Interim condensed consolidated financial information and review report

National Industries Group Holding – SAK and subsidiaries

Kuwait

30 June 2011 (Unaudited)

Contents

	Page
Review report	**1**
Interim condensed consolidated statement of income	**2**
Interim condensed consolidated statement of comprehensive income	**3**
Interim condensed consolidated statement of financial position	**4**
Interim condensed consolidated statement of changes in equity	**5 and 6**
Interim condensed consolidated statement of cash flows	**7 and 8**
Notes to the interim condensed consolidated financial information	**9 to 17**

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 2011 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and 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 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 August 2011

Interim condensed consolidated statement of income

	Note	Three months ended		Six months ended	
		30 June 2011 (Unaudited)	30 June 2010 (Unaudited)	**30 June 2011 (Unaudited)**	30 June 2010 (Unaudited)
		KD '000	KD '000	**KD '000**	KD '000
Sales		**27,331**	25,174	**51,463**	50,632
Cost of sales		**(20,785)**	(18,891)	**(40,100)**	(38,312)
Gross profit		**6,546**	6,283	**11,363**	12,320
Income from investments	3	**19,369**	(2,935)	**23,866**	15,125
Share of results of associates		**4,385**	2,663	**7,083**	4,345
Profit on disposal of subsidiary		**-**	646	**-**	646
Changes in fair value of investment properties		**152**	(1,417)	**152**	(930)
Interest and other operating income	4	**4,204**	649	**5,854**	811
Distribution costs		**(1,156)**	(937)	**(2,250)**	(1,961)
General, administrative and other expenses		**(5,436)**	(6,613)	**(10,461)**	(11,247)
		28,064	(1,661)	**35,607**	19,109
Finance costs		**(11,067)**	(9,719)	**(21,996)**	(19,355)
Impairment in value of available for sale investments	7	**(11,772)**	(2,535)	**(12,169)**	(2,773)
Gain/(loss) on foreign currency exchange		**2,451**	(2,255)	**6,423**	(6,261)
Profit/(loss) before taxation, NLST and Zakat		**7,676**	(16,170)	**7,865**	(9,280)
Taxation of foreign subsidiaries		**-**	(39)	**(3)**	(30)
Provision/(reversal of provision) for National Labour Support Tax (NLST)		**(66)**	96	**(66)**	-
Provision/(reversal of provision) for Zakat		**(24)**	41	**(24)**	-
Profit /(loss) for the period		**7,586**	(16,072)	**7,772**	(9,310)
Attributable to :					
Owners of the parent company		**6,772**	(11,678)	**8,713**	(6,966)
Non-controlling interests		**814**	(4,394)	**(941)**	(2,344)
		7,586	(16,072)	**7,772**	(9,310)
Basic and diluted earnings/(loss) per share attributable to the owners of the parent company	5	**5 Fils**	(9) Fils	**7 Fils**	(5) Fils

Interim condensed consolidated statement of comprehensive income

	Three months ended		Six months ended	
	30 June 2011 (Unaudited)	30 June 2010 (Unaudited)	**30 June 2011 (Unaudited)**	30 June 2010 (Unaudited)
	KD '000	KD '000	**KD '000**	KD '000
Profit/(loss) for the period	**7,586**	(16,072)	**7,772**	(9,310)
Other comprehensive income:				
Exchange differences arising on translation of foreign operations	**(578)**	386	**(1,375)**	1,561
Available for sale investments:				
- Net changes in fair value arising during the period	**14,786**	(55,102)	**(15,580)**	(11,879)
- Transferred to interim condensed consolidated statement of income on disposals	**(4,234)**	(1,607)	**(6,828)**	(702)
- Transferred to interim condensed consolidated statement of income on impairment	**11,772**	2,535	**12,169**	2,773
Share of other comprehensive income of associates	**(36)**	63	**(7,246)**	1,579
Total other comprehensive income for the period	**21,710**	(53,725)	**(18,860)**	(6,668)
Total comprehensive income for the period	**29,296**	(69,797)	**(11,088)**	(15,978)
Total comprehensive income attributable to:				
Owners of the parent company	**24,431**	(55,927)	**(10,006)**	(10,283)
Non-controlling interests	**4,865**	(13,870)	**(1,082)**	(5,695)
	29,296	(69,797)	**(11,088)**	(15,978)

Interim condensed consolidated statement of financial position

	Note	**30 June 2011 (Unaudited) KD '000**	31 Dec. 2010 (Audited) KD '000	30 June 2010 (Unaudited) KD '000
Assets				
Non-current assets				
Goodwill		**6,780**	6,718	7,918
Property, plant and equipment		**65,219**	67,201	50,134
Investment in associates		**272,704**	272,494	273,543
Investment properties	6	**39,281**	36,642	32,812
Available for sale investments	7	**789,477**	790,353	683,410
Total non-current assets		**1,173,461**	1,173,408	1,047,817
Current assets				
Inventories		**20,581**	20,053	20,310
Available for sale investments	7	**94,927**	104,514	102,689
Accounts receivable and other assets		**62,582**	59,182	84,005
Murabaha and wakala investments	8	**17,111**	15,263	15,628
Investments at fair value through profit or loss	9	**103,347**	119,118	117,544
Short-term deposits	13	**89,603**	104,565	129,435
Bank balances and cash	13	**41,925**	38,002	34,815
Total current assets		**430,076**	460,697	504,426
Total assets		**1,603,537**	1,634,105	1,552,243
Equity and liabilities				
Equity attributable to owners of the parent				
Share capital	10	**129,510**	129,510	129,510
Treasury shares		**(30,375)**	(30,804)	(28,064)
Share Premium	10	**151,719**	152,691	152,691
Cumulative changes in fair value		**177,968**	195,732	105,141
Other reserves	11	**15,513**	59,081	61,092
Retained earnings/(accumulated losses)		**8,713**	(42,965)	(30,153)
Equity attributable to owners of the parent		**453,048**	463,245	390,217
Non-controlling interests		**171,892**	174,216	140,106
Total equity		**624,940**	637,461	530,323
Non-current liabilities				
Trust certificates issued		**130,601**	133,523	149,302
Long-term borrowings	12	**328,139**	165,688	37,012
Leasing creditors		**304**	446	620
Provisions		**10,331**	11,364	8,435
Total non-current liabilities		**469,375**	311,021	195,369
Current liabilities				
Accounts payable and other liabilities		**43,057**	43,387	43,356
Trust certificates issued – current portion		**6,864**	14,010	10,887
Short-term borrowings	12	**433,985**	594,948	739,195
Due to banks	13	**25,316**	33,278	33,113
Total current liabilities		**509,222**	685,623	826,551
Total liabilities		**978,597**	996,644	1,021,920
Total equity and liabilities		**1,603,537**	1,634,105	1,552,243

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

The notes set out on pages 9 to 17 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 11)** 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 loses (refer note 10c)	-	-	(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 17 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 11)** 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
Transactions with owners									
Investments made by non-controlling interests of subsidiaries	-	-	-	-	-	-	-	1,973	1,973
Total transactions with owners	-	-	-	-	-	-	-	1,973	1,973
Loss for the period	-	-	-	-	-	(6,966)	(6,966)	(2,344)	(9,310)
Other comprehensive income for the period	-	-	-	(4,731)	1,414	-	(3,317)	(3,351)	(6,668)
Total comprehensive income for the period	-	-	-	(4,731)	1,414	(6,966)	(10,283)	(5,695)	(15,978)
Balance at 30 June 2010	129,510	(28,064)	152,691	105,141	61,092	(30,153)	390,217	140,106	530,323

Interim condensed consolidated statement of cash flows

	Six months ended 30 June 2011 (Unaudited) KD '000	Six months ended 30 June 2010 (Unaudited) KD '000
OPERATING ACTIVITIES		
Profit/(loss) before taxation, NLST and Zakat	**7,865**	(9,280)
Adjustments for :		
Depreciation of property, plant and equipment	**2,948**	2,856
Change in fair value of investment properties	**(152)**	930
Loss on disposal of property, plant and equipment	**2**	364
Share of results of associates	**(7,083)**	(4,345)
Profit on disposal of subsidiary	**-**	(646)
Dividend income from available for sale investments	**(15,396)**	(14,061)
Unrealised (gain)/loss on interest rate SWAPs	**(85)**	2,667
Impairment in value of available for sale investments	**12,169**	2,773
Profit on sale of available for sale investments	**(17,659)**	(5,235)
Net provision released	**(1,033)**	(620)
Finance costs	**21,996**	19,355
Interest/profit on bank balances, short-term deposits, wakala and murabaha investments	**(2,403)**	(2,423)
	1,169	(7,665)
Changes in operating assets and liabilities:		
Inventories	**(528)**	2,261
Accounts receivable and other assets	**(3,363)**	1,758
Investments at fair value through profit or loss	**15,771**	10,788
Accounts payable and other liabilities	**4,933**	(3,686)
Cash from operations	**17,982**	3,456
Taxation paid	**(87)**	(17)
KFAS paid	**(2,577)**	-
Net cash from operating activities	**15,318**	3,439

Interim condensed consolidated statement of cash flows (continued)

	Note	**Six months ended 30 June 2011 (Unaudited) KD '000**	Six months ended 30 June 2010 (Unaudited) KD '000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(2,608)**	(5,839)
Proceeds from sale of property, plant and equipment		**32**	772
Purchase of investment properties		**(2,506)**	-
Addition to investment in associates		**(3,211)**	(3,960)
Dividend received from associates		**1,747**	1,473
Purchase of available for sale investments		**(24,730)**	(11,322)
Proceeds from sale of available for sale investments		**30,232**	30,220
Decrease/(increase) in wakala investments maturing after three months		**402**	(12,527)
Proceeds from realisation of term deposits		**150**	-
Increase in block balances		**-**	(2,850)
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		**2,368**	2,690
Net cash from investing activities		**17,272**	12,718
FINANCING ACTIVITIES			
Finance lease payment		**(126)**	(173)
Net decrease in long-term borrowings, bonds and trust certificates		**(3,811)**	(3,023)
Net (decrease)/increase in short-term borrowings		**(4,769)**	6,714
Dividend paid to owners of the parent		**(506)**	(975)
Finance costs paid		**(22,662)**	(17,465)
Purchase of treasury shares		**(728)**	-
Proceeds from disposal of treasury shares		**537**	-
(Decrease)/increase in non-controlling interests		**(1,242)**	1,973
Net cash used in financing activities		**(33,307)**	(12,949)
Net (decrease)/increase in cash and cash equivalents		**(717)**	3,208
Translation difference		**40**	(14)
		(677)	3,194
Cash and cash equivalents at beginning of the period		**109,629**	124,333
Cash and cash equivalents at end of the period	13	**108,952**	127,527

Notes to the interim condensed consolidated financial information

30 June 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 August 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 six months period ended 30 June 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		Six months ended	
	30 June 2011 (Unaudited)	30 June 2010 (Unaudited)	**30 June 2011 (Unaudited)**	30 June 2010 (Unaudited)
	KD '000	KD '000	**KD '000**	KD '000
Dividend income:				
- From investments at fair value through profit or loss	**165**	518	**265**	592
- From available for sale investments	**8,421**	6,524	**15,396**	14,061
Profit on sale of available for sale investments	**12,630**	3,727	**17,659**	5,235
Realised (loss)/gain on investments at fair value through profit or loss	**(405)**	853	**18**	1,826
Unrealised loss on investments at fair value through profit or loss	**(1,442)**	(14,557)	**(9,472)**	(6,589)
	19,369	(2,935)	**23,866**	15,125

4 Interest and other operating income

	Three months ended		Six months ended	
	30 June 2011 (Unaudited)	30 June 2010 (Unaudited)	**30 June 2011 (Unaudited)**	30 June 2010 (Unaudited)
	KD '000	KD '000	**KD '000**	KD '000
Interest/profit on bank balances, short term deposits, wakala and murabaha investments	**964**	1,013	**2,403**	2,423
Net loss from dealing in interest rate SWAPs	**58**	(1,568)	**7**	(3,405)
Management & placement fees and other income	**3,182**	1,204	**3,444**	1,793
	4,204	649	**5,854**	811

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

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

	Three months ended		Six months ended	
	30 June 2011 (Unaudited)	30 June 2010 (Unaudited)	**30 June 2011 (Unaudited)**	30 June 2010 (Unaudited)
Profit /(loss) for the period attributable to owners of the parent company (KD '000)	**6,772**	(11,678)	**8,713**	(6,966)
Weighted average number of shares outstanding during the period (excluding treasury shares) – shares	**1,261,959,044**	1,270,089,044	**1,262,252,415**	1,270,089,044
Basic & diluted earnings/(loss) per share	**5 Fils**	(9) Fils	**7 Fils**	(5) Fils

6 Investment properties

a) During the period the Group acquired a local real estate, for a consideration of KD2,506 thousand.

b) One of the local subsidiaries is in the process of completing the formalities for selling one of its investment properties located in Saudi Arabia for a consideration which approximates the carrying value of the property as of the reporting date which is KD12,556 thousand.

7 Available for sale investments

	30 June 2011 (Unaudited) KD '000	31 Dec. 2010 (Audited) KD '000	30 June 2010 (Unaudited) KD '000
Non Current			
Managed funds	**211,482**	193,967	191,202
Unquoted equity participations	**195,475**	197,473	213,506
Quoted shares	**382,520**	398,913	278,702
	789,477	790,353	683,410
Current			
Quoted shares	**94,927**	104,514	102,689
	884,404	894,867	786,099

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 KD12,169 thousand (30 June 2010: KD2,773 thousand) for certain quoted and unquoted investments.

c) Quoted shares of the parent company and a local subsidiary with a total fair values of KD27,212 thousand (31 December 2010: KD34,996 thousand and 30 June 2010: KD25,434 thousand) are pledged against short term borrowings and long term borrowings.

8 Murabaha and wakala investments

	30 June 2011 (Unaudited) KD '000	31 Dec. 2010 (Audited) KD '000	30 June 2010 (Unaudited) KD '000
Murabaha and wakala investments	**32,079**	30,231	25,596
Provision for impairment in value	**(14,968)**	(14,968)	(9,968)
	17,111	15,263	15,628

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 a investment company in a fiduciary capacity under a wakala agreement with 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.

9 Investments at fair value through profit or loss

	30 June 2011 (Unaudited) KD '000	31 Dec. 2010 (Audited) KD '000	30 June 2010 (Unaudited) KD '000
Held for trading :			
Quoted shares	**46,980**	60,955	55,019
Designated on initial recognition :			
Local funds	**28,673**	33,666	41,559
International managed portfolios and funds	**27,694**	24,497	20,966
	56,367	58,163	62,525
	103,347	119,118	117,544

Quoted shares, held by a local subsidiary, with a fair value of KD14,693 thousand (31 December 2010: KD17,458 thousand and 30 June 2010: KD14,134 thousand) are pledged against short term borrowings (refer note 12).

10 Share capital and share premium

a) As of 30 June 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 June 2010: authorised share capital of 1,589,438,660 shares and issued and fully paid up share capital of 1,295,098,167 shares).

b) 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 of 100 Fils each.

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, statuary reserve and then share premium (see note 11).

d) Share premium is not available for distribution.

11 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 10c)	(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**
Balances at 1 January 2010	41,415	-	18,997	(734)	59,678
Other comprehensive income:					
Currency translation differences	-	-	-	1,414	1,414
Balances at 30 June 2010	41,415	-	18,997	680	61,092

12 Long term and short term borrowings

a. During the period, the group has reclassified Kuwaiti Dinar denominated loans amounting to KD20,750 thousand and US Dollar denominated loans amounting to KD19,263 thousand to short term borrowings from long term borrowings as these loans are maturing within one year.

b. During the period, the group has rescheduled Kuwaiti Dinar denominated loans amounting to KD153,000 thousand and US Dollar denominated loans amounting to KD43,207 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. Kuwait Dinar loans are secured by certain investments at fair value through profit or loss and available for sale investments.

d. A Jordanian Dinar loan amounting to KD3,244 thousand (31 December 2010: KD4,122 thousand and 30 June 2010: KD4,278 thousand) of a foreign subsidiary is secured by property, plant and equipment of that foreign subsidiary.

13 Cash and cash equivalents

	30 June 2011 (Unaudited) KD '000	31 Dec. 2010 (Audited) KD '000	30 June 2010 (Unaudited) KD '000
Murabaha and wakala investments – maturing within three months	**2,750**	500	400
Short-term deposits	**89,603**	104,565	129,435
Bank balances and cash	**41,925**	38,002	34,815
Due to banks	**(25,316)**	(33,278)	(33,113)
	108,962	109,789	131,537
Less: Short term deposits maturing after 3 months	**-**	(150)	-
Blocked balances	**(10)**	(10)	(4,010)
Cash and cash equivalents for the purpose of interim condensed consolidated statement of cash flow	**108,952**	109,629	127,527

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 2011 KD '000	30 June 2010 KD '000	**30 June 2011 KD '000**	30 June 2010 KD '000	**30 June 2011 KD '000**	30 June 2010 KD '000	**30 June 2011 KD '000**	30 June 2010 KD '000
Three months ended								
Segment revenue	**28,110**	(394)	**10,619**	11,408	**16,712**	13,766	**55,441**	24,780
Less:								
(Income)/loss from investments							**(19,369)**	2,935
Share of results of associates							**(4,385)**	(2,663)
Profit on disposal of subsidiary							**-**	(646)
Change in fair value of investment properties							**(152)**	1,417
Interest and other operating income							**(4,204)**	(649)
Sales, as per interim condensed consolidated statement of income							**27,331**	25,174
Segment profit/(loss)	**12,382**	(7,126)	**2,491**	3,845	**1,329**	(916)	**16,202**	(4,197)
Less:								
Finance costs							**(11,067)**	(9,719)
Other unallocated income/(expenses)							**2,541**	(2,254)
Profit/(Loss) for the period before taxation, NLST and Zakat as per the interim condensed consolidated statement of income							**7,676**	(16,170)
Six months ended								
Segment revenue	**36,955**	19,997	**20,718**	22,282	**30,745**	27,525	**88,418**	69,804
Less:								
Income from investments							**(23,866)**	(15,125)
Share of results of associates							**(7,083)**	(4,345)
Profit on disposal of subsidiary							**-**	(646)
Change in fair value of investment properties							**(152)**	930
Interest and other operating income							**(5,854)**	(811)
Unallocated sales							**-**	825
Sales, as per interim condensed consolidated statement of income							**51,463**	50,632
Segment profit/(loss)	**17,454**	10,169	**4,817**	6,409	**1,167**	(273)	**23438**	16,305
Less:								
Finance costs							**(21,996)**	(19,355)
Other unallocated income/(expenses)							**6,423**	(6,230)
Profit/(loss) for the period before taxation, NLST and Zakat as per the interim condensed consolidated statement of income							**7,865**	(9,280)

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 2011 (Unaudited) KD '000	31 Dec. 2010 (Audited) KD '000	30 June 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	**6,696**	5,612	17,668
- Due from other related parties	**2,945**	2,945	824
- Due from key management personnel	**313**	313	313
Due to related parties (included in accounts payable and other liabilities)			
- Due to associate company	**719**	2,816	20
Short term borrowings	**-**	-	19,716

	Three months ended		**Six months ended**	
	30 June 2011 (Unaudited) KD '000	30 June 2010 (Unaudited) KD '000	**30 June 2011 (Unaudited) KD '000**	30 June 2010 (Unaudited) KD '000
Transactions included in interim condensed consolidated statement of income				
Purchase of raw materials – from associates	**1,625**	1,862	**3,135**	4,770
Finance costs	**-**	147	**-**	317
Compensation of key management personnel of the group				
Short term employee benefits	**701**	595	**1,315**	1,128
End of service benefits	**417**	28	**521**	107
Cost of share based payment	**142**	-	**210**	-
	1,260	623	**2,046**	1,235

16 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.

17 Contingent liabilities

At 30 June 2011, the group had contingent liabilities in respect of outstanding bank guarantees amounting to KD13,019 thousand (31 December 2010: KD13,679 thousand and 30 June 2010: KD6,320 thousand).

18 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 June 2011 amounted to KD55,585 thousand (31 December 2010: KD62,396 thousand and 30 June 2010: KD207,122 thousand) of which assets managed on behalf of related parties amounted to KD9,548 thousand (31 December 2010: KD11,196 thousand and 30 June 2010: KD173,927 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 KD34,383 thousand (31 December 2010: KD53,609 thousand and 30 June 2010: KD59,111 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.