359,741 | 969,495 | 196,999 | 1,166,494 |
| Prior period adjustment on acquisition of associate | | | | | | | | | |
| - reversal of changes in fair value (refer note 6) | - | - | - | - | - | (65,756) | (65,756) | - | (65,756) |
| - recognition of share of profits (refer note 6) | - | - | - | - | - | 29,679 | 29,679 | - | 29,679 |
| **Balance at 1 January 2008 (restated)** | 117,736 | 152,691 | (27,156) | 151,032 | 215,451 | 323,664 | 933,418 | 196,999 | 1,130,417 |
| Investment made by minority shareholders of subsidiaries | - | - | - | - | - | - | - | 49,325 | 49,325 |
| Dividend paid to minority by the subsidiaries | - | - | - | - | - | - | - | (16,357) | (16,357) |
| **Transactions with equity holders** | - | - | - | - | - | - | - | 32,968 | 32,968 |
| Profit for the period | - | - | - | - | - | 61,399 | 61,399 | 8,575 | 69,974 |
| ***Other comprehensive income*:** | | | | | | | | | |
| Transfer to excess depreciation | - | - | - | (28) | - | 28 | - | - | - |
| Exchange differences arising on translation of foreign operations | - | - | - | (1,404) | - | - | (1,404) | (1,121) | (2,525) |
| Adjustment related to acquisition of associate – reversal of changes in fair value (refer note 6) | - | - | - | - | - | (1,340) | (1,340) | - | (1,340) |
| Adjustment related to acquisition of associate – recognition of share of profits (refer note 6) | - | - | - | - | - | 1,613 | 1,613 | - | 1,613 |
| *Available for sale investments* | | | | | | | | | |
| -Net change in fair value arising during the period | - | - | - | - | 5,383 | - | 5,383 | (4,620) | 763 |
| -Transferred to consolidated statement of income on disposal | - | - | - | - | (279) | - | (279) | - | (279) |
| Share of other comprehensive income of associates | - | - | - | - | (4,048) | - | (4,048) | - | (4,048) |
| **Total comprehensive income for the period** | - | - | - | (1,432) | 1,056 | 61,700 | 61,324 | 2,834 | 64,158 |
| **Balance at 31 March 2008** | 117,736 | 152,691 | (27,156) | 149,600 | 216,507 | 385,364 | 994,742 | 232,801 | 1227,543 |

# Interim condensed consolidated statement of cash flows

| | Three months ended 31 March 2009 (Unaudited) | Three months ended 31 March 2008 (Unaudited) |
|---|---|---|
| | KD '000 | KD '000 |
| **OPERATING ACTIVITIES** | | |
| **(Loss)/profit before taxation, KFAS, NLST, Zakat and board of directors' remuneration** | **(45,017)** | 72,414 |
| Adjustments: | | |
| Depreciation of property, plant and equipment | **1,249** | 1,305 |
| Change in fair value of investment properties | **(5,639)** | - |
| Profit on disposal of property, plant and equipment | **-** | (59) |
| Share of profits of associates | **(433)** | (2,011) |
| Income from murabaha and wakala investments | **(482)** | (466) |
| Dividend income from available for sale investments | **(11,250)** | (6,674) |
| Profit on sale of available for sale investments | **(11,195)** | (3,160) |
| Unrealised loss on interest rate swaps | **-** | - |
| Impairment in value of available for sale investments and wakala investments | **29,520** | - |
| Net provisions released | **330** | (242) |
| Finance costs | **14,770** | 16,965 |
| Interest income | **(3,037)** | (5,436) |
| | **(31,184)** | 72,636 |
| Changes in operating assets and liabilities: | | |
| Inventories | **(1,510)** | (296) |
| Accounts receivable and other assets | **(8,691)** | (43,844) |
| Investments at fair value through statement of income | **31,542** | (42,144) |
| Accounts payable and other liabilities | **(8,730)** | 30,093 |
| Cash from/(used in) operations | **(18,573)** | 16,445 |
| Taxation paid | **(75)** | (101) |
| National labour support tax paid | **-** | (2,054) |
| **Net cash from/(used in) operating activities** | **(18,648)** | 14,290 |

# Interim condensed consolidated statement of cash flows (continued)

| | Note | Three months ended 31 March 2009 (Unaudited) | Three months ended 31 March 2008 (Unaudited) |
|---|---|---|---|
| | | KD '000 | KD '000 |
| **INVESTING ACTIVITIES** | | | |
| Purchase of property, plant and equipment | | **(5,146)** | (2,545) |
| Proceeds from sale of property, plant and equipment | | **-** | 433 |
| Additions to investment in associates | | **(548)** | (2,522) |
| (Increase)/decrease in wakala investments maturing after three months | | **(3,709)** | 12,000 |
| Income received from murabaha and wakala investments | | **547** | - |
| Increase in short term deposits maturing after three months | | **(3,948)** | - |
| Decrease in blocked deposits | | **460** | - |
| Purchase of available for sale investments | | **(6,642)** | (77,527) |
| Proceeds from sale of available for sale investments | | **48,984** | 12,861 |
| Dividend income received from available for sale investments | | **11,250** | 5,300 |
| Interest income received | | **5,948** | 4,342 |
| **Net cash used in investing activities** | | **47,196** | (47,658) |
| **FINANCING ACTIVITIES** | | | |
| Net increase in long-term borrowings, bonds and trust certificates | | **10,647** | - |
| Finance lease receipt | | **107** | 10 |
| Net (decrease)/increase in short-term borrowings | | **(8,296)** | 110,495 |
| Dividend paid to the shareholders of the parent | | **(272)** | (61) |
| Finance costs paid | | **(13,656)** | (14,419) |
| Purchase of treasury shares | | **(929)** | - |
| Increase in minority interest | | **663** | 32,968 |
| **Net cash from financing activities** | | **(11,736)** | 128,993 |
| Net decrease in cash and cash equivalents | | **16,812** | 95,625 |
| Translation difference | | **(23)** | (156) |
| | | **16,789** | 95,469 |
| Cash and cash equivalents at beginning of the year | | **145,003** | 171,810 |
| **Cash and cash equivalents at end of the year** | 16 | **161,792** | 267,279 |

# Notes to the interim condensed consolidated financial information

## 31 March 2009 (Unaudited)

## 1 Incorporation and activities

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

The main objectives of the parent company are as follows:

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

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

The board of directors of the parent company approved this interim condensed consolidated financial information for issue on ..... 2009.

The annual consolidated financial statements for the year ended 31 December 2008 were approved by the Board of Directors on 31 March 2009 and are subject to the approval of shareholders at the Annual General Meeting which is scheduled to be held on 21 May 2009.

## 2 Significant accounting policies

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

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

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

**IFRS 8 Operating Segments**

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

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

**Improvements to IFRSs issued in May 2008**
The Improvements include 35 amendments across 20 different Standards that largely clarify the required accounting treatment where previous practice had varied, and have not resulted in any significant changes in the group's accounting policies.

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

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

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

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

## 3 Income from investments

| | 31 March 2009 (Unaudited) | 31 March 2008 (Unaudited) |
|---|---|---|
| | KD '000 | KD '000 |
| Dividend income: | | |
| - From investments at fair value through statement of income | **359** | 12,505 |
| - From available for sale investments | **11,250** | 6,674 |
| Profit on sale of available for sale investments | **11,195** | 3,160 |
| Realised (loss)/gain on investments at fair value through statement of income | **(3,092)** | 6,316 |
| Unrealised (loss)/gain on investments at fair value through statement of income | **(15,199)** | 38,406 |
| | **4,513** | 67,061 |

## 4 Interest and other operating income

| | 31 March 2009 (Unaudited) | 31 March 2008 (Unaudited) |
|---|---|---|
| | KD '000 | KD '000 |
| Management and placement fees | **1,274** | 1,510 |
| Interest income on bank balances and short term deposits | **3,037** | 5,436 |
| Income from murabaha and wakala investments | **482** | 466 |
| Income from financing of future trade by customers | **27** | 2,703 |
| Other income | **5,025** | 653 |
| | **9,845** | 10,768 |

## 5 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:

| | 31 March 2009 (Unaudited) | 31 March 2008 (Unaudited) |
|---|---|---|
| (Loss)/profit for the period attributable to the shareholders of the parent company (KD '000) | **(36,610)** | 61,399 |
| Weighted average number of shares outstanding during the period (excluding treasury shares) – shares | **1,251,619,894** | 1,259,436,560 |
| Basic & diluted (loss)/earnings per share | **(29) Fils** | 49 Fils |

The weighted average number of shares outstanding during the previous period has been adjusted to reflect the bonus shares issued during 2008.

## 6 Investment in associates

During the third quarter of 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% and hence providing significant influence in the investee. Accordingly during the third quarter of 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 was accounted for under the equity method of accounting and accordingly the following were the adjustments made to the comparative information as a result of reclassification:

| | 31 March 2008 (Unaudited) KD '000 | 31 Dec. 2007 (Audited) KD '000 |
|---|---|---|
| Carrying value of investment reclassified from investments at fair value through consolidated statement of income to investments in associates | 91,026 | 86,725 |
| Reversal of change in fair values in equity | | |
| – For the period/year | (1,340) | (35,547) |
| – For the previous years | (65,756) | (30,209) |
| | (67,096) | (65,756) |
| Share of profits recognised in equity | | |
| – For the period/year | 1,613 | 26,008 |
| – For the previous years | 29,679 | 3,671 |
| | 31,292 | 29,679 |
| **Net carrying value of investment transferred** | 55,222 | 50,648 |

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

## 7 Investment properties

During the year 2007 the group made advance payments to acquire a property in Saudi Arabia for a total consideration of KD6,684 thousand and the advance payments were classified under accounts receivable and other assets at 31 December 2008. During the 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 KD5,639 thousand.

The property is held through a special purpose entity (SPE) created specifically for this purpose and co-owned by the group with joint owners. The registered owner of the property has issued a letter confirming the co-ownership.

## 8 Available for sale investments

| | **31 March 2009 (Unaudited) KD '000** | 31 Dec. 2008 (Audited) KD '000 | 31 March 2008 (Unaudited) KD '000 |
|---|---|---|---|
| **Non Current** | | | |
| Managed funds | **200,911** | 232,975 | 222,269 |
| Unquoted equity participations | **169,257** | 171,514 | 185,895 |
| Quoted shares (refer note 8a) | **225,747** | 230,411 | 502,460 |
| | **595,915** | 634,900 | 910,624 |
| **Current** | | | |
| Quoted shares | **162,625** | 178,114 | - |
| | **758,540** | 813,014 | 910,624 |

a) The quoted shares classified as current represents investments which were transferred from investments at fair value through statement of income as of 1 July 2008 (refer note 9).

b) Managed funds include investments in private equity funds with a carrying value of KD..... (31 December 2008: KD106, 051 thousand and 31 March 2008: ..... thousand). Information for these investments is limited to periodic financial reports provided by the investment managers. These investments are carried at net asset values reported by the investment managers. Due to the nature of these investments, the net asset values reported by the investment managers represent the best estimate of fair values available for these investments.

c) During the period, the group recognised an impairment loss of KD ..... for certain local and foreign quoted shares, as the market value of these shares at 31 March 2009 declined significantly below their costs and further the group also recognised an impairment loss of KD ..... against certain unquoted shares, local and foreign funds based on estimates, made by management as per information available to them and the net assets values reported by the investment managers at the balance sheet date.

d) Unquoted investments of KD .....(31 December 2008: KD93,318 thousand and 31 March 2008 : KD ..... thousand) are carried at cost less impairment in value if any, since their fair value cannot be reliably determined. The group's management is not aware of any circumstance that would indicate impairment in value of these investments.

e) Quoted shares held by a local subsidiary, with a fair value of KD 15,848 thousand (31 December 2008: KD17,305 thousand and 31 March 2008: Nil) are secured against a bank loan (refer note 15).

## 9 Investments at fair value through statement of income

| | 31 March 2009 (Unaudited) KD '000 | 31 Dec. 2008 (Audited) KD '000 | (Restated) 31 March 2008 (Unaudited) KD '000 |
|---|---|---|---|
| **Held for trading :** | | | |
| Quoted shares | **53,236** | 70,184 | 452,362 |
| **Designated on initial recognition :** | | | |
| Local funds | **56,900** | 70,492 | 138,243 |
| International managed portfolios and funds | **17,137** | 18,140 | 37,780 |
| | **74,037** | 88,632 | 176,023 |
| | **127,273** | 158,816 | 628,385 |

**a). Effect of reclassification due to adoption of amendment to IAS 39.**
During the previous year, as a result of significant developments in the global financial markets, the Group decided to adopt amendments to IAS 39 and IFRS 7 with effect from 1 July 2008 and reclassified investments with a fair value of KD380,755 thousand as at 1 July 2008 from "fair value through profit or loss" category to "available for sale" category. The fair value of unsold reclassified investments as of 31 March 2009 is KD162,625 thousand (31 December 2008 : KD 178,114).

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

**c).** Quoted shares, held by local subsidiary, with a fair value of KD4,873 thousand (31 December 2008: KD6,251 thousand and 31 March 2008: KD37,663 thousand) are secured against short term borrowings (refer note 15).

## 10 Murabaha and wakala investments

| | 31 March 2009 (Unaudited) KD '000 | 31 Dec. 2008 (Audited) KD '000 | 31 March 2008 (Unaudited) KD '000 |
|---|---|---|---|
| Murabaha and wakala investments | **36,493** | 32,285 | 18,000 |
| Provision for impairment in value | **(2,985)** | (2,485) | - |
| | **33,508** | 29,800 | 18,000 |

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

As at 31 March 2009 the group recognised an additional impairment provision of KD500 thousand against this wakala investment based on information available to management as of that date.

## 11 Share capital and share premium

a) As of 31 March 2009, the issued and fully paid share capital of the parent company was made up of 1,295,098,167 shares of 100 Fils each (31 December 2007: 1,295,098,167 and 31 March 2008: 1,177,361,971 shares).

b) At the extraordinary general assembly held on 5 May 2008, the shareholders of the parent company approved to increase the paid up share capital by 25% by way of an issue of shares during the year 2008, at par value of 100 Fils per share and premium of 800 Fils per share. However due to the decline in the major stocks indices throughout the world including Kuwait and the consequent decline in the parent company's share price, the parent company's board of directors in its meeting dated 21 October 2008, has proposed to cancel the increase in share capital at the next shareholders general assembly which is to be held on 21 May 2009.

   Further on ……. the parent company's board of directors have decided to propose to shareholders at the general assembly to increase the paid up share capital by 25% by way of issuing shares at par value of 100 Fils per share and premium of 350 Fils per share.

c) The parent company's board of directors has decided to offset the accumulated losses as at 31 December 2008 amounting to KD97,752 thousand against general reserve and then statutory reserve which has been reflected in the interim condensed consolidated statement of financial position at 31 March 2009. This decision has been included in the agenda for approval at the shareholders general assembly meeting which is to be held on 21 May 2009.

d) Share premium is not available for distribution.

## 12 Treasury shares

| | **31 March 2009 (Unaudited)** | 31 Dec. 2008 (Audited) | 31 March 2008 (Unaudited) |
|---|---|---|---|
| Number of shares | **44,108,607** | 41,178,605 | 32,523,554 |
| Percentage of issued shares | **3.4%** | 3.18% | 2.76% |
| Market value (KD'000) | **9,880** | 17,089 | 53,989 |
| Cost (KD'000) | **32,927** | 31,998 | 27,156 |

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

## 13 Long-term borrowings

During the period, the group has reclassified a Kuwait Dinar denominated loan amounting to KD 40,000 thousand to short term borrowings as the loan matures in February 2010.

## 14 Bond issued

These bonds which were issued on 6 May 2006, with a face value of US Dollars 52,200 thousand mature in May 2009, and was fully settled on the maturity date.

## 15 Short-term borrowings

| Currency | Effective Interest/profit rates | Security | **31 March 2009 (Unaudited)** | 31 Dec. 2008 (Audited) | 31 March 2008 (Unaudited) |
|---|---|---|---|---|---|
| | | | **KD '000** | KD '000 | KD '000 |
| **Conventional loans** | | | | | |
| Kuwaiti Dinars | 4.75%-8.5% | Unsecured/ Secured | **404,900** | 369,185 | 306,000 |
| US Dollars | 1.09%-5.71% | Unsecured | **307,749** | 310,957 | 297,671 |
| Sterling | 5.55%-6.42% | Unsecured | **12,629** | 13,544 | 15,780 |
| Euro | 3.6%-4.7% | Unsecured | **-** | - | 177 |
| Euro – current portion | 4.3%-5.75% | Secured | **261** | 149 | 78 |
| | | | **725,539** | 693,835 | 619,706 |
| **Islamic financing arrangements** | | | | | |
| Wakala payables | 7%-8.3% | Unsecured | **73,289** | 73,289 | 62,000 |
| | | | **73,289** | 73,289 | 62,000 |
| **Total** | | | **798,828** | 767,124 | 681,706 |

a. Loans amounting to KD20,000 thousand (31 December 2008 and 31 March 2008 : KD20,000 thousand) are secured by investments at fair value through statement of income (refer note 9) and available for sale investments (refer note 8).

b. A Kuwaiti Dinar loan of KD45,500 thousand (31 December 2008: KD45,500 thousand) is obtained from a local bank where a term deposit in US Dollars equivalent to KD75,050 thousand (31 December 2008: KD71,102 thousand) is held (refer note 16).

## 16 Cash and cash equivalents

| | **31 March 2009 (Unaudited) KD '000** | 31 Dec. 2008 (Audited) KD '000 | 31 March 2008 (Unaudited) KD '000 |
|---|---|---|---|
| Murabaha and wakala investments – maturing within three months | **12,000** | 12,000 | - |
| Short-term deposits | **218,205** | 214,999 | 249,421 |
| Bank balances and cash | **47,127** | 29,325 | 47,203 |
| Due to banks | **(40,450)** | (39,719) | (29,345) |
| | **236,882** | 216,605 | 267,279 |
| Less: Short term deposits maturing after 3 months (refer note 15b) | **(75,050)** | (71,102) | - |
| : Blocked balances | **(40)** | (500) | - |
| Cash and cash equivalents for the purpose of cash flow statement | **161,792** | 145,003 | 267,279 |

## 17 Reserves

| | 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 31 December 2008** | 110,459 | 28,708 | - | 14,309 | (2,025) | 151,451 |
| Exchange differences arising on translation of foreign operations | - | - | - | - | 1,313 | 1,313 |
| Offset of accumulated losses | (69,044) | (28,708) | - | - | - | (97,752) |
| **Balances at 31 March 2009** | **41,415** | **-** | **-** | **14,309** | **(712)** | **55,012** |
| **Balance at 31 December 2007** | 110,459 | 28,708 | 28 | 12,825 | (988) | 151,032 |
| Transfer of excess depreciation | - | - | (28) | - | - | (28) |
| Exchange differences arising on translation of foreign operations | - | - | - | - | (1,404) | (1,404) |
| **Balances at 31 March 2008** | 110,459 | 28,708 | - | 12,825 | (2,392) | 149,600 |

## 18 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 | |
|---|---|---|---|---|---|---|---|---|
| | **31 March 2009 KD '000** | 31 March 2008 KD '000 | **31 March 2009 KD '000** | 31 March 2008 KD '000 | **31 March 2009 KD '000** | 31 March 2008 KD '000 | **31 March 2009 KD '000** | 31 March 2008 KD '000 |
| Segment revenue | **20,430** | 79,840 | **9,682** | 8,518 | **12,428** | 17,438 | **42,540** | 105,796 |
| Less: | | | | | | | | |
| Income from investments | | | | | | | **(4,513)** | (67,061) |
| Share of profits of associates | | | | | | | **(433)** | (2,011) |
| Change in fair value of investment property | | | | | | | **(5,639)** | - |
| Interest and other operating income | | | | | | | **(9,845)** | (10,768) |
| Unallocated sales | | | | | | | **1,334** | 999 |
| Sales as per the interim condensed consolidated statement of income | | | | | | | **23,444** | 26,955 |
| Segment (loss)/profit | **(14,245)** | 76,436 | **2,290** | 1,873 | **1,883** | 604 | **(10,072)** | 78,913 |
| Finance costs | | | | | | | **(14,770)** | (16,965) |
| Unallocated (expenses)/income | | | | | | | **(20,175)** | 10,466 |
| (Loss)/profit for the period before taxation, KFAS, NLST, Zakat and directors' remuneration as per the interim condensed consolidated statement of income | | | | | | | **(45,017)** | 72,414 |

## 19 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:

| | **31 March 2009 (Unaudited) KD '000** | 31 Dec. 2008 (Audited) KD '000 | 31 March 2008 (Unaudited) KD '000 |
|---|---|---|---|
| **Interim condensed consolidated balance sheet** | | | |
| Due from related parties (included in accounts receivable and other assets) | **33,020** | 30,562 | 14,914 |
| Due to related parties (included in accounts payable and other liabilities) | | | |
| - Due to associate company | **23,204** | 24,897 | 40,206 |
| - Due to key management personnel | **-** | - | 18 |

Due to related parties include a short term loan of KD .....(31 December 2008 : KD24,897 thousand and 31 March 2008; KD 40,000 thousand) availed by the parent company from an associate with an effective interest rate of 6.5% per annum with no specific repayment terms.

| | **Three months ended 31 March 2009 (Unaudited) KD '000** | Three months ended 31 March 2008 (Unaudited) KD '000 |
|---|---|---|
| **Interim condensed consolidated statement of income** | | |
| Management and placement fees | **370** | - |
| Purchase of raw materials – from associates | **2,300** | 414 |
| Finance costs – charged by associate company | **308** | 368 |
| **Compensation of key management personnel of the group** | | |
| Short term employee benefits | **426** | 1,452 |
| End of service benefits | **50** | 111 |
| Cost of share based payment | **-** | 120 |
| | **476** | 1,683 |

## 20 Dividend distribution

The Board of Directors did not propose any dividend for the year ended 31 December 2008.

## 21 Contingent liabilities

At 31 March 2009, the group had contingent liabilities in respect of outstanding bank guarantees amounting to KD7,487 thousand (31 December 2008: KD7,051 thousand and 31 March 2008: KD45 thousand).

## 22 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 31 March 2009 amounted to KD…… thousand (31 December 2008: KD201,226 thousand and 31 March 2008 KD120,917 thousand) of which assets managed on behalf of related parties amounted to KD…….. thousand (31 December 2008: KD97,193 thousand and 31 March 2008: KD21,050 thousand).

## 23 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 to KD52,172 thousand (31 December 2008: KD55,033 thousand and 31 March 2009 KD 56,298 thousand).

In addition to the above amount, an investment agreement entered when acquiring certain foreign unquoted available for sale investments by one of the subsidiary, the group has agreed to advance an amount of USD43,757 thousand as at 31 March 2009 (31 December 2008: USD43,757 thousand) equivalent to KD12,749 thousand (31 December 2008: KD12,092 thousand) as shareholder advances to the investee companies to finance any variation in project costs undertaken by the investees.

## 24 Comparative information

Certain comparative information has been restated as explained in note 6 to the interim condensed consolidated financial information.