

26 AUG 2013

Kuwait Stock Exchange  
Auto. Doc.  
& Archival Section Copy

Interim condensed consolidated financial information and review report  
**National Industries Company – KSC (Closed) and Subsidiaries**  
**Kuwait**

30 June 2013 (Unaudited)

Interim condensed consolidated financial information and review report

**National Industries Company – KSC (Closed) and Subsidiaries  
Kuwait**

30 June 2013 (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
Notes to the interim condensed consolidated financial information	8 to 21

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

To the board of directors of  
National Industries Company – KSC (Closed)  
Kuwait

### *Introduction*

We have reviewed the accompanying interim condensed consolidated statement of financial position of National Industries Company (A Kuwaiti Closed Shareholding Company) and its subsidiaries as of 30 June 2013 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 the 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 the International Accounting Standard 34, "Interim Financial Reporting".

### **Report on review of other legal and regulatory requirements**

Based on our review, the interim condensed consolidated financial information is in agreement with the books of the Company. We further report that, to the best of our knowledge and belief, no violations of the Companies Law No. 25 of 2012, or of the articles and memorandum of association of the Company, as amended, have occurred during the six-month period ended 30 June 2013 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 Parker Randall (Allied Accountants)

Kuwait

7 August 2013

## Interim condensed consolidated statement of income

	Notes	Three months ended		Six months ended	
		30 June 2013 (Unaudited) KD	30 June 2012 (Unaudited) KD	30 June 2013 (Unaudited) KD	30 June 2012 (Unaudited) KD
<b>Revenue</b>					
Revenue from sales and services		11,211,513	11,247,650	21,962,782	21,935,885
Cost of sales and services		(8,250,627)	(8,052,322)	(16,448,113)	(15,884,171)
<b>Gross profit</b>		<b>2,960,886</b>	<b>3,195,328</b>	<b>5,514,669</b>	<b>6,051,714</b>
Other operating income		97,361	112,533	224,368	390,655
Share of results of associates		(25,810)	(765)	(548,126)	33,178
Investment income	5	1,017,634	428,324	308,646	301,886
Foreign exchange loss		(3,462)	(30,888)	(26,549)	(5,812)
		<b>4,046,609</b>	<b>3,704,532</b>	<b>5,473,008</b>	<b>6,771,621</b>
Distribution expenses		(258,260)	(215,844)	(466,212)	(396,989)
General, administrative and other expenses		(564,054)	(610,344)	(1,448,405)	(1,584,911)
Finance costs		(69,591)	(179,583)	(136,884)	(290,708)
Provision for doubtful debts		(500,000)	-	(500,000)	(250,000)
Impairment of available for sale investments	8	(1,999,689)	(337,402)	(1,999,689)	(391,049)
Impairment of investment in associate	7	(117,960)	-	(117,960)	-
		<b>(3,509,554)</b>	<b>(1,343,173)</b>	<b>(4,669,150)</b>	<b>(2,913,657)</b>
<b>Profit before contribution to KFAS, NLST and Zakat</b>		<b>537,055</b>	<b>2,361,359</b>	<b>803,858</b>	<b>3,857,964</b>
Provision for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(5,470)	(18,932)	(9,346)	(34,651)
Provision for National Labour Support Tax (NLST)		(9,171)	(61,687)	(22,702)	(108,507)
Provision for Zakat		(3,669)	(24,675)	(9,081)	(43,403)
<b>Profit for the period</b>		<b>518,745</b>	<b>2,256,065</b>	<b>762,729</b>	<b>3,671,403</b>
<b>Attributable to :</b>					
Owners of the parent company		589,302	2,326,899	997,263	3,742,237
Non-controlling interests		(70,557)	(70,834)	(234,534)	(70,834)
<b>Profit for the period</b>		<b>518,745</b>	<b>2,256,065</b>	<b>762,729</b>	<b>3,671,403</b>
<b>Basic and diluted earnings per share attributable to the owners of the parent company</b>	6	<b>1.70 Fils</b>	<b>6.74 Fils</b>	<b>2.87 Fils</b>	<b>10.85 Fils</b>

The notes set out on pages 8 to 21 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 2013 (Unaudited) KD	30 June 2012 (Unaudited) KD	30 June 2013 (Unaudited) KD	30 June 2012 (Unaudited) KD
Profit for the period	518,745	2,256,065	762,729	3,671,403
<b>Other comprehensive income:</b>				
<i>Items that will be reclassified subsequently to statement of income</i>				
Available for sale investments:				
- Net change in fair value during the period	(2,072,502)	(1,743,651)	(937,210)	1,242,178
- Transferred to consolidated statement of income on impairment	1,999,689	337,401	1,999,689	391,049
- Transferred to consolidated statement of income on sale	-	-	-	(59,768)
Exchange differences arising on translation of foreign operations	-	-	24,114	7,704
Share of other comprehensive income of associates	9,411	5,761	24,035	6,441
Total other comprehensive (loss)/income	(63,402)	(1,400,489)	1,110,628	1,587,604
<b>Total comprehensive income for the period</b>	<b>455,343</b>	<b>855,576</b>	<b>1,873,357</b>	<b>5,259,007</b>
Total comprehensive income attributable to:				
Owners of the parent company	525,900	926,410	2,107,890	5,329,841
Non-controlling interests	(70,557)	(70,834)	(234,534)	(70,834)
	<b>455,343</b>	<b>855,576</b>	<b>1,873,356</b>	<b>5,259,007</b>



# Interim condensed consolidated statement of financial position

	Notes	30 June 2013 (Unaudited) KD	31 Dec. 2012 (Audited) KD	30 June 2012 (Unaudited) KD
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment		23,537,401	23,867,840	26,656,965
Investment in associates	7	5,222,171	5,840,108	6,890,300
Available for sale investments	8	40,947,667	42,699,519	42,306,503
		69,707,239	72,407,467	75,853,768
<b>Current assets</b>				
Inventories and spare parts		15,954,670	14,863,204	11,542,461
Investments at fair value through statement of income		3,630,646	3,492,120	3,884,434
Accounts receivable and other assets		13,418,580	14,132,689	13,484,027
Fixed deposit		150,000	150,000	150,000
Cash and cash equivalents		5,295,980	6,114,488	7,479,518
		38,449,876	38,752,501	36,540,440
<b>Total assets</b>		<b>108,157,115</b>	<b>111,159,968</b>	<b>112,394,208</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Share capital	9	34,641,264	34,620,187	34,620,187
Share premium	9	31,973,270	31,923,740	31,923,740
Treasury shares	10	(6,440)	(6,440)	(402,841)
Legal reserve		2,988,017	2,988,017	2,457,855
Voluntary reserve		1,405,196	1,405,196	875,034
Staff bonus shares reserve		195,500	-	-
Other components of equity	11	7,039,373	5,928,745	6,562,064
Retained earnings		1,102,471	4,254,020	4,079,364
<b>Total equity attributable to the owners of the parent</b>		<b>79,338,651</b>	<b>81,113,465</b>	<b>80,115,403</b>
Non-controlling interests		1,420,690	1,655,224	1,929,166
		80,759,341	82,768,689	82,044,569
<b>Non-current liabilities</b>				
Long term loan	12	1,002,446	1,902,446	4,563,071
Murabaha payables	13	-	-	7,675
Provision for land-fill expenses		714,273	709,571	691,235
Provision for staff indemnity		4,455,805	4,418,543	4,337,025
		6,172,524	7,030,560	9,599,006
<b>Current liabilities</b>				
Current portion of long term loan	12	3,593,750	5,341,250	5,321,250
Short term murabaha payables	13	7,705,704	6,639,164	6,144,041
Current portion of murabaha payables	13	7,675	16,885	-
Accounts payable and other liabilities		9,918,121	9,363,420	9,285,342
		21,225,250	21,360,719	20,750,633
<b>Total liabilities</b>		<b>27,397,774</b>	<b>28,391,279</b>	<b>30,349,639</b>
<b>Total equity and liabilities</b>		<b>108,157,115</b>	<b>111,159,968</b>	<b>112,394,208</b>

Abdul Aziz Ibrhaim Al-Rabia  
Chairman



Dr. Adel Khaled Al Sbaeh  
Vice-chairman and Chief Executive Officer

*The notes set out on pages 8 to 21 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							Non-controlling interests	Total
	Share capital KD	Share premium KD	Treasury shares KD	Legal reserve KD	Voluntary reserve KD	Staff bonus shares reserve KD	Other components of equity (note 11) KD		
Balance at 1 January 2013	34,620,187	31,923,740	(6,440)	2,988,017	1,405,196	-	5,928,745	1,655,224	82,768,689
Dividend paid (note 14)	-	-	-	-	-	-	-	-	(4,148,812)
Cost of share based payment (note 15)	-	-	-	-	-	266,107	-	-	266,107
Issue of staff bonus shares (note 9)	21,077	49,530	-	-	-	(70,607)	-	-	-
Transaction with owners	21,077	49,530	-	-	-	195,500	-	(4,148,812)	(3,882,705)
Profit for the period	-	-	-	-	-	-	-	997,263	(234,534)
Other comprehensive income for the period	-	-	-	-	-	-	1,110,628	-	1,110,628
Total comprehensive income for the period	-	-	-	-	-	-	1,110,628	997,263	1,873,357
Balance at 30 June 2013	34,641,264	31,973,270	(6,440)	2,988,017	1,405,196	195,500	7,039,373	1,420,690	80,759,341





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

	Equity attributable to the owners of the parent						Non- controlling interests		Total
	Share capital KD	Share premium KD	Treasury shares KD	Legal reserve KD	Voluntary reserve KD	Other components of equity (note 11) KD	Retained earnings KD	Sub- total KD	KD
Balance at 1 January 2012	34,620,187	31,923,740	(570,630)	2,457,855	875,034	5,010,828	3,809,672	78,126,686	2,000,000
Dividend paid (note14)	-	-	-	-	-	-	(3,451,499)	(3,451,499)	-
Purchase of treasury shares	-	-	(103,798)	-	-	-	-	(103,798)	-
Sale of treasury shares	-	-	271,587	-	-	(36,368)	(21,046)	214,173	-
Transactions with owners	-	-	167,789	-	-	(36,368)	(3,472,545)	(3,341,124)	-
Profit for the period	-	-	-	-	-	-	3,742,237	3,742,237	(70,834)
Other comprehensive income for the period	-	-	-	-	-	1,587,604	-	1,587,604	-
Total comprehensive income/(loss) for the period	-	-	-	-	-	1,587,604	3,742,237	5,329,841	(70,834)
Balance at 30 June 2012	34,620,187	31,923,740	(402,841)	2,457,855	875,034	6,562,064	4,079,364	80,115,403	1,929,166
		</							



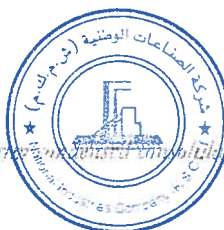
*The management of the company*

The management of the company has reviewed the interim condensed consolidated financial information.

## Interim condensed consolidated statement of cash flows

	Six months ended 30 June 2013 (Unaudited)	Six months ended 30 June 2012 (Unaudited)
	KD	KD
<b>OPERATING ACTIVITIES</b>		
Profit for the period	762,729	3,671,403
Adjustments:		
Depreciation of property, plant and equipment	1,767,783	1,386,638
Loss on write off of property, plant and equipment	22,864	6,007
Loss on sale of available for sale investments	873,912	160,748
Share of results of associates	548,126	(33,178)
Impairment of investment in associate	117,960	-
Impairment loss on available for sale investments	1,999,689	391,049
Dividend income from available for sale investments	(806,559)	(578,596)
Income from short term murabaha investments	(116,709)	-
Share based payment	266,107	-
Interest income	(2,065)	-
Finance costs	136,884	290,708
Foreign exchange loss/(gain) on non-operating liabilities	28,750	17,313
Provision for doubtful debts	500,000	250,000
Provision for land-fill expenses	4,702	10,364
Provision for staff indemnity	406,307	523,225
	6,510,480	6,095,681
Changes in operating assets and liabilities:		
Inventories and spare parts	(1,091,466)	143,743
Investments at fair value through statement of income	(138,526)	296,567
Accounts receivable and other assets	214,109	1,911,653
Accounts payable and other liabilities	506,340	373,981
Cash from operations	6,000,937	8,821,625
Staff indemnity paid	(369,045)	(216,376)
<b>Net cash from operating activities</b>	<b>5,631,892</b>	<b>8,605,249</b>
<b>INVESTING ACTIVITIES</b>		
Additions to property, plant and equipment	(1,460,208)	(1,425,716)
Purchase of available for sale investments	(64,907)	(458,582)
Proceeds from sale of available for sale investments	2,780	448,002
Dividend income received from available for sale investments	806,559	578,596
Income received from wakala investments	119,566	-
Interest income received	2,065	-
<b>Net cash used in investing activities</b>	<b>(594,145)</b>	<b>(857,700)</b>
<b>FINANCING ACTIVITIES</b>		
Repayment of term loan	(2,676,250)	(2,637,938)
Repayment of murabaha payables	(6,660,648)	(2,700,752)
Proceeds from murabaha payables	7,717,978	5,760,193
Purchase of treasury shares	-	(103,798)
Sale of treasury shares	-	214,173
Finance costs paid	(136,884)	(290,708)
Dividends paid	(4,100,451)	(3,323,445)
<b>Net cash used in financing activities</b>	<b>(5,856,255)</b>	<b>(3,082,275)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(818,508)</b>	<b>4,665,274</b>
Cash and cash equivalents at beginning of the period	6,114,488	2,814,244
<b>Cash and cash equivalents at end of the period</b>	<b>5,295,980</b>	<b>7,479,518</b>

The notes set out on pages 8 to 21 form an integral part of this interim condensed consolidated financial information.



*[Handwritten signature]*

## Notes to the interim condensed consolidated financial information

### 1 Incorporation and activities

National Industries Company – KSC (Closed) (the parent company) was incorporated on 1 February 1997 as a Kuwaiti closed shareholding company and its shares are listed on the Kuwait Stock Exchange. The parent company is a subsidiary of National Industries Group Holding – SAK (“ultimate parent company”).

The main objectives of the parent company are as follows:

- Practicing all industrial activities, re-manufacturing and related activities and implementing those activities directly or through a third party to the account of the company or the third party after obtaining the necessary industrial licenses from the competent authorities.
- Implementing studies, researches and development and providing consultations in all kinds of industrial fields.
- Practicing trade of the materials related to the activities of import, export and marketing of products.
- Transportation, clearance, storage and packaging of raw materials and products and acquisition of the necessary means of transportation and storage.
- Quarry works and extraction, trading, formation and manufacturing of sands and rocks and import of the necessary equipment.
- Acquisition and rental of the movables and real estate properties necessary to carry out the company's activity and market its products.
- Establishing companies or participating therein with other parties to carry out the company's activities.
- Investing surplus funds in financial portfolios managed by specialized companies.
- The company may carry out the above activities inside and outside Kuwait.

The group comprises the parent company and its subsidiaries, Building Systems Industries Company – WLL and National Industries Company for Ceramic – KSC (Closed).

The Companies Law issued on 26 November 2012 by Decree Law no 25 of 2012 (the “Companies Law”), which was published in the Official Gazette on 29 November 2012, cancelled the Commercial Companies Law No 15 of 1960. The Companies Law was subsequently amended on 27 March 2013 by Decree Law no 97 of 2013 (the Decree).

According to articles 2 and 3 of the Decree, Executive Regulations which shall be issued by the Minister of Commerce and Industry by 26 September 2013 will determine the basis and rules which the parent company shall adopt to regularise its affairs with the Companies Law as amended.

The address of the parent company's registered office is PO Box 3314, Safat 13034, State of Kuwait.

The parent company's board of directors approved this interim condensed consolidated financial information for issue on 7 August 2013.

### 2 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 financial information are consistent with those used in the preparation of the annual financial statements of the group for the year ended 31 December 2012 except for adoption of relevant new standards, amendments to certain standards and interpretations discussed below.

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

## Notes to the interim condensed consolidated financial information (continued)

### 2 Basis of preparation (continued)

This 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 management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included.

Operating results for the six month period ended 30 June 2013 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2013. For further details, refer to the financial statements and its disclosures for the year ended 31 December 2012.

### 3 Changes in accounting policies

#### 3.1 Adoption of new IASB Standards and amendments during the period

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

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
IAS 1 Presentation of Financial Statements – amendment	1 July 2012
IAS 27 Consolidated and Separate Financial Statements – Revised as IAS 27 Separate Financial Statements	1 January 2013
IAS 28 Investments in Associates – Revised as IAS 28 Investments – Associates and Joint Venture	1 January 2013
IFRS 7 Financial Instruments: Disclosures – amendments	1 January 2013
IFRS 10 Consolidated Financial Statements	1 January 2013
IFRS 12 Disclosure of Interest in Other Entities	1 January 2013
IFRS 13 Fair Value Measurement	1 January 2013
Annual Improvements 2009-2011	1 January 2013

##### 3.1.1 IAS 1 Presentation of Financial Statements- amendment

The group has adopted the amendment to IAS 1 which requires entities to group other comprehensive income items presented in the interim condensed consolidated statement of comprehensive income based on those:

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

##### 3.1.2 IAS 27 Consolidated and Separate Financial statements – Revised as IAS 27 Separate Financial Statements

As a result of the consequential amendments, IAS 27 now deals with separate financial statements.

The adoption of this amendment did not have any significant impact on the financial position or performance of the group

##### 3.1.3 IAS 28 Investments in Associates – Revised as IAS 28 Investments in Associates and Joint Ventures

As a result of the consequential amendments, IAS 28 brings investments in joint ventures into its scope. However, the equity accounting methodology under IAS 28 remains unchanged.

The adoption of this amendment did not have any significant impact on the financial position or performance of the group

## Notes to the interim condensed consolidated financial information (continued)

### 3 Changes in accounting policies (continued)

#### 3.1 Adoption of new IASB Standards and amendments during the period (continued)

##### 3.1.4 IFRS 7 Financial Instruments: Disclosures – Amendments

Qualitative and quantitative disclosures have been added to IFRS 7 'Financial Instruments: Disclosures' (IFRS 7) relating to gross and net amounts of recognised financial instruments that are (a) set off in the statement of financial position and (b) subject to enforceable master netting arrangements and similar agreements, even if not set off in the statement of financial position.

The adoption of this standard did not have any significant impact on the financial position or performance of the group.

##### 3.1.5 IFRS 10 Consolidated Financial Statements

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

The adoption of this standard did not have any significant impact on the financial position or performance of the group.

##### 3.1.6 IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 is designed to complement the other new standards. It sets out consistent disclosure requirements for subsidiaries, joint ventures and associates, as well as unconsolidated structured entities. The disclosure requirements are extensive and will result in significant amounts of new disclosures for some companies. Structured entities were previously referred to in SIC 12 as special purpose entities. The disclosures required by IFRS 12 aim to provide transparency about the risks a company is exposed to through its interests in structured entities.

None of these disclosure requirements are applicable for interim condensed consolidated financial information unless significant events and transactions in the interim period requires that they are provided. Accordingly, the group has not made any disclosures.

##### 3.1.7 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. IFRS 13 applies prospectively for annual periods beginning on or after 1 January 2013. IAS 34 requires particular IFRS 13 disclosures in the interim financial statements.

The adoption of this standard did not have any significant impact on the financial position or performance of the group.

##### 3.1.8 Annual Improvements 2009-2011

The Annual Improvements 2009-2011 (the Annual Improvements) made several minor amendments to a number of IFRSs. The amendments relevant to the group are summarised below:



## Notes to the interim condensed consolidated financial information (continued)

### 3 Changes in accounting policies (continued)

#### 3.1 Adoption of new IASB Standards and amendments during the period (continued)

##### 3.1.8 Annual Improvements 2009-2011 (continued)

Clarification of the requirements for opening statement of financial position:

- clarifies that the appropriate date for the opening statement of financial position is the beginning of the preceding period (related notes are no longer required to be presented)
- addresses comparative requirements for the opening statement of financial position when an entity changes accounting policies or makes retrospective restatements or reclassifications, in accordance with IAS 8.

Clarification of the requirements for comparative information provided beyond minimum requirements:

- clarifies that additional financial statement information need not be presented in the form of a complete set of financial statements for periods beyond the minimum requirements
- requires that any additional information presented should be presented in accordance with IFRS and the entity should present comparative information in the related notes for that additional information.

Segment information for total assets and liabilities:

- clarifies that the total assets and liabilities for a particular reportable segment are required to be disclosed if, and only if: (i) a measure of total assets or of total liabilities (or both) is regularly provided to the chief operating decision maker; (ii) there has been a material change from those measures disclosed in the last annual financial statements for that reportable segment.

The adoption of the above amendments did not have any significant impact on the financial position or performance of the group.

#### 3.2 IASB Standards issued but not yet effective

At the date of authorisation of this interim condensed consolidated financial information, certain new standards, amendments and interpretations to existing standards have been published by the IASB but 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. Management is yet to determine impact of these pronouncements in the interim condensed consolidated financial information. Information on new standards, amendments and interpretations that are expected to be relevant to the group's financial statements is provided below.

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
IAS 32 Financial Instruments: Presentation – amendments	1 January 2014
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2015

## Notes to the interim condensed consolidated financial information (continued)

### 3 Changes in accounting policies (continued)

#### 3.2 IASB Standards issued but not yet effective (continued)

##### 3.2.1 IAS 32 Financial Instruments: Presentation - Amendments

The amendments to IAS 32 add application guidance to address inconsistencies in applying IAS 32's criteria for offsetting financial assets and financial liabilities in the following two areas:

- the meaning of 'currently has a legally enforceable right of set-off'
- that some gross settlement systems may be considered equivalent to net settlement.

The amendments are effective for annual periods beginning on or after 1 January 2014 and are required to be applied retrospectively. Management does not anticipate a material impact on the group's interim condensed consolidated financial information from these amendments.

##### 3.2.2 IFRS 9 Financial Instruments

The IASB aims to replace IAS 39 *Financial Instruments: Recognition and Measurement* in its entirety, with the replacement standard to be effective for annual periods beginning 1 January 2015. IFRS 9 is the first part of Phase 1 of this project. The main phases are:

- Phase 1: Classification and Measurement
- Phase 2: Impairment methodology
- Phase 3: Hedge accounting

In addition, a separate project is dealing with derecognition.

### 4 Judgement and estimates

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.

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 2012.

### 5 Investment income

	Three months ended		Six months ended	
	30 June 2013 (Unaudited) KD	30 June 2012 (Unaudited) KD	30 June 2013 (Unaudited) KD	30 June 2012 (Unaudited) KD
Loss on exchange/sale of available for sale investments	-	-	(873,912)	(160,748)
Dividend income from available for sale investments	806,559	578,596	806,559	578,596
Income/(loss) from investments at fair value through statement of income	104,183	(165,927)	168,618	(152,919)
Dividend income from investments at fair value through statement of income	12,781	15,000	25,562	30,000
Income from short term Murabaha	37,334	-	116,708	-
Interest and other income	56,777	655	65,111	6,957
	<b>1,017,634</b>	<b>428,324</b>	<b>308,646</b>	<b>301,886</b>



## Notes to the interim condensed consolidated financial information (continued)

### 5 Investment income (continued)

During the period, one of the foreign investees of the group merged with two other entities. As a result of the merger, the group received pro rata ownership interest in the merged entity having a fair value of KD1,037,986 resulting into a loss of KD873,912 on the exchange.

### 6 Basic and diluted earnings per share

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

	Three months ended		Six months ended	
	30 June 2013 (Unaudited)	30 June 2012 (Unaudited)	30 June 2013 (Unaudited)	30 June 2012 (Unaudited)
Profit for the period attributable to the owners of the parent (KD)	589,302	2,326,899	997,263	3,742,237
Weighted average number of shares outstanding during the period (excluding treasury shares)	346,392,700	345,152,262	346,360,095	345,024,952
Shares to be issued for no consideration under share based payments	622,500	-	622,500	-
Weighted average number of shares to be used for diluted earnings per share (excluding treasury shares)	347,015,250	345,152,262	346,982,645	345,024,952
Basic and diluted earnings per share	1.70 Fils	6.74 Fils	2.87 Fils	10.85 Fils

### 7 Investment in associates

The movement of investment in associates during the period is as follows:

	30 June 2013 (Unaudited) KD	31 Dec. 2012 (Audited) KD	30 June 2012 (Unaudited) KD
Balance at beginning of the year	5,840,108	6,842,977	6,842,977
Reduction of capital of an associate	-	(82,801)	-
Share of results of associate	(548,126)	(709,828)	33,178
Impairment of investment in an associate	(117,960)	(250,000)	-
Share of other comprehensive income	24,035	23,143	6,441
Foreign exchange translation	24,114	16,617	7,704
	5,222,171	5,840,108	6,890,300

As a result of the impairment testing of the carrying value of the investment in associates, the group recognised an impairment loss of KD117,960.

## Notes to the interim condensed consolidated financial information (continued)

### 8 Available for sale investments

	30 June 2013 (Unaudited) KD	31 Dec. 2012 (Audited) KD	30 June 2012 (Unaudited) KD
Local quoted securities	12,189,261	11,814,979	12,859,902
Local unquoted securities	7,987,949	9,262,032	9,718,449
Foreign quoted securities	2,220,578	1,852,072	1,582,065
Foreign unquoted securities	15,554,165	16,771,865	18,146,087
Murabaha investment	2,995,714	2,998,571	-
	<b>40,947,667</b>	<b>42,699,519</b>	<b>42,306,503</b>

During the period, the parent company recognised an impairment loss of KD1,999,689 (31 December 2012: KD2,336,905 and 30 June 2012 KD391,049) against certain investments.

### 9 Share capital and share premium

The details of the capital are as follows:

	30 June 2013 (Unaudited) KD	31 Dec. 2012 (Audited) KD	30 June 2012 (Unaudited) KD
Authorised share capital of KD 0.100 each	35,320,187	35,320,187	35,320,187
Issued and paid up capital of KD 0.100 each	34,641,264	34,620,187	34,620,187

The parent company issued 210,767 shares under the staff share based payment scheme (Note 13) at KD0.335 per share. The amount in excess of nominal amount of KD0.100 was credited to share premium account.

### 10 Treasury shares

	30 June 2013 (Unaudited)	31 Dec. 2012 (Audited)	30 June 2012 (Unaudited)
Number of shares	19,932	19,932	1,049,603
Percentage of issued shares	0.01%	0.01%	0.30%
Cost of treasury shares (KD)	6,440	6,440	402,841
Market value (KD)	5,282	7,076	293,889

Reserves of the parent company equivalent to the cost of treasury shares have been earmarked as non-distributable.

## Notes to the interim condensed consolidated financial information (continued)

### 11 Other components of equity

	Fair value reserve KD	Foreign currency translation reserve KD	Treasury shares reserve KD	Total KD
Balance at 1 January 2013	5,992,952	(64,207)	-	5,928,745
Exchange differences arising on translation of foreign operations	-	24,114	-	24,114
Share of other comprehensive income of associates	17,435	6,600	-	24,035
AFS financial assets:				
- Net change in fair value during the period	(937,210)	-	-	(937,210)
- Transferred to consolidated statement of income on impairment	1,999,689	-	-	1,999,689
Total other comprehensive income for the period	1,079,914	30,714	-	1,110,628
Balance at 30 June 2013	7,072,866	(33,493)	-	7,039,373
Balance at 1 January 2012	5,058,531	(84,071)	36,368	5,010,828
Sale of treasury shares	-	-	(36,368)	(36,368)
Exchange differences arising on translation of foreign operations	-	7,704	-	7,704
Share of other comprehensive income of associates	9,128	(2,687)	-	6,441
AFS financial assets:				
- Net change in fair value during the period	1,242,178	-	-	1,242,178
- Transferred to consolidated statement of income on impairment	391,049	-	-	391,049
- Transferred to consolidated statement of income on sale	(59,768)	-	-	(59,768)
Total other comprehensive income for the period	1,582,587	5,017	(36,368)	1,551,236
Balance at 30 June 2012	6,641,118	(79,054)	-	6,562,064

### 12 Term loans

	30 June 2013 (Unaudited) KD	31 Dec. 2012 (Audited) KD	30 June 2012 (Unaudited) KD
Loan facility – KD	2,802,446	3,702,446	4,602,446
Loan facility – US\$	1,793,750	3,541,250	5,281,875
	4,596,196	7,243,696	9,884,321
Instalment due within one year	(3,593,750)	(5,341,250)	(5,321,250)
Instalment due after one year	1,002,446	1,902,446	4,563,071

## Notes to the interim condensed consolidated financial information (continued)

### 12 Term loans (continued)

#### Loan facility - KD

The parent company obtained from Industrial Bank of Kuwait a loan facility of KD9,000,000 bearing 3.5% interest per annum on drawn amount and 1% per annum on undrawn facility. The loan has been obtained to partly finance establishment of a new factory and has been guaranteed by the ultimate parent company. The loan is being repaid in ten semi annual instalments of KD900,000 each beginning 15 July 2012. The instalments due within the next twelve months are shown under current liabilities.

#### Loan facility – US\$

In 2011, the parent company obtained from a foreign bank a loan facility of US\$25,000,000 carrying an average effective profit rate of 3% per annum. The loan is due in 4 equal semi annual instalments commencing from 4 April 2012.

### 13 Murabaha payables

These represent murabaha facilities obtained from local financial institutions carrying an average effective profit rate of 4% (31 December 2012: 4.5% and 30 June 2012: 4.5%) per annum.

### 14 Dividends

The annual general assembly of the shareholders held on 18 April 2013 approved the consolidated financial statement of the group for the year ended 31 December 2012. The general assembly also approved cash dividend of 12 fils (2011: 10 fils) dividend for the year ended 31 December 2012 amounting to KD4,148,812.

### 15 Share based payments

As at 30 June 2013, the parent company maintained a share-based payment scheme for employee remuneration.

The scheme is part of the remuneration package of the group's senior management. The scheme continues for a five year period under which a maximum of 7,000,000 shares will be granted to the participants over that period. Options under the scheme will vest if certain conditions, as defined in the scheme, are met. It is based on the performance of the scheme participants and the options vests at the end of each fiscal year based on a pre-determined formula. Participants have to be employed until the end of each of the five year vesting period. Upon vesting, each option allows the holder to receive one share at no cost

## Notes to the interim condensed consolidated financial information (continued)

### 16 Segmental information

The group's format for reporting segment information is business segments and the group primarily operates in two business segments: Building materials, contracting services and Investments. The segment information is as follows:

	Building materials and contracting services		Investments		Total	
	30 June 2013 (Unaudited) KD	30 June 2012 (Unaudited) KD	30 June 2013 (Unaudited) KD	30 June 2012 (Unaudited) KD	30 June 2013 (Unaudited) KD	30 June 2012 (Unaudited) KD
Three months ended: Segment revenue	11,211,513	11,247,650	(1,125,825)	90,157	10,085,688	11,337,807
Investment loss/(income)	-	-	982,055	(90,922)	982,055	(90,922)
Share of results of associates	-	-	143,770	765	143,770	765
Sales, per condensed consolidated statement of income					11,211,513	11,247,650
Segment results	1,735,933	2,481,673	(1,125,825)	90,157	610,108	2,571,830
Unallocated expenses					(91,363)	(315,765)
Profit for the period per condensed consolidated statement of income					518,745	2,256,065
Depreciation	886,569	692,020	-	-	886,569	692,020
Impairment loss on available for sale investments	-	-	1,999,689	337,402	1,999,689	337,402
Six months ended: Segment revenue	21,962,782	21,935,885	(2,357,129)	(55,985)	19,605,653	21,879,900
Investment loss	-	-	1,691,043	89,163	1,691,043	89,163
Share of results of associates	-	-	666,084	(33,178)	666,086	(33,178)
Sales, per condensed consolidated statement of income					21,962,782	21,935,885
Segment results	3,324,420	4,210,469	(2,357,129)	(55,985)	967,291	4,154,484
Unallocated expenses					(204,562)	(483,081)
Profit for the period per condensed consolidated statement of income					762,729	3,671,403
Depreciation	1,767,783	1,386,638	-	-	1,767,783	1,386,638
Impairment loss on available for sale investments	-	-	1,999,689	391,049	1,999,689	391,049
Total assets	47,567,801	47,160,201	60,589,314	65,234,007	108,157,115	112,394,208



## Notes to the interim condensed consolidated financial information (continued)

### 17 Related party transactions

Related parties represent, major shareholders, directors and key management personnel of the group, and companies of which they 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 2013 (Unaudited) KD	31 Dec. 2012 (Audited) KD	30 June 2012 (Unaudited) KD
<b>Condensed consolidated statement of financial position</b>			
Due from ultimate parent company (included in accounts receivable and other assets)	175,497	173,519	80,971
Due from other related companies (included in accounts receivable and other assets)	9,023	9,023	9,023
Due from associate (included in accounts receivable and other assets)	5,167,331	4,619,810	3,481,966
Due to associate (included in accounts payable and other liabilities)	-	335,341	132,904
Due to other related companies	-	-	174,140

	Three months ended		Six months ended	
	30 June 2013 (Unaudited) KD	30 June 2012 (Unaudited) KD	30 June 2013 (Unaudited) KD	30 June 2012 (Unaudited) KD
<b>Condensed consolidated statement of income</b>				
Interest income	727	246	1,272	744
Management fees	-	11,557	-	23,113
<b>Purchase of raw materials</b>	<b>132,788</b>	<b>132,904</b>	<b>342,078</b>	<b>187,909</b>
<b>Compensation of key management personnel</b>				
Short term employee benefits	52,068	68,483	93,788	109,470
End of service benefits	7,925	7,817	15,676	18,133
Cost of share based payments	-	-	129,967	214,173
	59,993	76,300	239,431	341,776

### 18 Commitments and contingent liabilities

	30 June 2013 (Unaudited) KD	31 Dec. 2012 (Audited) KD	30 June 2012 (Unaudited) KD
Letters of guarantee	1,703,723	1,703,723	482,000
Letter of guarantee from parent company	200,000	200,000	200,000
	1,903,723	1,903,723	682,000

## Notes to the interim condensed consolidated financial information (continued)

### 19 Financial risk management

All aspects of the group's financial risk management objectives and policies are consistent with those disclosed in the annual audited consolidated financial statements for the year ended 31 December 2012.

### 20 Summary of financial assets and liabilities by category

The group adopted IFRS13 Fair Value Measurement and consequential amendments to IAS 34 effective from 1 January 2013. In the first year of adoption comparative information need not be presented for the required disclosures. Accordingly the disclosure for the fair value hierarchy is only presented for the 30 June 2013 period end.

The carrying amounts of the group's financial assets and liabilities as stated in the interim condensed consolidated statement of financial position may also be categorized as follows:

	30 June 2013 (Unaudited) KD
Cash and bank balances	5,295,980
Fixed deposit	150,000
Accounts receivable and other assets	13,418,580
Investments at fair value through statement of income	3,630,646
Available for sale investments	40,947,667
	<hr/> 63,442,873 <hr/>
Term loans	4,596,196
Accounts payable and other liabilities	7,713,379
Murabaha payables	9,918,121
	<hr/> 22,227,696 <hr/>

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In the opinion of the group's management the carrying amounts of financial assets and liabilities as at 30 June 2013 approximate their fair values.

The carrying amounts of the group's financial assets and liabilities as stated in the interim condensed consolidated statement of financial position may also be categorized as follows:

	30 June 2013 (Unaudited)	
	Carrying amount KD	Fair Value KD
Cash and bank balances	5,295,980	-
Fixed deposit	150,000	-
Accounts receivable and other assets	13,418,580	-
Investments at fair value through statement of income	-	3,630,646
Available for sale investments	4,234,874	36,712,793
	<hr/> 23,099,434 <hr/>	<hr/> 40,343,439 <hr/>
Term loans	4,596,196	-
Accounts payable and other liabilities	7,713,379	-
Murabaha payables	9,918,121	-
	<hr/> 22,227,696 <hr/>	<hr/> - <hr/>



## Notes to the interim condensed consolidated financial information (continued)

### 20 Summary of financial assets and liabilities by category (continued)

#### Financial instruments measured at fair value

The following table presents financial assets and liabilities measured at fair value in the interim condensed consolidated statement of financial position in accordance with the fair value hierarchy.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The financial assets and liabilities measured at fair value in the interim condensed consolidated statement of financial position are grouped into the fair value hierarchy as follows:

#### 30 June 2013 (Unaudited)

	Note	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
<i>Investments at fair value through statement of income</i>					
Managed funds and portfolios	a	-	2,950,010	-	2,950,010
Quoted equity securities	b	680,636	-	-	680,636
<i>Available for sale investments:</i>					
Local quoted securities	b	12,189,261	-	-	12,189,261
Local unquoted securities	c	-	-	7,725,449	7,725,449
Foreign quoted securities	b	2,220,577	-	-	2,220,577
Foreign unquoted securities	c	-	-	14,577,506	14,577,506
<b>Net fair value</b>		<b>15,090,474</b>	<b>2,950,010</b>	<b>22,302,955</b>	<b>40,343,439</b>

There have been no significant transfers between levels 1 and 2 during the reporting period.

#### Measurement at fair value

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

#### a) Managed funds and portfolios

The underlying investments of managed funds and portfolios primarily comprise of local quoted securities whose fair values have been determined by reference to their quoted bid prices at the reporting date.

## Notes to the interim condensed consolidated financial information (continued)

### 20 Summary of financial assets and liabilities by category (continued)

#### b) Quoted securities

All the listed equity securities are publicly traded in stock exchanges. Fair values have been determined by reference to their quoted bid prices at the reporting date.

#### c) Unquoted securities

The financial statements include holdings in unlisted securities which are measured at fair value. Fair value is estimated using a discounted cash flow model or other valuation techniques which include some assumptions that are not supportable by observable market prices or rates.

#### d) Financial liabilities

The group does not have any financial liabilities at fair value.

#### Level 3 fair value measurements

The group's financial assets and liabilities classified in Level 3 uses valuation techniques based on significant inputs that are not based on observable market data. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	30 June 2013 (Unaudited) KD
Available for sale investments (unquoted securities):	
Opening balance	24,794,737
Gains or losses recognised in:	
- Consolidated statement of income	(2,618,912)
- Other comprehensive income	125,917
Purchases	3,993
Sales	(2,780)
Closing balance	22,302,955

Gains or losses recognised in the consolidated statement of income (as above) for the period are included in investment and other income and impairment loss on available for sale investments accounts.

Changing inputs to the Level 3 valuations to reasonably possible alternative assumptions would not change significantly amounts recognised in consolidated statement of income, total assets or total liabilities or total equity.