Interim condensed consolidated financial information and review report

National Industries Company – KPSC and Subsidiaries

Kuwait

30 September 2017 (Unaudited)

Contents

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Report on review of interim condensed consolidated financial information

To the board of directors of
National Industries Company – KPSC
Kuwait

Introduction
We have reviewed the accompanying interim condensed consolidated statement of financial position of National Industries Company – KPSC (Kuwaiti Public Shareholding Company) (the "Parent Company") and its subsidiaries (collectively the "Group") as of 30 September 2017 and the related interim condensed consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the nine-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

Report on review of other legal and regulatory requirements
Based on our review, the interim condensed consolidated financial information is in agreement with the books of the Parent Company. We further report that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016, and its Executive Regulations, or of the Memorandum of Incorporation and Articles of Association of the Parent Company, as amended, have occurred during the nine-month period ended 30 September 2017 that might have had a material effect on the business or financial position of the Parent Company.

Anwar Y. Al-Qatami, F.C.C.A.
(Licence No. 50-A)
of Grant Thornton – Al-Qatami, Al-Aiban & Partners

Kuwait
8 November 2017

Interim condensed consolidated statement of profit or loss

	Notes	Three months ended 30 Sept. 2017 (Unaudited) KD	Three months ended 30 Sept. 2016 (Unaudited) KD	Nine months ended 30 Sept. 2017 (Unaudited) KD	Nine months ended 30 Sept. 2016 (Unaudited) KD
Revenue					
Revenue from sales and services		**9,499,194**	8,558,946	**30,061,516**	30,239,140
Cost of sales and services		**(8,476,276)**	(6,805,060)	**(25,289,212)**	(23,932,953)
Gross profit		**1,022,918**	1,753,886	**4,772,304**	6,306,187
Other operating income		**468,312**	59,176	**643,242**	373,528
Share of results of associates		**(38,754)**	(8,568)	**(404,746)**	376,569
Bargain purchase on acquisition of additional shares of an associate		**-**	-	**182,023**	-
Investment income	5	**380,992**	274,872	**842,631**	617,317
Foreign exchange loss		**(3,079)**	(1,990)	**(12,293)**	(7,705)
		1,830,389	2,077,376	**6,023,161**	7,665,896
Expenses and other charges					
Distribution expenses		**(540,639)**	(468,206)	**(1,652,289)**	(1,660,390)
General, administrative and other expenses		**(934,603)**	(571,679)	**(2,746,792)**	(2,207,159)
Finance costs		**(615)**	(488)	**(3,072)**	(1,769)
Impairment of available for sale investments		**-**	(7,505)	**-**	(74,661)
		(1,475,857)	(1,047,878)	**(4,402,153)**	(3,943,979)
Profit before contribution to KFAS, NLST and Zakat		**354,532**	1,029,498	**1,621,008**	3,721,917
Provision for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		**(4,300)**	(25,734)	**(15,850)**	(33,497)
Provision for National Labour Support Tax (NLST)		**(11,567)**	(70,938)	**(37,523)**	(94,050)
Provision for Zakat		**(4,490)**	(27,890)	**(14,872)**	(36,886)
Profit for the period		**334,175**	904,936	**1,552,763**	3,557,484
Attributable to :					
Owners of the parent company		**431,123**	828,843	**1,692,826**	3,496,710
Non-controlling interests		**(96,948)**	76,093	**(140,063)**	60,774
Profit for the period		**334,175**	904,936	**1,552,763**	3,557,484
Basic earnings per share attributable to the owners of the parent company	6	**1.23 Fils**	2.38 Fils	**4.84 Fils**	10.06 Fils
Diluted earnings per share attributable to the owners of the parent company	6	**1.23 Fils**	2.38 Fils	**4.83 Fils**	10.02 Fils

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 profit or loss and other comprehensive income

	Three months ended		Nine months ended	
	30 Sept. 2017 (Unaudited) KD	30 Sept. 2016 (Unaudited) KD	**30 Sept. 2017 (Unaudited) KD**	30 Sept. 2016 (Unaudited) KD
Profit for the period	**334,175**	904,936	**1,552,763**	3,557,484
Other comprehensive (loss)/income:				
Items that will be reclassified subsequently to interim condensed consolidated statement of profit or loss				
Available for sale investments:				
- Net change in fair value during the period	**(624,993)**	(335,445)	**(140,200)**	(3,436,386)
- Transferred to interim condensed consolidated statement of profit or loss on sale	**-**	(73,578)	**313,180**	(63,664)
- Transferred to interim condensed consolidated statement of profit or loss on impairment	**-**	7,505	**-**	74,661
Exchange differences arising on translation of foreign operations	**(497)**	7,555	**(102,881)**	(19,645)
Share of other comprehensive (loss)/income of associates	**(1,823)**	15,027	**(3,945)**	9,796
Total other comprehensive (loss)/income	**(627,313)**	(378,936)	**66,154**	(3,435,238)
Total comprehensive (loss)/income for the period	**(293,138)**	526,000	**1,618,917**	122,246
Total comprehensive (loss)/income attributable to:				
Owners of the parent company	**(196,190)**	444,326	**1,795,675**	75,302
Non-controlling interests	**(96,948)**	81,674	**(176,758)**	46,944
	(293,138)	526,000	**1,618,917**	122,246

Interim condensed consolidated statement of financial position

	Notes	30 Sept. 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	30 Sept. 2016 (Unaudited) KD
Assets				
Non-current assets				
Property, plant and equipment		**28,269,223**	28,006,931	27,996,781
Investment in associates		**4,652,416**	5,656,599	5,475,955
Available for sale investments	7	**35,784,250**	36,405,595	33,122,794
		68,705,889	70,069,125	66,595,530
Current assets				
Inventories and spare parts		**21,721,297**	19,611,392	21,049,465
Investments at fair value through profit or loss		**2,181,038**	1,885,967	1,777,790
Accounts receivable and other assets		**11,988,377**	15,725,835	13,797,140
Fixed deposits	8	**2,152,500**	1,502,500	2,745,000
Cash and bank balances		**6,259,431**	4,117,983	3,254,572
		44,302,643	42,843,677	42,623,967
Total assets		**113,008,532**	112,912,802	109,219,497
Equity and liabilities				
Equity				
Share capital	9	**35,021,251**	34,924,657	34,924,657
Share premium	9	**32,486,359**	32,364,839	32,364,839
Treasury shares	10	**(59,367)**	(57,110)	(50,550)
Legal reserve		**4,737,173**	4,737,173	4,653,899
Voluntary reserve		**91,763**	2,826,381	2,743,107
Treasury shares reserve		**24**	-	-
Staff bonus shares reserve		**179,490**	142,183	142,183
Other components of equity	11	**9,591,621**	9,488,772	4,655,814
Retained earnings		**1,692,826**	764,594	3,653,925
Total equity attributable to the owners of the parent company		**83,741,140**	85,191,489	83,087,874
Non-controlling interests		**5,289,677**	5,466,435	5,673,488
Total equity		**89,030,817**	90,657,924	88,761,362
Non-current liabilities				
Provision for land-fill expenses		**801,700**	767,015	760,748
Provision for employees' end of service benefits		**5,477,909**	5,171,107	5,131,261
		6,279,609	5,938,122	5,892,009
Current liabilities				
Murabaha payables		**-**	530,450	664,927
Accounts payable and other liabilities		**17,698,106**	15,786,306	13,901,199
		17,698,106	16,316,756	14,566,126
Total liabilities		**23,977,715**	22,254,878	20,458,135
Total equity and liabilities		**113,008,532**	112,912,802	109,219,497

Abdul Aziz Ibrahim 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	Treasury shares reserve KD	Staff bonus shares reserve KD	Other components of equity (note 11) KD	Retained earnings KD	Sub-Total KD	KD	KD
Balance at 1 January 2017 (audited)	34,924,657	32,364,839	(57,110)	4,737,173	2,826,381	-	142,183	9,488,772	764,594	85,191,489	5,466,435	90,657,924
Dividend distribution (note 12)	-		-	-	(2,734,618)	-	-	-	(764,594)	(3,499,212)	-	(3,499,212)
Purchase of treasury shares	-		(3,230)	-	-	-	-	-	-	(3,230)	-	(3,230)
Sale of treasury shares	-		973	-	-	24	-	-	-	997	-	997
Cost of share based payments (note 9)	-		-	-	-	-	165,515	-	-	165,515	-	165,515
Issue of staff bonus shares (note 9)	96,594	121,520	-	-	-	-	(128,208)	-	-	89,906	-	89,906
Transactions with shareholders	96,594	121,520	(2,257)	-	(2,734,618)	24	37,307	-	(764,594)	(3,246,024)	-	(3,246,024)
Profit/(loss) for the period	-		-	-	-	-	-	-	1,692,826	1,692,826	(140,063)	1,552,763
Other comprehensive income/(loss) for the period	-		-	-	-	-	-	102,849	-	102,849	(36,695)	66,154
Total comprehensive income/(loss) for the period	-		-	-	-	-	-	102,849	1,692,826	1,795,675	(176,758)	1,618,917
Balance at 30 September 2017 (Unaudited)	**35,021,251**	**32,486,359**	**(59,367)**	**4,737,173**	**91,763**	**24**	**179,490**	**9,591,621**	**1,692,826**	**83,741,140**	**5,289,677**	**89,030,817**

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 (continued)

	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	Retained earnings KD	Sub-total KD	KD	KD
Balance at 1 January 2016 (audited)	34,793,545	32,202,714	(34,236)	4,653,899	2,743,107	250,002	8,077,222	7,127,404	89,813,657	5,626,544	95,440,201
Dividend paid (note 12)	-	-	-	-	-	-	-	(6,970,189)	(6,970,189)	-	(6,970,189)
Purchase of treasury shares	-	-	(16,314)	-	-	-	-	-	(16,314)	-	(16,314)
Cost of share based payment (note 9)	-	-	-	-	-	185,418	-	-	185,418	-	185,418
Issue of staff bonus shares (note 9)	131,112	162,125	-	-	-	(293,237)	-	-	-	-	-
Transactions with shareholders	131,112	162,125	(16,314)	-	-	(107,819)	-	(6,970,189)	(6,801,085)	-	(6,801,085)
Profit for the period	-	-	-	-	-	-	-	3,496,710	3,496,710	60,774	3,557,484
Other comprehensive loss for the period	-	-	-	-	-	-	(3,421,408)	-	(3,421,408)	(13,830)	(3,435,238)
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	(3,421,408)	3,496,710	75,302	46,944	122,246
Balance at 30 September 2016 (Unaudited)	34,924,657	32,364,839	(50,550)	4,653,899	2,743,107	142,183	4,655,814	3,653,925	83,087,874	5,673,488	88,761,362

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 cash flows

	Nine months ended 30 Sept. 2017 (Unaudited)	Nine months ended 30 Sept. 2016 (Unaudited)
	KD	KD
OPERATING ACTIVITIES		
Profit for the period	1,552,763	3,557,484
Adjustments:		
Depreciation of property, plant and equipment	2,629,405	2,388,441
Loss on write off of property, plant and equipment	11,248	27,062
Gain on sale of available for sale investments	(108,961)	(79,670)
Share of results of associates	404,746	(376,569)
Bargain purchase on acquisition of additional shares of an associate	(182,023)	-
Impairment of available for sale investments	-	74,661
Dividend income from available for sale investments	(180,864)	(254,792)
Dividend income from investments at fair value through profit or loss	-	(28,817)
Income from short term murabaha investment	(171,182)	(185,545)
Cost of share based payment	255,421	185,418
Interest income	(33,211)	(4,360)
Finance costs	3,072	1,769
Foreign exchange loss on non-operating assets and liabilities	64,819	37,923
Provision for land-fill expenses	34,685	19,178
Provision for employees' end of service benefits	912,167	584,103
	5,192,085	5,946,286
Changes in operating assets and liabilities:		
Inventories and spare parts	(2,109,905)	(2,374,338)
Investments at fair value through profit or loss	(295,071)	183,736
Accounts receivable and other assets	3,770,572	(899,049)
Accounts payable and other liabilities	1,794,208	1,730,589
Cash from operations	8,351,889	4,587,224
Employees' end of service benefits paid	(605,365)	(353,620)
Net cash from operating activities	7,746,524	4,233,604
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(3,041,154)	(3,318,966)
Investment in associates – net	748,023	103,649
Proceeds from sale of available for sale investments	894,464	346,079
Dividend income received from available for sale investments	180,864	254,792
Dividend income from investment at fair value through profit or loss	-	28,817
Fixed deposits	(650,000)	4,480,000
Income received from murabaha investments	171,182	185,545
Proceeds from murabaha investments redemption	8,823	-
Interest income received	97	4,360
Net cash (used in) / from investing activities	(1,687,701)	2,084,276
FINANCING ACTIVITIES		
Repayment murabaha payables	(530,450)	-
Proceeds from murabaha payables	-	28,954
Purchase of treasury shares	(3,230)	(16,314)
Sale of treasury shares	997	-
Finance costs paid	(3,072)	(1,769)
Dividends paid	(3,381,620)	(6,843,374)
Net cash used in financing activities	(3,917,375)	(6,832,503)
Net increase / (decrease) in cash and cash equivalents	2,141,448	(514,623)
Cash and cash equivalents at beginning of the period	4,117,983	3,769,195
Cash and cash equivalents at end of the period	6,259,431	3,254,572

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

Notes to the interim condensed consolidated financial information

1 Incorporation and activities

National Industries Company – KPSC (the parent company) was incorporated on 1 February 1997 as a Kuwaiti public shareholding company and its shares are listed on the Kuwait Stock Exchange. The parent company is a subsidiary of National Industries Group Holding – KPSC ("ultimate parent company").

The main objectives of the parent company are as follows:

- Manufacturing and marketing building materials and infrastructure products.
- 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.

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 8 November 2017.

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 consolidated condensed financial information are consistent with those used in the preparation of the most recent annual consolidated financial statements of the group for the year ended 31 December 2016 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 nine-month period ended 30 September 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017. For further details, refer to the consolidated financial statements and its disclosures for the year ended 31 December 2016.

3 Changes in accounting policies

3.1 New and amended standards adopted by the group

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2017 which have been adopted by the group but did not have any significant impact on the financial position or the results for the period. Information on these new standards is presented below:

Standard or Interpretation	*Effective for annual periods beginning*
IAS 7 Statement of Cash Flows- Amendments	1 January 2017

IAS 7 Statement of Cash Flows- Amendments

The Amendments are designed to improve the quality of information provided to users of financial statements about changes in an entity's debt and related cash flows (and noncash changes)

The Amendments:

- require an entity to provide disclosures that enable users to evaluate changes in liabilities arising from financing activities. An entity applies its judgement when determining the exact form and content of the disclosures needed to satisfy this requirement
- suggest a number of specific disclosures that may be necessary in order to satisfy the above requirement, including:
    - changes in liabilities arising from financing activities caused by changes in financing cash flows, foreign exchange rates or fair values, or obtaining or losing control of subsidiaries or other businesses
    - a reconciliation of the opening and closing balances of liabilities arising from financing activities in the statement of financial position including those changes identified immediately above.

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 pronouncements. Information on new standards, amendments and interpretations that are expected to be relevant to the group's consolidated 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 interim condensed consolidated financial information.

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)

Standard or Interpretation	*Effective for annual periods beginning*
IFRS 10 and IAS 28 Sale or Contribution of Assets between and an Investor and its Associate or Joint Venture - Amendments	No stated date
IFRS 2 Share-based Payment- Amendments	1 January 2018
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 16 Leases	1 January 2019
Annual Improvements to IFRSs 2014-2016 Cycle	1 January 2018

IFRS 10 and IAS 28 Sale or Contribution of Assets between and an Investor and its Associate or Joint Venture - Amendments

The Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

- require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations)
- require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

IASB has postponed the effective date indefinitely until other projects are completed. However, early implementation is allowed.

IFRS 2 Share-based Payment- Amendments

The amendments relate to clarification on the following:

- IFRS does not specifically address the impact of vesting and non-vesting conditions on the measurement of the fair value of the liability incurred in a cash-settled share-based payment transaction. The Amendments address this lack of guidance by clarifying that accounting for these conditions should be accounted for consistently with equity-settled share-based payments in IFRS 2
- The amendment adds guidance to IFRS 2 to the effect that a scheme with compulsory net-settlement feature would be classified as equity-settled in its entirety (assuming it would be so classified without the net settlement feature); and
- The amendment addresses the accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

IFRS 9 Financial Instruments

The IASB published IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

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)

IFRS 9 Financial Instruments (continued)
Management has started to assess the impact of IFRS 9 but is not yet in a position to provide quantified information. At this stage the main areas of expected impact are as follows:

- the classification and measurement of the financial assets will need to be reviewed based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed.
- an expected credit loss-based impairment will need to be recognised on the trade receivables and investments in debt-type assets currently classified as available for sale and held-to-maturity, unless classified as at fair value through profit or loss in accordance with the new criteria.
- it will no longer be possible to measure equity investments at cost less impairment and all such investments will instead be measured at fair value. Changes in fair value will be presented in profit or loss unless an irrevocable designation is made to present them in other comprehensive income.
- if the fair value option continues to be elected for certain financial liabilities, fair value movements will be presented in other comprehensive income to the extent those changes relate to own credit risk.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 replaced IAS 18 "Revenues", IAS 11 "Construction Contract" and several revenue – related Interpretations and provides a new control-based revenue recognition model using five-step approach to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation.

The standard includes important guidance, such as

- Contracts involving the delivery of two or more goods or services – when to account separately for the individual performance obligations in a multiple element arrangement, how to allocate the transaction price, and when to combine contracts
- Timing – whether revenue is required to be recognized over time or at a single point in time
- Variable pricing and credit risk – addressing how to treat arrangements with variable or contingent (e.g. performance-based) pricing, and introducing an overall constraint on revenue
- Time value – when to adjust a contract price for a financing component

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)

IFRS 15 Revenue from Contracts with Customers (continued)

- Specific issues, including –
  - non-cash consideration and asset exchanges
  - contract costs
  - rights of return and other customer options
  - supplier repurchase options
  - warranties
  - principal versus agent
  - licencing
  - breakage
  - non-refundable upfront fees, and
  - consignment and bill-and-hold arrangements.

IFRS 16 Leases

IFRS 16 will replace IAS 17 and nine related Interpretations. Leases will be recorded on the statement of financial position in the form of a right-of-use asset and a lease liability.

Management is yet to fully assess the impact of the Standard and therefore is unable to provide quantified information. However, in order to determine the impact, management is in the process of:

- performing a full review of all agreements to assess whether any additional contracts will now become a lease under IFRS 16's new definition
- deciding which transitional provision to adopt; either full retrospective application or partial retrospective application (which means comparatives do not need to be restated). The partial application method also provides optional relief from reassessing whether contracts in place are, or contain, a lease, as well as other reliefs. Deciding which of these practical expedients to adopt is important as they are one-off choices
- assessing their current disclosures for finance and operating leases as these are likely to form the basis of the amounts to be capitalised and become right-of-use assets
- determining which optional accounting simplifications apply to their lease portfolio and if they are going to use these exemptions
- assessing the additional disclosures that will be required.

Annual Improvements to IFRSs 2014-2016 Cycle

Amendments to IAS 28 - Clarifies that a qualifying entity is able to choose between applying the equity method or measuring an investment in an associate or joint venture at fair value through profit or loss, separately for each associate or joint venture at initial recognition of the associate or joint venture. Amendment is effective for annual periods beginning on or after 1 January 2018.

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.

Notes to the interim condensed consolidated financial information (continued)

4 Judgement and estimates (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 2016.

5 Investment income

	Three months ended		Nine months ended	
	30 Sept. 2017 (Unaudited) KD	30 Sept. 2016 (Unaudited) KD	**30 Sept. 2017 (Unaudited) KD**	30 Sept. 2016 (Unaudited) KD
Gain on sale of available for sale	**-**	90,000	**108,961**	79,670
Dividend income from available for sale investments	**34,367**	86,057	**180,864**	254,792
Income from investments at fair value through profit or loss	**253,919**	43,762	**348,413**	64,133
Dividend income from investments at fair value through profit or loss	**-**	-	**-**	28,817
Income from short term Murabaha	**59,597**	53,450	**171,182**	185,545
Interest and other income	**33,109**	1,603	**33,211**	4,360
	380,992	274,872	**842,631**	617,317

6 Basic and diluted earnings per share

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

	Three months ended		Nine months ended	
	30 Sept. 2017 (Unaudited)	30 Sept. 2016 (Unaudited)	**30 Sept. 2017 (Unaudited)**	30 Sept. 2016 (Unaudited)
Profit for the period attributable to the owners of the parent (KD)	**431,123**	828,843	**1,692,826**	3,496,710
Weighted average number of shares outstanding during the period to be used for basic earnings per share (excluding treasury shares)	**349,918,755**	347,718,353	**349,760,915**	347,758,807
Shares to be issued for no consideration under share based payments	**1,055,362**	1,213,206	**1,055,362**	1,213,206
Weighted average number of shares to be used for diluted earnings per share (excluding treasury shares)	**350,974,117**	348,931,559	**350,816,277**	348,972,013
Basic earnings per share attributable to the owners of the parent company	**1.23 Fils**	2.38 Fils	**4.84 Fils**	10.06 Fils
Diluted earnings per share attributable to the owners of the parent company	**1.23 Fils**	2.38 Fils	**4.83 Fils**	10.02 Fils

Notes to the interim condensed consolidated financial information (continued)

7 Available for sale investments

	30 Sept. 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	30 Sept. 2016 (Unaudited) KD
Local quoted securities	**4,107,408**	3,698,440	5,348,180
Local unquoted securities	**11,836,116**	12,185,982	5,959,841
Foreign quoted securities	**1,805,775**	1,656,190	1,579,836
Foreign unquoted securities	**13,058,478**	13,879,688	15,246,701
Murabaha investment	**4,976,473**	4,985,295	4,988,236
	35,784,250	36,405,595	33,122,794

8 Fixed deposits

Fixed deposits carry average interest rate of 1.6% (31 December 2016: 1.6% and 30 September 2016: 1.5%) per annum and mature within one year from the financial position date.

9 Share capital and share premium

	30 Sept. 2017 (Unaudited)	31 Dec. 2016 (Audited)	30 Sept. 2016 (Unaudited)
Authorised share capital of KD 0.100 each	**36,020,186**	35,320,187	35,320,187
Issued and paid up capital of KD 0.100 each	**35,021,251**	34,924,657	34,924,657

During the period, the parent company issued 965,944 shares (31 December 2016: 1,311,114 shares and 30 September 2016: 1,311,114 shares) under the staff share based payment scheme at price ranging from KD0.200 to KD0.335 per share. The amount in excess of the nominal amount of KD0.100 each was credited to the share premium account.

10 Treasury shares

	30 Sept. 2017 (Unaudited)	31 Dec. 2016 (Audited)	30 Sept. 2016 (Unaudited)
Number of shares	**295,559**	284,930	251,783
Percentage of issued shares	**0.08%**	0.08%	0.07%
Cost of treasury shares (KD)	**59,367**	57,110	50,550
Market value (KD)	**51,723**	59,835	49,349

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	Total KD
Balance at 1 January 2017 (audited)	**9,230,581**	**258,191**	**9,488,772**
Exchange differences arising on translation of foreign operations	-	(66,186)	(66,186)
Share of other comprehensive loss of associates	-	(3,945)	(3,945)
Available for sale investments:			
- Net change in fair value arising during the period	(140,200)	-	(140,200)
- Transferred to interim condensed consolidated statement of profit or loss on sale	313,180	-	313,180
Total other comprehensive income/(loss) for the period	**172,980**	**(70,131)**	**102,849**
Balance at 30 September 2017 (Unaudited)	**9,403,561**	**188,060**	**9,591,621**
Balance at 1 January 2016 (audited)	7,902,268	174,954	8,077,222
Exchange differences arising on translation of foreign operations	-	(5,815)	(5,815)
Share of other comprehensive income/(loss) of associates	12,337	(2,541)	9,796
Available for sale investments:			
- Net change in fair value arising during the period	(3,436,386)	-	(3,436,386)
- Transferred to interim condensed consolidated statement of profit or loss on impairment	74,661	-	74,661
- Transferred to interim condensed consolidated statement of profit or loss on sale	(63,664)	-	(63,664)
Total other comprehensive loss for the period	(3,413,052)	(8,356)	(3,421,408)
Balance at 30 September 2016 (Unaudited)	4,489,216	166,598	4,655,814

12 Annual General Assembly

The annual general assembly of the shareholders held on 21 May 2017 approved the consolidated financial statements for the year ended 31 December 2016 and cash dividend of 10 Fils (2015: 20 Fils) per share amounting to KD 3,499,212 (2015: KD 6,970,189) for the year ended 31 December 2016.

Further, the annual general assembly of shareholders approved directors' remuneration amounting to KD150,000 for the year ended 31 December 2016 which has been recognised within expenses in the interim condensed consolidated statement of profit or loss.

Furthermore, the annual general assembly approved to increase the parent company's share capital by 7,000,000 shares through staff bonus scheme. The scheme continues for a five year period beginning 2017 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. The amendments to reflect this increase in share capital have been authenticated in Kuwait commercial register on 30 July 2017.

Notes to the interim condensed consolidated financial information (continued)

13 Segmental information

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

	Building materials and contracting services		Investments		Total	
	30 Sept. 2017 (Unaudited) KD	30 Sept. 2016 (Unaudited) KD	30 Sept. 2017 (Unaudited) KD	30 Sept. 2016 (Unaudited) KD	30 Sept. 2017 (Unaudited) KD	30 Sept. 2016 (Unaudited) KD
Three months ended:						
Segment revenue	9,499,194	8,558,946	380,992	274,872	9,880,186	8,833,818
Share of results of associates	-	-	(38,754)	(8,568)	(38,754)	(8,568)
					9,841,432	8,825,250
Segment results	15,988	773,177	342,238	266,304	358,226	1,039,481
Unallocated expenses					(24,051)	(134,545)
Profit for the period per interim condensed consolidated statement of profit or loss					334,175	904,936
Depreciation	742,425	808,844	-	-	742,425	808,844
Impairment loss on available for sale investments	-	-	-	7,505	-	7,505
Nine months ended:						
Segment revenue	30,061,516	30,239,140	842,631	617,317	30,904,147	30,856,457
Share of results of associates	-	-	(404,746)	376,569	(404,746)	376,569
Bargain purchase on acquisition of additional shares of an associate	-	-	182,023	-	182,023	-
					30,681,424	31,233,026
Segment results	1,016,465	2,812,166	619,908	993,886	1,636,373	3,806,052
Unallocated expenses					(83,610)	(248,568)
Profit for the period per interim condensed consolidated statement of profit or loss					1,552,763	3,557,484
Depreciation	2,629,405	2,388,441	-	-	2,629,405	2,388,441
Impairment loss on available for sale investments	-	-	-	74,661	-	74,661
Total assets	61,978,897	61,996,328	51,029,635	47,223,169	113,008,532	109,219,497

Notes to the interim condensed consolidated financial information (continued)

14 Related party balances and transactions

Related parties represent major shareholders, directors and key management personnel of the group, and companies of which they are principal shareholders 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 balances and transactions are as follows:

	30 Sept. 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	30 Sept. 2016 (Unaudited) KD
Balances included in interim condensed consolidated statement of financial position			
Due from ultimate parent company (included in accounts receivable and other assets)	**617,560**	1,508,179	510,370
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)	**446,755**	574,403	415,235
Due to other related companies (non-controlling interests)	**443,907**	446,994	443,966

	Three months ended		Nine months ended	
	30 Sept. 2017 (Unaudited) KD	30 Sept. 2016 (Unaudited) KD	30 Sept. 2017 (Unaudited) KD	30 Sept. 2016 (Unaudited) KD
Transactions included in interim condensed consolidated statement of profit or loss				
Interest income	-	1,603	**3,196**	4,351
Compensation of key management personnel				
Board of directors' remuneration	-	-	**150,000**	-
Short term employee benefits	**49,212**	60,850	**177,295**	188,725
End of service benefits	**5,994**	5,994	**25,439**	47,086
Cost of share based payments	-	10,000	**102,365**	105,029
	55,206	76,844	**455,099**	340,840

15 Commitments and contingent liabilities

	30 Sept. 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	30 Sept. 2016 (Unaudited) KD
Letters of guarantee	**4,851,643**	2,454,159	4,272,477
Letters of guarantee from ultimate parent company	**200,000**	200,000	200,000
	5,051,643	2,654,159	4,472,477

Notes to the interim condensed consolidated financial information (continued)

16 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 2016.

17 Fair value measurement

17.1 Fair value hierarchy

Fair value represents 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.

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- 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 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).

17.2 Fair value measurement of financial instruments

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

	30 Sept. 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	30 Sept. 2016 (Unaudited) KD
Financial assets:			
Loans and receivables at amortised cost:			
Cash and bank balances	**6,259,431**	4,117,983	3,254,572
Fixed deposits	**2,152,500**	1,502,500	2,745,000
Accounts receivable and other assets	**11,988,377**	15,725,835	13,797,140
Investments at fair value through profit or loss at fair value:			
Investments at fair value through profit or loss	**2,181,038**	1,885,967	1,777,790
Available for sale investments:			
Available for sale investments at fair value	**30,177,438**	30,789,961	27,504,219
Available for sale investments at cost	**630,339**	630,339	630,339
Murabaha investment	**4,976,473**	4,985,295	4,988,236
	58,365,596	59,637,880	54,697,296

Notes to the interim condensed consolidated financial information (continued)

17 Fair value measurement (continued)

17.2 Fair value measurement of financial instruments (continued)

	30 Sept. 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	30 Sept. 2016 (Unaudited) KD
Financial liabilities:			
Financial liabilities at amortised cost:			
Accounts payable and other liabilities	17,698,106	15,786,306	13,901,199
Murabaha payables	-	530,450	664,927
	17,698,106	16,316,756	14,566,126

Management considers that the carrying amounts of loans and receivable and all financial liabilities, which are stated at amortised cost, approximate their fair values.

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 on a recurring basis in the statement of interim condensed consolidated financial position are grouped into the fair value hierarchy as follows:

30 September 2017 (Unaudited)

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through profit or loss:				
Quoted equity securities	443,786	-	-	443,786
Managed funds and portfolios	-	1,737,252	-	1,737,252
Available for sale investments:				
Local quoted securities	4,107,408	-	-	4,107,408
Local unquoted securities	-	-	11,836,116	11,836,116
Foreign quoted securities	1,805,775	-	-	1,805,775
Foreign unquoted securities	-	8,797,672	3,630,467	12,428,139
	6,356,969	10,534,924	15,466,583	32,358,476

31 December 2016 (Audited)

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through profit or loss				
Quoted securities	351,570	-	-	351,570
Managed funds and portfolios	-	1,534,397	-	1,534,397
Available for sale investments				
Local quoted securities	3,698,440	-	-	3,698,440
Local unquoted securities	-	-	12,185,982	12,185,982
Foreign quoted securities	1,656,190	-	-	1,656,190
Foreign unquoted securities	-	9,096,880	4,152,469	13,249,349
	5,706,200	10,631,277	16,338,451	32,675,928

Notes to the interim condensed consolidated financial information (continued)

17 Fair value measurement (continued)

17.2 Fair value measurement of financial instruments (continued)

30 September 2016 (Unaudited)

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through profit or loss:				
Quoted equity securities	328,517	-	-	328,517
Managed funds and portfolios	-	1,449,273	-	1,449,273
Available for sale investments:				
Local quoted securities	5,348,180	-	-	5,348,180
Local unquoted securities	-	-	5,959,841	5,959,841
Foreign quoted securities	1,579,836	-	-	1,579,836
Foreign unquoted securities	-	-	14,616,362	14,616,362
	7,256,533	1,449,273	20,576,203	29,282,009

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.

Level 3 fair value measurements

The group's financial assets 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 Sept. 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	30 Sept. 2016 (Unaudited) KD
Opening balance	**16,338,451**	20,902,404	20,902,404
Transfer from level 1	**-**	6,113,158	-
Transfer to level 2	**-**	(10,463,893)	-
Gains or losses recognised in:			
- Consolidated statement of profit or loss	**-**	(9,913)	79,670
- Other comprehensive income	**(399,546)**	82,945	(30,037)
Sales	**(472,322)**	(286,250)	(375,834)
Closing balance	**15,466,583**	16,338,451	20,576,203

The group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values, in consultation with third party valuation specialists for complex valuations, where required. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

Notes to the interim condensed consolidated financial information (continued)

17 Fair value measurement (continued)

17. 2 Fair value measurement of financial instruments (continued)

Level 3 fair value measurements (continued)
For financial instruments carried at amrotised cost, fair values are not materially different from their carrying values and are used only for disclosure purpose. Fair value of such financial instruments are classified under level 3 determined based on discounted cash flow basis, with most significant inputs being the discount rate that reflects the credit risk of counter parties.

The impact on interim condensed consolidated statement of profit or loss and interim condensed consolidated statement of profit or loss and other comprehensive income would be immaterial if the relevant risk variable used to fair value the level 3 investments were changed by 5%.