Interim condensed consolidated financial information and review report

National Industries Group Holding – SAK and subsidiaries

Kuwait

30 June 2012 (Unaudited)

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Contents

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 June 2012 and the related interim condensed consolidated statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-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 six-month period ended 30 June 2012 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
6 August 2012

Interim condensed consolidated statement of income

	Note	Three months ended 30 June 2012 (Unaudited) KD '000	Three months ended 30 June 2011 (Unaudited) KD '000	Six months ended 30 June 2012 (Unaudited) KD '000	Six months ended 30 June 2011 (Unaudited) KD '000
Sales		**30,384**	27,331	**57,809**	51,463
Cost of sales		**(23,568)**	(20,785)	**(44,684)**	(40,100)
Gross profit		**6,816**	6,546	**13,125**	11,363
Income from investments	3	**7,512**	19,369	**25,385**	23,866
Share of results of associates		**5,928**	4,385	**9,239**	7,083
Changes in fair value of investment properties		**1,735**	152	**1,735**	152
Interest and other operating income	4	**1,588**	4,204	**3,116**	5,854
Distribution costs		**(1,186)**	(1,156)	**(2,246)**	(2,250)
General, administrative and other expenses		**(5,294)**	(5,436)	**(10,514)**	(10,461)
(Loss)/gain on foreign currency exchange		**(2,227)**	2,451	**(1,861)**	6,423
		14,872	30,515	**37,979**	42,030
Finance costs		**(9,227)**	(11,067)	**(18,492)**	(21,996)
Dilution loss on associate	6	**(253)**	-	**(253)**	-
Impairment in value of available for sale investments	7	**(2,475)**	(11,772)	**(5,273)**	(12,169)
Profit before taxation, NLST and Zakat		**2,917**	7,676	**13,961**	7,865
Taxation of foreign subsidiaries		**(65)**	-	**(65)**	(3)
Reversal of provision/(provision) for National Labour Support Tax (NLST)		**98**	(66)	**-**	(66)
Reversal of provision/(provision) for Zakat		**36**	(24)	**-**	(24)
Profit for the period		**2,986**	7,586	**13,896**	7,772
Attributable to :					
Owners of the parent company		**1,061**	6,772	**10,482**	8,713
Non-controlling interests		**1,925**	814	**3,414**	(941)
		2,986	7,586	**13,896**	7,772
Basic and diluted earnings per share attributable to the owners of the parent company	5	**1 Fils**	5 Fils	**8 Fils**	7 Fils

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

Interim condensed consolidated statement of comprehensive income

	Three months ended		Six months ended	
	30 June 2012 (Unaudited)	30 June 2011 (Unaudited)	30 June 2012 (Unaudited)	30 June 2011 (Unaudited)
	KD '000	KD '000	**KD '000**	KD '000
Profit for the period	**2,986**	7,586	**13,896**	7,772
Other comprehensive income:				
Exchange differences arising on translation of foreign operations	**995**	(405)	**(743)**	(1,262)
Available for sale investments:				
- Net changes in fair value arising during the period	**(52,847)**	14,786	**(13,251)**	(15,580)
- Transferred to interim condensed consolidated statement of income on disposals	**(1,757)**	(4,234)	**(4,562)**	(6,828)
- Transferred to interim condensed consolidated statement of income on impairment	**2,475**	11,772	**5,273**	12,169
Share of other comprehensive income of associates				
- Change in fair value	**(25)**	(36)	**2,311**	(7,246)
- Exchange differences	**(1,004)**	(173)	**(1,421)**	(113)
Total other comprehensive income for the period	**(52,163)**	21,710	**(12,393)**	(18,860)
Total comprehensive income for the period	**(49,177)**	29,296	**1,503**	(11,088)
Total comprehensive income attributable to:				
Owners of the parent company	**(38,586)**	24,431	**2,466**	(10,006)
Non-controlling interests	**(10,591)**	4,865	**(963)**	(1,082)
	(49,177)	29,296	**1,503**	(11,088)

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

Interim condensed consolidated statement of financial position

	Note	30 June 2012 (Unaudited) KD '000	31 Dec. 2011 (Audited) KD '000	30 June 2011 (Unaudited) KD '000
Assets				
Non-current assets				
Goodwill		6,761	6,645	6,780
Property, plant and equipment		65,371	65,316	65,219
Investment in associates	6	289,486	283,126	272,704
Investment properties		24,388	13,912	39,281
Available for sale investments	7	728,628	739,325	789,477
Accounts receivable		7,770	7,848	-
Total non-current assets		1,122,404	1,116,172	1,173,461
Current assets				
Inventories		23,164	23,602	20,581
Available for sale investments	7	75,137	86,713	94,927
Accounts receivable and other assets		60,406	68,224	62,582
Murabaha and wakala investments		9,009	8,413	17,111
Investments at fair value through profit or loss	8	74,289	81,816	103,347
Short-term deposits	13	77,338	79,041	89,603
Bank balances and cash	13	38,478	35,724	41,925
Total current assets		357,821	383,533	430,076
Total assets		1,480,225	1,499,705	1,603,537
Equity and liabilities				
Equity attributable to owners of the parent				
Share capital	9	129,510	129,510	129,510
Treasury shares		(30,375)	(30,375)	(30,375)
Share premium	9	122,962	151,719	151,719
Cumulative changes in fair value		133,114	139,662	177,968
Other reserves	10	13,696	16,931	15,513
Retained earnings/(accumulated losses)		10,482	(30,524)	8,713
Equity attributable to owners of the parent		379,389	376,923	453,048
Non-controlling interests		139,280	144,686	171,892
Total equity		518,669	521,609	624,940
Non-current liabilities				
Trust certificates issued	11	-	-	130,601
Long-term loans	12	414,211	394,993	328,139
Leasing creditors		223	300	304
Provisions		9,174	9,611	10,331
Total non-current liabilities		423,608	404,904	469,375
Current liabilities				
Accounts payable and other liabilities		48,236	56,076	43,057
Trust certificates issued – current portion	11	133,309	132,549	6,864
Short-term loans	12	329,774	360,911	433,985
Due to banks	13	26,629	23,656	25,316
Total current liabilities		537,948	573,192	509,222
Total liabilities		961,556	978,096	978,597
Total equity and liabilities		1,480,225	1,499,705	1,603,537

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

NI Group
(S.A.K.)

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 10) KD '000	(Accumulated losses)/ retained earnings KD '000	Sub-Total KD '000	Non-controlling interests KD '000	Total KD '000
Balance at 1 January 2012	129,510	(30,375)	151,719	139,662	16,931	(30,524)	376,923	144,686	521,609
Transactions with owners									
Offset of accumulated losses (refer note 9b)	-	-	(28,757)	-	(1,767)	30,524	-	-	-
Redemption of units by non-controlling interests of subsidiary	-	-	-	-	-	-	-	(147)	(147)
Net change in non-controlling interests	-	-	-	-	-	-	-	(886)	(886)
Dividend paid to non-controlling interest by subsidiaries	-	-	-	-	-	-	-	(3,410)	(3,410)
Total transactions with owners	-	-	(28,757)	-	(1,767)	30,524	-	(4,443)	(4,443)
Comprehensive income									
Profit for the period	-	-	-	-	-	10,482	10,482	3,414	13,896
Other comprehensive income for the period	-	-	-	(6,548)	(1,468)	-	(8,016)	(4,377)	(12,393)
Total comprehensive income for the period	-	-	-	(6,548)	(1,468)	10,482	2,466	(963)	1,503
Balance at 30 June 2012	**129,510**	**(30,375)**	**122,962**	**133,114**	**13,696**	**10,482**	**379,389**	**139,280**	**518,669**

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

Interim condensed consolidated statement of changes in equity (continued)

	Equity attributable to the owners of the parent company								
	Share Capital KD '000	Treasury shares KD '000	Share Premium KD '000	Cumulative changes in fair value KD '000	Other reserves (Note 10) KD '000	(Accumulated losses)/ retained earrings/ 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	-	-	(972)	-	(41,993)	42,965	-	-	-
Net change in non-controlling interests	-	-	-	-	-	-	-	170	170
Dividend paid to non-controlling interests by subsidiaries	-	-	-	-	-	-	-	(1,412)	(1,412)
Total transactions with owners	-	429	(972)	-	(42,613)	42,965	(191)	(1,242)	(1,433)
Comprehensive income									
Profit/(loss) for the period	-	-	-	-	-	8,713	8,713	(941)	7,772
Other comprehensive income for the period	-	-	-	(17,764)	(955)	-	(18,719)	(141)	(18,860)
Total comprehensive income for the period	-	-	-	(17,764)	(955)	8,713	(10,006)	(1,082)	(11,088)
Balance at 30 June 2011	**129,510**	**(30,375)**	**151,719**	**177,968**	**15,513**	**8,713**	**453,048**	**171,892**	**624,940**

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

Interim condensed consolidated statement of cash flows

	Six months ended 30 June 2012 (Unaudited) KD '000	Six months ended 30 June 2011 (Unaudited) KD '000
OPERATING ACTIVITIES		
Profit before taxation, NLST and Zakat	13,961	7,865
Adjustments for :		
Depreciation of property, plant and equipment	3,707	2,948
Change in fair value of investment properties	(1,735)	(152)
Loss on disposal of property, plant and equipment	6	2
Share of results of associates	(9,239)	(7,083)
Dilution loss on associate	253	-
Dividend income from available for sale investments	(18,703)	(15,396)
Unrealised gain on interest rate SWAPs	(12)	(85)
Impairment in value of available for sale investments	5,273	12,169
Profit on sale of available for sale investments	(6,411)	(17,659)
Net provision released	(437)	(1,033)
Finance costs	18,492	21,996
Interest/profit on bank balances, short-term deposits, wakala and murabaha investments	(1,104)	(2,403)
	4,051	1,169
Changes in operating assets and liabilities:		
Inventories	438	(528)
Accounts receivable and other assets	7,894	(3,363)
Investments at fair value through profit or loss	7,527	15,771
Accounts payable and other liabilities	(8,043)	4,933
Cash from operations	11,867	17,982
Taxation paid	-	(87)
KFAS paid	(83)	(2,577)
Net cash from operating activities	11,784	15,318

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

Interim condensed consolidated statement of cash flows (continued)

	Note	Six months ended 30 June 2012 (Unaudited) KD '000	Six months ended 30 June 2011 (Unaudited) KD '000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(4,202)	(2,608)
Proceeds from sale of property, plant and equipment		152	32
Purchase of investment properties		(8,741)	(2,506)
Addition to investment in associates		(1,891)	(3,211)
Dividend received from associates		4,652	1,747
Purchase of available for sale investments		(4,082)	(24,730)
Proceeds from sale of available for sale investments		16,118	30,232
(Increase)/decrease in wakala investments maturing after three months		(1,596)	402
Proceeds from realisation of term deposits		-	150
Increase in block balances		(2,311)	-
Dividend income received from available for sale investments		18,703	15,396
Interest/profit received from bank balances, short-term deposits, wakala and murabaha investments		1,104	2,368
Net cash from investing activities		17,906	17,272
FINANCING ACTIVITIES			
Finance lease receipts/(payment)		488	(126)
Net increase/(decrease) in long-term borrowings, bonds and trust certificates		23,221	(3,811)
Net decrease in short-term borrowings		(34,380)	(4,769)
Dividend paid to owners of the parent		(137)	(506)
Finance costs paid		(19,665)	(22,662)
Purchase of treasury shares		-	(728)
Proceeds from disposal of treasury shares		-	537
Decrease in non-controlling interests		(4,443)	(1,242)
Net cash used in financing activities		(34,916)	(33,307)
Net decrease in cash and cash equivalents		(5,226)	(717)
Translation difference		(7)	40
		(5,233)	(677)
Cash and cash equivalents at beginning of the period		91,994	109,629
Cash and cash equivalents at end of the period	13	86,761	108,952

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

Notes of the interim condensed consolidated financial information

1 Incorporation and activities

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

The main objectives of the parent company are as follows:

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

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

The board of directors of the parent company approved this interim condensed consolidated financial information for issue on 6 August 2012.

2 Basis of preparation and significant accounting policies

Basis of preparation

The interim condensed consolidated financial information of the group has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in preparation of annual consolidated financial statements for the year ended 31 December 2011 except for the adoption of new and revised International Financial Reporting Standards discussed below:

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

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

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

Notes of the interim condensed consolidated financial information (continued)

2 Basis of preparation and significant accounting policies (continued)

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

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

Adoption of new IASB Standards and amendments during the period

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

IFRS 7 Financial Instruments: Disclosures- amendment

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

IASB Standards issued but not yet effective

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

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

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

Notes of the interim condensed consolidated financial information (continued)

2 Basis of preparation and significant accounting policies (continued)

IASB Standards issued but not yet effective (continued)

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

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

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

IAS 27 Consolidated and Separate Financial statements – Revised as IAS 27 Separate Financial Statements
As a consequence of the new IFRS 10 and IFRS 12, IAS 27 now deals only with separate financial statements.

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

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

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

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

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

Notes of the interim condensed consolidated financial information (continued)

2 Basis of preparation and significant accounting policies (continued)

IASB Standards issued but not yet effective (continued)

Consolidation Standards

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

IFRS 10 Consolidated Financial Statements

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

IFRS 11 Joint Arrangements

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

IFRS 12 Disclosure of Interests in Other Entities

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

3 Income from investments

	Three months ended		Six months ended	
	30 June 2012 (Unaudited)	30 June 2011 (Unaudited)	**30 June 2012 (Unaudited)**	30 June 2011 (Unaudited)
	KD '000	KD '000	**KD '000**	KD '000
Dividend income:				
- From investments at fair value through profit or loss	**204**	165	**226**	265
- From available for sale investments	**8,757**	8,421	**18,703**	15,396
Profit on sale of available for sale investments	**1,662**	12,630	**6,411**	17,659
Realised gain/(loss) on investments at fair value through profit or loss	**13**	(405)	**657**	18
Unrealised loss on investments at fair value through profit or loss	**(3,124)**	(1,442)	**(612)**	(9,472)
	7,512	19,369	**25,385**	23,866

Notes of the interim condensed consolidated financial information (continued)

4 Interest and other operating income

	Three months ended		Six months ended	
	30 June 2012 (Unaudited) KD '000	30 June 2011 (Unaudited) KD '000	30 June 2012 (Unaudited) KD '000	30 June 2011 (Unaudited) KD '000
Interest/profit on bank balances, short term deposits, wakala and murabaha investments	**489**	964	**1,104**	2,403
Net (loss)/income from dealing in interest rate SWAPs	**(4)**	58	**12**	7
Income from financing of future trade by customers	**17**	103	**166**	225
Rental income	**204**	155	**511**	290
Management and placement fees and other income	**882**	2,924	**1,323**	2,929
	1,588	4,204	**3,116**	5,854

5 Basic and diluted earnings per share attributable to the owners of the parent

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

	Three months ended		Six months ended	
	30 June 2012 (Unaudited)	30 June 2011 (Unaudited)	30 June 2012 (Unaudited)	30 June 2011 (Unaudited)
Profit for the period attributable to owners of the parent company (KD '000)	**1,061**	6,772	**10,482**	8,713
Weighted average number of shares outstanding during the period (excluding treasury shares) – shares	**1,261,959,044**	1,261,959,044	**1,261,959,044**	1,262,252,415
Basic & diluted earnings per share	**1 Fils**	5 Fils	**8 Fils**	7 Fils

6 Investment in associates

The movement in associates during the period is as follows:

	30 June 2012 (Unaudited) KD '000	31 Dec. 2011 (Audited) KD '000	30 June 2011 (Unaudited) KD '000
Balance at 1 January	**283,126**	272,494	272,466
Additions during the year	**1,891**	14,114	3,211
Share of results	**9,239**	14,464	7,083
Change in other comprehensive income	**890**	(14,258)	(7,359)
Dividend received	**(4,652)**	(2,845)	(1,747)
Transferred to investment in subsidiary	**-**	(523)	-
Dilution loss of an associate (refer 6a)	**(253)**	-	-
Others adjustments	**(755)**	(320)	(950)
	289,486	283,126	272,704

Notes of the interim condensed consolidated financial information (continued)

6 Investment in associates (continued)

a) During the period ended 30 June 2012, one of the group's associate, Mabanee Company SAK (Closed) acquired control of one of its associate by issuing its ordinary shares as a purchase consideration. Consequently this has resulted in the group's shareholding in Mabanee, diluting to 19.16% from 20.05%, resulting in a dilution loss of KD253 thousand. Although, the group owns 19.16% of Mabanee Company SAK (Closed), the group exercises significant influence over the associate by way of board representation.

7 Available for sale investments

	30 June 2012 (Unaudited) KD '000	31 Dec. 2011 (Audited) KD '000	30 June 2011 (Unaudited) KD '000
Non Current			
Managed funds	**193,656**	191,043	211,482
Unquoted equity participations	**191,697**	188,917	195,475
Quoted shares	**343,275**	359,365	382,520
	728,628	739,325	789,477
Current			
Quoted shares	**75,137**	86,713	94,927
	803,765	826,038	884,404

a) The quoted shares classified as current represents the remaining investments from those which were transferred from investments at fair value through profit or loss as of 1 July 2008.

b) At the end of the period, the group recognised a total impairment loss of KD5,273 thousand (30 June 2011: KD12,169 thousand) for certain quoted and unquoted shares.

c) Quoted shares with a fair value of KD43,807 thousand (31 December 2011: KD37,006 thousand and 30 June 2011: KD27,212 thousand) are secured against term loans (refer note 12).

8 Investments at fair value through profit or loss

	30 June 2012 (Unaudited) KD '000	31 Dec. 2011 (Audited) KD '000	30 June 2011 (Unaudited) KD '000
Held for trading :			
Quoted shares	**32,865**	34,411	46,980
Designated on initial recognition :			
Local funds	**16,496**	21,905	28,673
International managed portfolios and funds	**24,928**	25,500	27,694
	41,424	47,405	56,367
	74,289	81,816	103,347

Quoted shares, held by local subsidiaries, with a fair value of KD15,264 thousand (31 December 2011: KD17,189 thousand and 30 June 2011: KD14,693 thousand) are secured against term loans (refer note 12).

Notes of the interim condensed consolidated financial information (continued)

9 Share capital and share premium

a) As of 30 June 2012, authorized and fully paid share capital in cash of the parent company comprised of 1,295,098,167 shares of 100 Fils each (31 December 2011: and 30 June 2011: 1,295,098,167 shares).

b) The shareholders of the parent company approved at the shareholders Annual General Assembly held on 24 May 2012, to offset the accumulated losses as at 31 December 2011, amounting to KD30,524 thousand against general reserve, statuary reserve and then share premium (see note 10).

c) Share premium is not available for distribution.

10 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 2012	911	856	18,452	(3,288)	16,931
Transaction with owners:					
Offset of accumulated losses (refer note 9b)	(911)	(856)	-	-	(1,767)
Total transaction with owners	(911)	(856)	-	-	(1,767)
Other comprehensive income:					
Currency translation differences	-	-	-	(1,468)	(1,468)
Balances at 30 June 2012	**-**	**-**	**18,452**	**(4,756)**	**13,696**
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	(41,704)	(289)	-	-	(41,993)
Total transaction with owners	(41,704)	(289)	(620)	-	(42,613)
Other comprehensive income:					
Currency translation differences	-	-	-	(955)	(955)
Balances at 30 June 2011	-	-	18,452	(2,939)	15,513

Notes of the interim condensed consolidated financial information (continued)

11 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 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.

The management of the parent company is currently engaged in discussion with the sukuk holders regarding the restructuring of the amount due and the related terms and conditions. As per the restructuring plan the group will repay a minimum of 30% of the US Dollars 475,000 thousand on 16 August 2012, and the balance will be paid in instalments over the next 4 years. The group intends to finance the payment of the 30% by way of a new borrowing arrangement which is in the process of being finalized (refer Note 12 b).

12 Term loans

a. During the period, the parent company has rescheduled Kuwait Dinar denominated loan amounting to KD20,000 thousand from short term to long term.

b. The parent company is in the process of finalizing the terms and conditions for a 3 year syndicated murabah facility with local banks which will be denominated in Kuwaiti Dinar of an amount targeted to be in excess of KD 100,000 thousand. The parent company expects to receive the funding before the due date of the sukuk referred to in Note 11 above.

c. A local subsidiary of the group has restructured its financing arrangements with some local banks and accordingly loans amounting to KD116,396 thousand were converted into secured long term facilities with 100% security coverage. As of 30 June 2012, the process of identification and securitization of the required investment portfolios is partly completed (note 7 and 8) and remaining is underway. Further during the period, another local subsidiary has agreed with its local bank to restructure a loan of KD32,264 thousand to a long term loan secured by its investments.

d. Subsequent events

During July 2012, the parent company settled short term loans of KD19,442 thousand obtained from a foreign bank.

13 Cash and cash equivalents

	30 June 2012 (Unaudited) KD '000	31 Dec. 2011 (Audited) KD '000	30 June 2011 (Unaudited) KD '000
Murabaha and wakala investments – maturing within three months	-	1,000	2,750
Short-term deposits	77,338	79,041	89,603
Bank balances and cash	38,478	35,724	41,925
Due to banks	(26,629)	(23,656)	(25,316)
	89,187	92,109	108,962
Less: Blocked balances	(2,426)	(115)	(10)
Cash and cash equivalents for the purpose of interim condensed consolidated statement of cash flow	86,761	91,994	108,952

Blocked balances include an amount of KD2,190 thousand which is secured against term loans.

Notes of the interim condensed consolidated financial information (continued)

14 Segmental analysis

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

	Investment		Building materials		Specialist engineering		Total	
	30 June 2012 KD '000	30 June 2011 KD '000	**30 June 2012 KD '000**	30 June 2011 KD '000	**30 June 2012 KD '000**	30 June 2011 KD '000	**30 June 2012 KD '000**	30 June 2011 KD '000
Three months ended								
Segment revenue	**16,763**	28,110	**11,248**	10,619	**19,136**	16,712	**47,147**	55,441
Less:								
Income from investments							**(7,512)**	(19,369)
Share of results of associates							**(5,928)**	(4,385)
Change in fair value of investment properties							**(1,735)**	(152)
Interest and other operating income							**(1,588)**	(4,204)
Sales, as per interim condensed consolidated statement of income							**30,384**	27,331
Segment profit	**10,598**	12,472	**2,443**	2,491	**1,330**	1,329	**14,371**	16,292
Less:								
Finance costs							**(9,227)**	(11,067)
(Loss)/gain on foreign currency exchange							**(2,227)**	2,451
Profit before taxation, NLST and Zakat as per the interim condensed consolidated statement of income							**2,917**	7,676
Six months ended								
Segment revenue	**39,475**	36,955	**21,936**	20,718	**35,873**	30,745	**97,284**	88,418
Less:								
Income from investments							**(25,385)**	(23,866)
Share of results of associates							**(9,239)**	(7,083)
Change in fair value of investment properties							**(1,735)**	(152)
Interest and other operating income							**(3,116)**	(5,854)
Sales, as per interim condensed consolidated statement of income							**57,809**	51,463
Segment profit	**27,008**	17,454	**4,935**	4,817	**2,371**	1,167	**34,314**	23,438
Less:								
Finance costs							**(18,492)**	(21,996)
(Loss)/gain on foreign currency exchange							**(1,861)**	6,423
Profit before taxation, NLST and Zakat as per the interim condensed consolidated statement of income							**13,961**	7,865

Notes of the interim condensed consolidated financial information (continued)

15 Related party transactions

Related parties represent associates, directors and key management personnel of the group, and other related parties such as major shareholders and companies in which directors and key management personnel of the group are principal owners or over which they are able to exercise significant influence or joint control. Pricing policies and terms of these transactions are approved by the group's management.

Details of significant related party transactions and balances are as follows:

	30 June 2012 (Unaudited) KD '000	31 Dec. 2011 (Audited) KD '000	30 June 2011 (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	**3,507**	4,421	6,696
- Due from other related parties	**19**	980	2,945
- Due from key management personnel	**231**	231	313
- Purchase of investment from associate	**-**	3,493	-
Due to related parties (included in accounts payable and other liabilities)			
- Due to associate	4,413	4,487	719

	Three months ended		Six months ended	
	30 June 2012 (Unaudited) KD '000	30 June 2011 (Unaudited) KD '000	**30 June 2012 (Unaudited) KD '000**	30 June 2011 (Unaudited) KD '000
Transactions included in interim condensed consolidated statement of income				
Purchase of raw materials – from associates	**1,594**	1,625	**3,033**	3,135
Management fees and placement fees earned from related parties	**91**	-	**91**	-
Compensation of key management personnel of the group				
Short term employee benefits	**780**	843	**1,578**	1,525
End of service benefits	**27**	417	**117**	521
	807	1,260	**1,695**	2,046

16 Annual general assembly

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

17 Contingent liabilities

At 30 June 2012, the group had contingent liabilities in respect of outstanding bank guarantees amounting to KD13,907 thousand (31 December 2011: KD14,164 thousand and 30 June 2011: KD13,019 thousand).

Notes of the interim condensed consolidated financial information (continued)

18 Fiduciary assets

One of the subsidiaries of the group manages mutual funds, portfolios on behalf of related and third parties, and maintains securities in fiduciary accounts which are not reflected in the interim condensed consolidated statement of financial position. Assets under management at 30 June 2012 amounted to KD37,861 thousand (31 December 2011: KD43,032 thousand and 30 June 2011: KD55,585 thousand) of which assets managed on behalf of related parties amounted to KD9,006 thousand (31 December 2011: KD8,930 thousand and 30 June 2011: KD9,548 thousand).

19 Capital commitments

At the reporting date the group had commitments for the purchase of investments and the acquisition of property, plant and equipment totalling to KD30,035 thousand (31 December 2011: KD30,521 thousand and 30 June 2011: KD34,383 thousand).

20 Comparative information

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