

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

30 September 2011 (Unaudited)

UD 20-11-1121

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 18



Grant Thornton

Al-Qatami, Al-Aiban & Partners

Auditors & Consultants

Souq Al Kabeer Building - Block A - 9th Floor
Tel : (965) 2244 3900-9
Fax: (965) 2243 8451
P.O.Box 2986, Safat 13030
Kuwait
www.gtkuwait.com

Allied Accountants

Abdullatif Al-Majid & Co.
Certified Public Accountants - Experts

P.O. Box : 5506 Safat- 13056 Kuwait
Tel: 22432082/3/4
Fax: 22402640

E-mail: info@alliedaccountants-kw.com

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 2011 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and 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 2011 that might have had a material effect on the business or financial position of the Company.

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

Kuwait
14 November 2011

Interim condensed consolidated statement of income

	Note	Three months ended		Nine months ended	
		30 Sept. 2011	30 Sept. 2010	30 Sept. 2011	30 Sept. 2010
		(Unaudited) KD '000	(Unaudited) KD '000	(Unaudited) KD '000	(Unaudited) KD '000
Sales		23,599	23,075	75,062	73,707
Cost of sales		(17,912)	(18,734)	(58,012)	(57,046)
Gross profit		5,687	4,341	17,050	16,661
Income from investments	3	8	13,585	23,874	28,710
Share of results of associates	6	4,966	449	12,049	4,794
Profit on disposal of subsidiary		-	-	-	646
Changes in fair value of investment properties		(456)	-	(304)	(930)
Realized gain on sale of investment properties	7	198	-	198	-
Interest and other operating income	4	2,189	2,036	8,043	2,847
Distribution costs		(929)	(1,089)	(3,179)	(3,050)
General, administrative and other expenses		(5,977)	(5,587)	(16,438)	(16,834)
Finance costs		5,686	13,735	41,293	32,844
Impairment in value of available for sale investments	8	(9,168)	(9,438)	(31,164)	(28,793)
Impairment in value of receivable and other assets		(668)	(3,899)	(12,837)	(6,672)
Impairment in value of receivable and other assets		-	(2,320)	-	(2,320)
(Loss)/gain on foreign currency exchange		(705)	8,146	5,718	1,885
(Loss)/profit before taxation		(4,855)	6,224	3,010	(3,056)
Taxation of foreign subsidiaries		-	81	(3)	51
Reversal of National Labour Support Tax (NLST)		66	-	-	-
Reversal of Zakat		24	-	-	-
(Loss)/profit for the period		(4,765)	6,305	3,007	(3,005)
Attributable to :					
Owners of the parent company		(5,520)	7,536	3,193	570
Non-controlling interests		755	(1,231)	(186)	(3,575)
		(4,765)	6,305	3,007	(3,005)
Basic and diluted (loss)/earnings per share attributable to the owners of the parent company	5	(4.37) Fils	5.95 Fils	2.53 Fils	0.45 Fils

The notes set out on pages 9 to 18 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. 2011 (Unaudited) KD '000	30 Sept. 2010 (Unaudited) KD '000	30 Sept. 2011 (Unaudited) KD '000	30 Sept. 2010 (Unaudited) KD '000
(Loss)/profit for the period	(4,765)	6,305	3,007	(3,005)
Other comprehensive income:				
Exchange differences arising on translation of foreign operations	239	(1,883)	(1,136)	(322)
Available for sale investments:				
- Net changes in fair value arising during the period	(46,083)	71,261	(61,663)	59,382
- Transferred to interim condensed consolidated statement of income on disposals	(5,231)	(2,686)	(12,059)	(3,388)
- Transferred to interim condensed consolidated statement of income on impairment	668	3,899	12,837	6,672
Share of other comprehensive income of associates	(3,671)	(4,093)	(10,917)	(2,514)
Total other comprehensive income for the period	(54,078)	66,498	(72,938)	59,830
Total comprehensive income for the period	(58,843)	72,803	(69,931)	56,825
Total comprehensive income attributable to:				
Owners of the parent company	(52,095)	66,558	(62,101)	56,275
Non-controlling interests	(6,748)	6,245	(7,830)	550
	(58,843)	72,803	(69,931)	56,825

The notes set out on pages 9 to 18 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of financial position

	Note	30 Sept. 2011 (Unaudited) KD '000	31 Dec. 2010 (Audited) KD '000	30 Sept. 2010 (Unaudited) KD '000
Assets				
Non-current assets				
Goodwill		6,650	6,718	8,142
Property, plant and equipment		64,383	67,201	49,306
Investment in associates	6	275,534	272,494	270,624
Investment properties	7	25,816	36,642	34,530
Available for sale investments	8	750,549	790,353	759,362
Accounts receivable and other assets – non-current portion	9	8,218	-	-
Total non-current assets		1,131,150	1,173,408	1,121,964
Current assets				
Inventories		22,376	20,053	20,220
Available for sale investments	8	87,566	104,514	101,965
Accounts receivable and other assets	9	68,499	59,182	90,326
Murabaha and wakala investments	10	18,841	15,263	11,784
Investments at fair value through profit or loss	11	99,475	119,118	118,560
Short-term deposits	16	86,050	104,565	110,932
Bank balances and cash	16	27,825	38,002	27,197
Total current assets		410,632	460,697	480,984
Total assets		1,541,782	1,634,105	1,602,948
Equity and liabilities				
Equity attributable to owners of the parent				
Share capital	12	129,510	129,510	129,510
Treasury shares		(30,375)	(30,804)	(31,840)
Share Premium	12	151,719	152,691	152,691
Cumulative changes in fair value		131,885	195,732	165,628
Other reserves	13	15,021	59,081	59,658
Retained earnings/(accumulated losses)		3,193	(42,965)	(22,617)
Equity attributable to owners of the parent		400,953	463,245	453,030
Non-controlling interests		164,982	174,216	146,351
Total equity		565,935	637,461	599,381
Non-current liabilities				
Trust certificates issued	14	-	133,523	142,433
Long-term borrowings	15	373,338	165,688	78,842
Leasing creditors		378	446	463
Provisions		10,036	11,364	8,456
Total non-current liabilities		383,752	311,021	230,194
Current liabilities				
Accounts payable and other liabilities		44,494	43,387	42,226
Trust certificates issued – current portion	14	137,974	14,010	14,212
Short-term borrowings	15	381,796	594,948	685,215
Due to banks	16	27,831	33,278	31,720
Total current liabilities		592,095	685,623	773,373
Total liabilities		975,847	996,644	1,003,567
Total equity and liabilities		1,541,782	1,634,105	1,602,948



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

The notes set out on pages 9 to 18 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of changes in equity

	Equity attributable to the owners of the parent company								
	Share Capital KD '000	Treasury shares KD '000	Share Premium KD '000	Cumulative changes in fair value KD '000	Other reserves (Note 13) KD '000	(Accumulated losses)/ retained earnings/ KD '000	Sub- Total KD '000	Non- controlling interests KD '000	Total KD '000
Balance at 1 January 2011	129,510	(30,804)	152,691	195,732	59,081	(42,965)	463,245	174,216	637,461
Transactions with owners									
Purchase of treasury shares	-	(728)	-	-	-	-	(728)	-	(728)
Disposal of treasury shares	-	1,157	-	-	-	-	1,157	-	1,157
Loss on disposal of treasury shares	-	-	-	-	(620)	-	(620)	-	(620)
Offset of accumulated losses (refer note 12c)	-	-	(972)	-	(41,993)	42,965	-	-	-
Net change in non-controlling interests	-	-	-	-	-	-	-	(36)	(36)
Dividend paid to non-controlling interests by subsidiaries	-	-	-	-	-	-	-	(1,368)	(1,368)
Total transactions with owners	-	429	(972)	-	(42,613)	42,965	(191)	(1,404)	(1,595)
Comprehensive income									
Profit/(Loss) for the period	-	-	-	-	-	3,193	3,193	(186)	3,007
Other comprehensive income for the period	-	-	-	(63,847)	(1,447)	-	(65,294)	(7,644)	(72,938)
Total comprehensive income for the period	-	-	-	(63,847)	(1,447)	3,193	(62,101)	(7,830)	(69,931)
Balance at 30 September 2011	129,510	(30,375)	151,719	131,885	15,021	3,193	400,953	164,982	565,935

The notes set out on pages 9 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 the owners of the parent company								
	Share Capital KD '000	Treasury shares KD '000	Share Premium KD '000	Cumulative changes in fair value KD '000	Other reserves (Note 13) KD '000	Accumulated losses KD '000	Sub- Total KD '000	Non- controlling interests KD '000	Total KD '000
Balance at 1 January 2010	129,510	(28,064)	152,691	109,872	59,678	(23,187)	400,500	143,828	544,328
Investment of non-controlling interests of new subsidiary	-	-	-	-	-	-	-	1,973	1,973
Purchase of treasury shares	-	(4,571)	-	-	-	-	(4,571)	-	(4,571)
Disposal of treasury shares	-	795	-	-	-	-	795	-	795
Gain on disposal of treasury shares	-	-	-	-	31	-	31	-	31
Transactions with owners	-	(3,776)	-	-	31	-	(3,745)	1,973	(1,772)
Profit/(loss) for the period	-	-	-	-	-	570	570	(3,575)	(3,005)
Other comprehensive income for the period	-	-	-	55,756	(51)	-	55,705	4,125	59,830
Total comprehensive income for the period	-	-	-	55,756	(51)	570	56,275	550	56,825
Balance at 30 September 2010	129,510	(31,840)	152,691	165,628	59,658	(22,617)	453,030	146,351	599,381

The notes set out on pages 9 to 18 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows

	Nine months ended 30 Sept. 2011 (Unaudited) KD '000	Nine months ended 30 Sept. 2010 (Unaudited) KD '000
OPERATING ACTIVITIES		
Profit/(loss) before taxation	3,010	(3,056)
Adjustments for :		
Depreciation of property, plant and equipment	4,391	4,383
Change in fair value of investment properties	304	930
Loss/(gain) on disposal of property, plant and equipment	165	(24)
Share of results of associates	(12,049)	(4,794)
Profit on disposal of subsidiary	-	(646)
Realised gain on sale of investment properties	(198)	-
Dividend income from available for sale investments	(15,396)	(14,061)
Unrealised (gain)/loss on interest rate SWAPs	(84)	4,306
Impairment in value of available for sale investments	12,837	6,672
Impairment in value of accounts receivable and other assets	-	2,320
Profit on sale of available for sale investments	(25,179)	(8,302)
Net provisions released	(1,328)	(599)
Finance costs	31,164	28,793
Interest/profit on bank balances, short-term deposits, wakala and murabaha investments	(3,534)	(2,701)
	(5,897)	13,221
Changes in operating assets and liabilities:		
Inventories	(2,323)	2,351
Accounts receivable and other assets	(5,315)	(7,873)
Investments at fair value through profit or loss	19,643	9,772
Accounts payable and other liabilities	4,065	(4,620)
Cash from operations	10,173	12,851
Taxation paid	(61)	(28)
KFAS paid	(2,577)	-
Net cash from operating activities	7,535	12,823

The notes set out on pages 9 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. 2011 (Unaudited) KD '000	Nine months ended 30 Sept. 2010 (Unaudited) KD '000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(4,131)	(5,670)
Purchase of investment properties		(3,386)	(1,719)
Proceeds from disposal of investments properties		1,184	-
Proceeds from sale of property, plant and equipment		37	86
Investment in associated companies		(4,287)	(5,651)
Dividend received from associates		1,747	1,473
Purchase of available for sale investments		(32,868)	(24,449)
Proceeds from sale of available for sale investments		44,109	40,636
Increase in wakala investments maturing after three months		(1,422)	(9,082)
Decrease in short term deposits maturing after 3 months		150	-
(Increase)/decrease in block balances		(105)	1,146
Dividend income received from available for sale investments		15,396	14,061
Interest/profit received from bank balances, short-term deposits, wakala and murabaha investments		3,631	2,958
Net cash from investing activities		20,055	13,789
FINANCING ACTIVITIES			
Finance lease payment		(158)	(239)
Net increase in long-term borrowings, bonds and trust certificates		5,220	35,263
Net decrease in short-term borrowings		(20,281)	(47,266)
Dividend paid to owners of the parent		(525)	(1,179)
Finance costs paid		(31,310)	(29,366)
Purchase of treasury shares		(728)	(4,571)
Proceeds from disposal of treasury shares		537	826
(Decrease)/increase in non-controlling interests		(1,404)	1,973
Net cash used in financing activities		(48,649)	(44,559)
Net decrease in cash and cash equivalents		(21,059)	(17,947)
Translation difference		15	9
		(21,044)	(17,938)
Cash and cash equivalents at beginning of the period		109,629	124,333
Cash and cash equivalents at end of the period	16	88,585	106,395

The notes set out on pages 9 to 18 form an integral part of this interim condensed consolidated financial information.

Notes to the interim condensed consolidated financial information

30 September 2011 (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 14 November 2011.

The annual consolidated financial statements for the year ended 31 December 2010 were approved by the shareholders at the Annual General Meeting held on 12 May 2011.

2 Summary of 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 preparation of annual consolidated financial statements for the year ended 31 December 2010 except for the adoption of new and revised International Financial Reporting Standards discussed below:

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.

Results for the nine months period ended 30 September 2011 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2011. For further details, refer to the annual consolidated financial statements and its related disclosures for the year ended 31 December 2010.

Adoption of new and revised International Financial Reporting Standards

During the period, the group adopted the following new standards, revisions and amendments to IFRS issued by the International Accounting Standards Board, which are relevant to and effective for the group's financial statements for the annual period beginning on 1 January 2011. Certain other amendments to standards have been made and certain new standards and interpretations have been issued but they are not expected to have a material impact on the group's financial statements.

Annual Improvements 2010

The IASB issued in May 2010 Improvements to IFRS. Most of these amendments became effective in annual periods beginning on or after 1 July 2010 and 1 January 2011. The 2010 Improvements amended certain provisions of IFRS 3, clarify presentation of the reconciliation of each of the components of other comprehensive income and clarify certain disclosure requirements for financial instruments. The adoption did not have any impact on the financial position or performance of the group.

IAS 24 Related party (Revised)

The amended standard clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The adoption did not have any impact on the financial position or performance of the group.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for annual period beginning 1 July 2010).

The Interpretation provides guidance on the accounting by the entity that issues equity instruments in order to settle, in full or in part, a financial liability. The Interpretation is required to be applied retrospectively. The adoption did not have any impact on the financial position or performance of the group.

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

- IFRS 7 Financial Instruments: Disclosures (effective date from 1 July 2011)

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

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

- IAS 12 Income Taxes (effective date from 1 January 2012)

3 Income from investments

	Three months ended		Nine months ended	
	30 Sept. 2011 (Unaudited) KD '000	30 Sept. 2010 (Unaudited) KD '000	30 Sept. 2011 (Unaudited) KD '000	30 Sept. 2010 (Unaudited) KD '000
Dividend income:				
- From investments at fair value through profit or loss	415	181	680	773
- From available for sale investments	-	-	15,396	14,061
Profit on sale of available for sale investments	7,520	3,067	25,179	8,302
Realised (loss)/gain on investments at fair value through profit or loss	(532)	1,345	(514)	3,171
Unrealised (loss)/gain on investments at fair value through profit or loss	(7,395)	8,992	(16,867)	2,403
	8	13,585	23,874	28,710

4 Interest and other operating income

	Three months ended		Nine months ended	
	30 Sept. 2011 (Unaudited) KD '000	30 Sept. 2010 (Unaudited) KD '000	30 Sept. 2011 (Unaudited) KD '000	30 Sept. 2010 (Unaudited) KD '000
Interest/profit on bank balances, short term deposits, wakala and murabaha investments	1,131	278	3,534	2,701
Net loss from dealing in interest rate SWAPs	(18)	(371)	(11)	(3,776)
Management & placement fees and other income	1,076	2,129	4,520	3,922
	2,189	2,036	8,043	2,847

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

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

	Three months ended		Nine months ended	
	30 Sept. 2011 (Unaudited)	30 Sept. 2010 (Unaudited)	30 Sept. 2011 (Unaudited)	30 Sept. 2010 (Unaudited)
(Loss)/profit for the period attributable to owners of the parent company (KD '000)	(5,520)	7,536	3,193	570
Weighted average number of shares outstanding during the period (excluding treasury shares) – shares	1,261,959,044	1,266,841,218	1,262,153,550	1,268,994,539
Basic & diluted (loss)/earnings per share	(4.37) Fils	5.95 Fils	2.53 Fils	0.45 Fils

6 Investment in associates

	30 Sept. 2011 (Unaudited) KD '000	31 Dec. 2010 (Audited) KD '000	30 Sept. 2010 (Unaudited) KD '000
Movement during the period/year of investment in associates is as follows:			
Balance at 1 January	272,494	263,487	263,487
Additions during the period/year	4,287	5,611	5,651
Share of results from associates	12,049	29,680	4,794
Change in other comprehensive income of amounts	(10,917)	2,197	(2,514)
Dividend received from associates	(1,747)	(2,393)	(1,473)
Transferred to investment in subsidiary	-	(26,220)	-
Other adjustments	(632)	132	679
Balance at the end of the period/year	275,534	272,494	270,624

7 Investment properties

- During the period the group acquired local real estates, for a total consideration of KD3,386 thousand.
- During the period, one of the local subsidiaries disposed its investment properties located in Saudi Arabia for a consideration of KD13,511 thousand resulting a profit of KD198 thousand. Total cash received on this sale amounted to KD1,184, thousand and the balance of KD12,327 thousand is shown as receivable (Note 9).

8 Available for sale investments

	30 Sept. 2011 (Unaudited) KD '000	31 Dec. 2010 (Audited) KD '000	30 Sept. 2010 (Unaudited) KD '000
Non Current			
Managed funds	206,063	193,967	218,553
Unquoted equity participations	197,013	197,473	198,891
Quoted shares	347,473	398,913	341,918
	750,549	790,353	759,362
Current			
Quoted shares	87,566	104,514	101,965
	838,115	894,867	861,327

- 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.
- At the end of the period, the group recognised a total impairment loss of KD12,837 thousand (30 September 2010: KD6,672 thousand) for certain quoted and unquoted investments.
- Quoted shares of the parent company and a local subsidiary with a total fair values of KD25,279 thousand (31 December 2010: KD34,996 thousand and 30 September 2010: KD31,923 thousand) are pledged against short term borrowings and long term borrowings.

9 Accounts receivables and other assets

This includes an amount of KD12,327 thousand which is due from disposal of investment properties as of 30 September 2011 (Note 7). An amount of KD8,218 thousand of the above receivable is due after one year, which is classified as non-current at 30 September 2011.

10 Murabaha and wakala investments

	30 Sept. 2011 (Unaudited) KD '000	31 Dec. 2010 (Audited) KD '000	30 Sept. 2010 (Unaudited) KD '000
Murabaha and wakala investments	33,809	30,231	21,752
Provision for impairment in value	(14,968)	(14,968)	(9,968)
	18,841	15,263	11,784

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

In 2008 and 2009, one of the local subsidiary's of the group violated Articles 148 and 151 of the Commercial Companies Law of 1960 when it assumed the financial and legal obligations on wakala investments of KD9,968 thousand that the subsidiary had placed with an investment company in a fiduciary capacity under a wakala agreement on behalf of certain related parties, despite having no such obligation under the wakala agreement. The regulator has notified the subsidiary of the above violation of Articles 148 and 151 of the Commercial Companies Law of 1960 and Article of Association of the said subsidiary. Accordingly, the subsidiary is initiating legal proceedings against the parties to recover KD9,968 thousand including profits thereon.

11 Investments at fair value through profit or loss

	30 Sept. 2011 (Unaudited) KD '000	31 Dec. 2010 (Audited) KD '000	30 Sept. 2010 (Unaudited) KD '000
Held for trading :			
Quoted shares	48,556	60,955	58,201
Designated on initial recognition :			
Local funds	27,480	33,666	37,731
International managed portfolios and funds	23,439	24,497	22,628
	50,919	58,163	60,359
	99,475	119,118	118,560

Quoted shares, held by a local subsidiary, with a fair value of KD13,599 thousand (31 December 2010: KD17,458 thousand and 30 September 2010: KD14,446 thousand) are pledged against short term borrowings (refer note 15).

12 Share capital and share premium

- As of 30 September 2011, authorized issued and fully paid up share capital of the parent company is comprised of 1,295,098,167 shares of 100 Fils each. (31 December 2010 and 30 September 2010: authorised share capital of 1,589,438,660 shares and issued and fully paid up share capital of 1,295,098,167 shares).
- At the extraordinary general assembly held on 21 May 2009, the shareholders of the parent company approved to increase the paid up share capital by 25% by way of issuing shares at par value of 100 Fils per share and premium of 350 Fils per share. However, the shareholders of the parent company at the Annual General Assembly held on 12 May 2011, cancelled the proposed increase in share capital and approved to reduce the authorised share capital to 1,295,098,167 shares instead of 1,589,438,660 shares of 100 Fils each.

12 Share capital and share premium (continued)

- c) Further the shareholders of the parent company approved at the shareholders Annual General Assembly held on 12 May 2011, to offset the accumulated losses as at 31 December 2010, amounting to KD 42,965 thousand against general reserve, statutory reserve and then share premium (see note 13).
- d) Share premium is not available for distribution.

13 Others reserves

	Statutory reserve KD '000	General reserve KD '000	Gain on Sale of treasury shares reserve KD '000	Foreign currency translation reserve KD '000	Total KD '000
Balances at 1 January 2011	41,704	289	19,072	(1,984)	59,081
Transaction with owners:					
Loss on disposal of treasury shares	-	-	(620)	-	(620)
Offset of accumulated losses (refer note 12c)	(41,704)	(289)	-	-	(41,993)
Total transaction with owners	(41,704)	(289)	(620)	-	(42,613)
Other comprehensive income:					
Currency translation differences	-	-	-	(1,447)	(1,447)
Balances at 30 September 2011	-	-	18,452	(3,431)	15,021
Balances at 1 January 2010	41,415	-	18,997	(734)	59,678
Transaction with owners:					
Gain on disposal of treasury shares	-	-	31	-	31
Total transaction with owners	-	-	31	-	31
Other comprehensive income:					
Currency translation differences	-	-	-	(51)	(51)
Balances at 30 September 2010	41,415	-	19,028	(785)	59,658

14 Trust certificates issued**a. Trust certificates – Mudaraba sukuk:**

During August 2007 the parent company entered into an Islamic financing arrangement whereby the parent company issued through a special purpose vehicle Trust certificates (Mudaraba Sukuk) of US Dollars 475,000 thousand at an issue price of 100% of their principal amount which are due at the end of 5 years from the date of issue (i.e. due in August 2012). The certificate holders are entitled to a quarterly profit distribution at the rate of 3 months LIBOR plus 1.05% per annum. During the period, the group has reclassified the above Sukuk equivalent to KD131,100 thousand from long term to short term as these are maturing within one year.

b. Trust certificates - Musharaka sukuk:

During October 2006 the subsidiary, National Industries Company – KSC (Closed) entered into an Islamic financing arrangement whereby the subsidiary, through a special purpose vehicle, issued secured trust certificates (Musharaka sukuk) of US Dollars 100,000 thousand at an issue price of 100% of their principal amount and due in 4 equal semi-annual installments commencing from April 2010 and ending in October 2011. The certificate holders are entitled to a semi-annual profit distribution at the rate of 6 months LIBOR plus 1% per annum. The Islamic financing arrangement is secured by four of the subsidiary's factories.

During the period, the subsidiary made a periodic distribution of USD25,000 thousand to the sukuk holders being the third installment of the principal amount of the Musharaka sukuk and subsequent to the reporting date, the subsidiary made a periodic distribution of USD25,000 thousand to the sukuk holders being the fourth and final installment of the Musharaka sukuk.

15 Long term and short term borrowings

- a. During the period, the parent company has reclassified Kuwaiti Dinar denominated loans amounting to KD29,125 thousand and US Dollar denominated loans amounting to KD21,062 thousand from long term borrowings to short term borrowings as these loans are maturing within one year.
- b. During the period, the parent company has rescheduled Kuwaiti Dinar denominated loans amounting to KD153,000 thousand and US Dollar denominated loans equivalent to KD43,372 thousand from short term loans to long term loans. These loans are for a period of 6 years and are due for repayment in instalments commencing from June 2013.
- c. During the period, a local subsidiary of the group has rescheduled Kuwaiti Dinar denominated loans amounting to KD62,495 thousand from short term loans to long term loans. These loans are for a period of 6 years and are due for repayment in instalments commencing from June 2012. The current portion of the above long term borrowings amounting to KD6,250 thousand is classified as short term borrowings as at 30 September 2011.
- d. Kuwait Dinar loans are secured by certain investments at fair value through profit or loss and available for sale investments.
- e. A Jordanian Dinar loan equivalent to KD3,018 thousand (31 December 2010: KD4,122 thousand and 30 September 2010: KD4,185 thousand) of a foreign subsidiary is secured by property, plant and equipment of that foreign subsidiary.

16 Cash and cash equivalents

	30 Sept. 2011 (Unaudited) KD '000	31 Dec. 2010 (Audited) KD '000	30 Sept. 2010 (Unaudited) KD '000
Murabaha and wakala investments – maturing within three months	2,656	500	-
Short-term deposits	86,050	104,565	110,932
Bank balances and cash	27,825	38,002	27,197
Due to banks	(27,831)	(33,278)	(31,720)
	88,700	109,789	106,409
Less: Short term deposits maturing after 3 months	-	(150)	-
Blocked balances	(115)	(10)	(14)
Cash and cash equivalents for the purpose of interim condensed consolidated statement of cash flow	88,585	109,629	106,395

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

	<u>Investment</u>		<u>Building materials</u>		<u>Specialist engineering</u>		<u>Total</u>	
	30 Sept. 2011 KD '000	30 Sept. 2010 KD '000	30 Sept. 2011 KD '000	30 Sept. 2010 KD '000	30 Sept. 2011 KD '000	30 Sept. 2010 KD '000	30 Sept. 2011 KD '000	30 Sept. 2010 KD '000
Three months ended								
Segment revenue	6,905	16,070	8,743	9,463	14,856	13,612	30,504	39,145
Less:								
Income from investments							(8)	(13,585)
Share of results of associates							(4,966)	(449)
Change in fair value of investment properties							456	-
Realised gain on sale of investment properties							(198)	-
Interest and other operating income							(2,189)	(2,036)
Sales, as per interim condensed consolidated statement of income							23,599	23,075
Segment profit	2,102	5,605	2,101	1,935	815	14	5,018	7,554
Less:								
Finance costs							(9,168)	(9,438)
Other unallocated (expenses)/income							(705)	8,108
(Loss)/profit for the period before taxation, NLST and Zakat as per the interim condensed consolidated statement of income							(4,855)	6,224
Nine months ended								
Segment revenue	43,860	36,067	29,461	31,745	45,601	41,137	118,922	108,949
Less:								
Income from investments							(23,874)	(28,710)
Share of results of associates							(12,049)	(4,794)
Profit on disposal of subsidiary							-	(646)
Change in fair value of investment properties							304	930
Realized gain on sale of investment properties							(198)	-
Interest and other operating income							(8,043)	(2,847)
Unallocated sales							-	825
Sales, as per interim condensed consolidated statement of income							75,062	73,707
Segment profit/(loss)	19,556	15,774	6,918	8,344	1,982	(259)	28,456	23,859
Less:								
Finance costs							(31,164)	(28,793)
Other unallocated income							5,718	1,878
Profit/(loss) for the period before taxation, NLST and Zakat as per the interim condensed consolidated statement of income							3,010	(3,056)

18 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. 2011 (Unaudited) KD '000	31 Dec. 2010 (Audited) KD '000	30 Sept. 2010 (Unaudited) KD '000	
Balances included in interim condensed consolidated statement of financial position				
Due from related parties (included in accounts receivable and other assets)				
- Due from associate companies	7,080	5,612	18,303	
- Due from other related parties	317	2,945	940	
- Due from key management personnel	313	313	313	
Due to related parties (included in accounts payable and other liabilities)				
- Due to associate company	986	2,816	29	
Short term borrowings	-	-	19,716	
	Three months ended	Nine months ended		
	30 Sept. 2011 (Unaudited) KD '000	30 Sept. 2010 (Unaudited) KD '000	30 Sept. 2011 (Unaudited) KD '000	
			30 Sept. 2010 (Unaudited) KD '000	
Transactions included in interim condensed consolidated statement of income				
Realised gain on disposal of subsidiary to an associate	-	-	-	646
Purchase of raw materials – from associates	1,103	2,016	4,238	6,786
Finance costs	-	149	-	466
Compensation of key management personnel of the group				
Short term employee benefits	607	514	1,922	1,877
End of service benefits	59	38	580	145
Cost of share based payment	-	-	210	-
	666	552	2,712	2,022

19 Dividend distribution

The general assembly of shareholders held on 12 May 2011, approved the consolidated financial statements for the year ended 31 December 2010 and the directors' proposal not to distribute any dividends for the year then ended.

20 Contingent liabilities

At 30 September 2011, the group had contingent liabilities in respect of outstanding bank guarantees amounting to KD11,643 thousand (31 December 2010: KD13,679 thousand and 30 September 2010: KD5,620 thousand).

21 Fiduciary assets

One of the subsidiary's 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 2011 amounted to KD43,139 thousand (31 December 2010: KD62,396 thousand and 30 September 2010: KD162,834 thousand) of which assets managed on behalf of related parties amounted to KD9,831 thousand (31 December 2010: KD11,196 thousand and 30 September 2010: KD124,472 thousand).

22 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 KD34,395 thousand (31 December 2010: KD53,609 thousand and 30 September 2010: KD51,781 thousand).

23 Comparative information

Certain comparative figures 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.