

Interim condensed consolidated financial information and review report

National Industries Company – KPSC and Subsidiaries

Kuwait

31 March 2014 (Unaudited)

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Grant Thornton

Al-Qatami, Al-Aiban & Partners

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

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



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

E-mail: mail.kw@parkerrandall.com

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 (A Kuwaiti Public Shareholding Company) and its subsidiaries as of 31 March 2014 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three-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 of association of the Company, as amended, have occurred during the three-month period ended 31 March 2014 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
8 May 2014

Interim condensed consolidated statement of income

	Notes	Three months ended 31 March 2014 (Unaudited) KD	(Restated) Three months ended 31 March 2013 (Unaudited) KD
Revenue			
Revenue from sales and services		12,134,445	11,588,006
Cost of sales and services		(9,011,179)	(8,886,709)
Gross profit		3,123,266	2,701,297
Other operating income		63,426	127,747
Share of results of associates		(48,605)	(522,316)
Investment income/(loss)	6	72,068	(708,988)
Foreign exchange gain/(loss)		141	(23,087)
		3,210,296	1,574,653
Expenses and other charges			
Distribution expenses		(388,835)	(268,835)
General, administrative and other expenses		(949,299)	(975,722)
Finance costs		(78,062)	(67,293)
		(1,416,186)	(1,311,850)
Profit before contribution to KFAS, NLST and Zakat		1,794,110	262,803
Provision for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(16,983)	(3,876)
Provision for National Labour Support Tax (NLST)		(51,447)	(13,531)
Provision for Zakat		(20,579)	(5,412)
Profit for the period		1,705,101	239,984
Attributable to :			
Owners of the parent company		1,797,999	405,961
Non-controlling interests		(92,898)	(165,977)
Profit for the period		1,705,101	239,984
Basic and diluted earnings per share attributable to the owners of the parent company	7	5.17 Fils	1.17 Fils



The notes set out on pages 8 to 22 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of comprehensive income

	Three months ended 31 March 2014 (Unaudited) KD	(Restated) Three months ended 31 March 2013 (Unaudited) KD
Profit for the period	1,705,101	239,984
Other comprehensive income:		
<i>Items that will be reclassified subsequently to statement of income</i>		
Available for sale investments:		
- Net change in fair value during the period	1,044,565	1,135,292
Exchange differences arising on translation of foreign operations	(5,118)	51,649
Share of other comprehensive income of associates	(1,622)	14,624
Total other comprehensive income	1,037,825	1,201,565
Total comprehensive income for the period	2,742,926	1,441,549
Total comprehensive income attributable to:		
Owners of the parent company	2,838,383	1,593,759
Non-controlling interests	(95,457)	(152,210)
	2,742,926	1,441,549



Interim condensed consolidated statement of financial position

	Notes	31 March 2014 (Unaudited) KD	31 Dec. 2013 (Audited) KD	(Restated) 31 March 2013 (Unaudited) KD
Assets				
Non-current assets				
Property, plant and equipment		29,180,051	29,749,384	30,239,491
Investment in associates		2,702,956	2,753,183	4,284,131
Available for sale investments		39,092,092	38,047,643	42,961,548
		70,975,099	70,550,210	77,485,170
Current assets				
Inventories and spare parts		16,291,039	17,116,416	15,483,870
Investments at fair value through statement of income		3,650,232	3,954,455	3,556,555
Accounts receivable and other assets		11,539,199	11,483,018	13,511,711
Fixed deposits		900,000	650,000	150,000
Cash and bank balances		4,294,879	3,277,423	4,460,079
		36,675,349	36,481,312	37,162,215
Total assets		107,650,448	107,031,522	114,647,385
Equity and liabilities				
Equity				
Share capital	8	34,675,783	34,650,793	34,641,264
Share premium	8	32,020,653	31,995,663	31,973,270
Treasury shares	9	(6,440)	(6,440)	(6,440)
Legal reserve		3,042,395	3,042,395	2,988,017
Voluntary reserve		1,459,574	1,459,574	1,405,196
Staff bonus shares reserve	15	296,482	163,578	195,500
Other components of equity	10	9,563,623	8,523,239	7,116,543
Retained earnings		2,307,023	509,024	4,659,981
Total equity attributable to the owners of the parent		83,359,093	80,337,826	82,973,331
Non-controlling interests		2,693,396	2,788,853	2,575,414
		86,052,489	83,126,679	85,548,745
Non-current liabilities				
Long term loan	11	-	-	1,002,446
Provision for land-fill expenses		718,833	716,991	712,392
Provision for employees' end of service benefits		4,625,450	4,436,104	4,492,829
		5,344,283	5,153,095	6,207,667
Current liabilities				
Current portion of long term loan	11	1,002,446	1,902,446	3,590,000
Short term murabaha payables	12	2,415,401	5,043,516	5,613,541
Accounts payable and other liabilities	13	12,835,829	11,805,786	13,687,432
		16,253,676	18,751,748	22,890,973
Total liabilities		21,597,959	23,904,843	29,098,640
Total equity and liabilities		107,650,448	107,031,522	114,647,385

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 22 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 10) KD	Retained earnings KD	Sub-total KD		KD
Balance at 1 January 2014	34,650,793	31,995,663	(6,440)	3,042,395	1,459,574	163,578	8,523,239	509,024	80,337,826	2,788,853	83,126,679
Cost of share based payment (note 15)	-	-	-	-	-	-	-	-	-	-	-
Issue of staff bonus shares (note 8)	24,990	24,990	-	-	-	182,884 (49,980)	-	-	182,884	-	182,884
Transaction with owners	24,990	24,990	-	-	-	132,904	-	-	182,884	-	182,884
Profit/(loss) for the period	-	-	-	-	-	-	-	1,797,999	1,797,999	(92,898)	1,705,101
Other comprehensive income/(loss) for the period	-	-	-	-	-	-	1,040,384	-	1,040,384	(2,559)	1,037,825
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	1,040,384	1,797,999	2,838,383	(95,457)	2,742,926
Balance at 31 March 2014	34,675,783	32,020,653	(6,440)	3,042,395	1,459,574	296,482	9,563,623	2,307,023	83,359,093	2,693,396	86,052,489



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 10) KD	Retained earnings KD	Sub-total KD		KD
Balance at 1 January 2013 (as previously reported)	34,620,187	31,923,740	(6,440)	2,988,017	1,405,196	-	5,928,745	4,254,020	81,113,465	1,655,224	82,768,689
Effect of IFRS 10 adoption (see note 5)	-	-	-	-	-	-	-	-	-	1,072,400	1,072,400
Balance at 1 January 2013 (restated)	34,620,187	31,923,740	(6,440)	2,988,017	1,405,196	-	5,928,745	4,254,020	81,113,465	2,727,624	83,841,089
Cost of share based payment (note 15)	-	-	-	-	-	266,107	-	-	-	-	266,107
Issue of staff bonus shares (note 8)	21,077	49,530	-	-	-	(70,607)	-	-	-	-	-
Transaction with owners	21,077	49,530	-	-	-	195,500	-	-	266,107	-	266,107
Profit/(loss) for the period	-	-	-	-	-	-	-	405,961	405,961	(165,977)	239,984
Other comprehensive income for the period	-	-	-	-	-	-	1,187,798	-	1,187,798	13,767	1,201,565
Total comprehensive income for the period	-	-	-	-	-	-	1,187,798	405,961	1,593,759	(152,210)	1,441,549
Balance at 31 March 2013	34,641,264	31,973,270	(6,440)	2,988,017	1,405,196	195,500	7,116,543	4,659,981	82,973,331	2,575,414	85,548,745



The notes set out on pages 8 to 22 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows

	Three months ended 31 March 2014 (Unaudited)	(Restated) Three months ended 31 March 2013 (Unaudited)
	KD	KD
OPERATING ACTIVITIES		
Profit for the period	1,705,101	239,984
Adjustments:		
Depreciation of property, plant and equipment	879,423	989,516
Loss on exchange/sale of available for sale investments	-	873,912
Loss on write off of property, plant and equipment	2,094	-
Share of results of associates	48,605	522,316
Dividend income from available for sale investments	(20,309)	-
Income from short term murabaha investments	(36,889)	(79,374)
Share based payment	182,704	266,107
Interest income	(893)	(1,455)
Finance costs	78,052	67,293
Foreign exchange loss on non-operating assets and liabilities	15,223	52,535
Provision for land-fill expenses	1,842	2,821
Provision for staff indemnity	304,211	242,727
	3,159,164	3,176,382
Changes in operating assets and liabilities:		
Inventories and spare parts	825,377	59,855
Investments at fair value through statement of income	304,223	(64,435)
Accounts receivable and other assets	(56,181)	(1,464,510)
Accounts payable and other liabilities	1,025,281	1,456,336
	5,257,864	3,163,628
Cash from operations	(114,865)	(197,897)
Staff indemnity paid		
Net cash from operating activities	5,142,999	2,965,731
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(322,821)	(1,111,474)
Purchase of available for sale investments	(1,312)	(2,077)
Proceeds on sale of available for sale investments	1,428	-
Dividend income received from available for sale investments	20,309	-
Fixed deposit	(250,000)	-
Interest income received	893	1,455
Murabaha income received	36,889	79,374
	(514,614)	(1,032,722)
FINANCING ACTIVITIES		
Repayment of term loans	(900,000)	(2,676,250)
Repayments of murabaha payables	(2,697,521)	(3,382,496)
Proceeds from murabaha payables	69,406	2,339,988
Finance costs paid	(78,052)	(67,293)
Dividends paid	(4,762)	(6,374)
	(3,610,929)	(3,792,425)
Net cash used in investing activities		
Net increase/(decrease) in cash and cash equivalents	1,017,456	(1,859,416)
Cash and cash equivalents at beginning of the period	3,277,423	6,319,495
Cash and cash equivalents at end of the period	4,294,879	4,460,079

The notes set out on pages 8 to 22 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 closed 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 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 Law No. 97 of 2013. On 29 September 2013, Ministry of Commerce and Industry issued its regulation No. 425/2013 regarding the Executive by-laws of the Companies Law. All existing companies are required to comply with articles of these by-laws within one year from the date of its issuance.

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 May 2014.

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 most recent annual financial statements of the group for the year ended 31 December 2013 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.

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.

Notes to the interim condensed consolidated financial information (continued)

2 Basis of preparation (continued)

Operating results for the three month period ended 31 March 2014 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2014. For further details, refer to the consolidated financial statements and its disclosures for the year ended 31 December 2013.

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 32 Financial Instruments: Presentation - Amendments	1 January 2014
IAS 36 Impairment of Assets- Amendments	1 January 2014
Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27	1 January 2014
Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)	1 January 2014
IFRIC 21 Levies	1 January 2014

3.1.1 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 required to be applied retrospectively. The adoption of the amendment did not result into any material impact on the group's interim condensed consolidated financial information.

3.1.2 IAS 36 Impairment of Assets- Amendments

The amendments to IAS 36 reduces the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. The adoption of the amendment did not result into any material impact on the group's interim condensed consolidated financial information.

3.1.3 Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27

The Amendments define the term 'investment entity', provide supporting guidance and require investment entities to measure investments in the form of controlling interests in another entity at fair value through statement of income.

The adoption of the amendment did not result into any material impact on the group's interim condensed consolidated financial information.

3.1.4 Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)

The Amendment makes it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met.

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 *Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)* (continued)

A novation indicates an event where the original parties to a derivative agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties. In order to apply the amendments and continue hedge accounting, novation to a central counterparty (CCP) must happen as a consequence of laws or regulations or the introduction of laws or regulations. The adoption of the amendment did not result into any material impact on the group's interim condensed consolidated financial information.

3.1.5 *IFRIC 21 'Levies' (IFRIC 21)*

IFRIC 21 clarifies that:

- the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by the government's legislation. If this activity arises on specific date within an accounting period then the entire obligation is recognised on that date
- the same recognition principles apply in the annual and interim financial statements.

IFRIC 21 has been applied retrospectively in accordance with its transitional provisions but the adoption of the amendment did not result into any material impact on the group's interim condensed consolidated financial information.

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>
IFRS 9 Financial Instruments: Classification and Measurement	No Date
Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)	1 July 2014
Annual Improvements to IFRSs 2010–2012 Cycle	1 July 2014
Annual Improvements to IFRSs 2011–2013 Cycle	1 July 2014

3.2.1 *IFRS 9 Financial Instruments*

The IASB aims to replace IAS 39 'Financial Instruments: Recognition and Measurement' (IAS 39) in its entirety with IFRS 9. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities, and hedge accounting have been issued. Chapter dealing with impairment methodology is still being developed. The effective date for the entire standard will be determined after completion of the new impairment model.

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 IFRS 9 Financial Instruments (continued)

Further, in November 2013, the IASB made limited modifications to IFRS 9's financial asset classification model to address application issues.

The group's management have yet to assess the impact of this new standard on the group's consolidated financial statements. Management does not expect to implement IFRS 9 until it has been completed and its overall impact can be assessed.

3.2.2 Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)

Amends IAS 19 Employee Benefits to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in that contributions, can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered.

3.2.3 Annual Improvements to IFRSs 2010-2012 Cycle:

(i) *Amendments to IFRS 3*-Contingent consideration that does not meet the definition of an equity instrument is subsequently measured at each reporting date fair value, with changes recognised in consolidated statement of income.

(ii) *Amendments to IFRS 13*- the addition to the Basis for Conclusions confirms the existing measurement treatment of short-term receivables and payables.

(iii) *Amendments to IFRS 8*-Disclosures are required regarding judgements made by management in aggregating operating segments (i.e. description, economic indicators).

A reconciliation of reportable segments' assets to total entity assets is required if this is regularly provided to the chief operating decision maker.

(iv) *Amendments to IAS 16 and IAS 38*- When items are revalued, the gross carrying amount is adjusted on a consistent basis to the revaluation of the net carrying amount.

(v) *Amendments to IAS 24*- Entities that provide key management personnel services to a reporting entity, or the reporting entity's parent, are considered to be related parties of the reporting entity.

3.2.4 Annual Improvements 2011-2013 Cycle:

Makes amendments to the following standards:

(i) *Amendments to IFRS 1*-the amendment to the Basis for Conclusions clarifies that an entity preparing its IFRS financial statements in accordance with IFRS 1 is able to use both:

- IFRSs that are currently effective
- IFRSs that have been issued but are not yet effective, that permits early adoption

The same version of each IFRS must be applied to all periods presented. IFRS also clarify which versions of IFRSs can be used on initial adoption (amends basis for conclusions only).

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)

3.2.4 Annual Improvements 2011-2013 Cycle (Continued):

(ii) *Amendments to IFRS 3* — Clarify that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself

(iii) *Amendments to IFRS 13*— the scope of the portfolio exemption (IFRS 13.52) includes all items that have offsetting positions in market and/or counterparty credit risk that are recognised and measured in accordance with IAS 39/IFRS 9, irrespective of whether they meet the definition of a financial asset/liability.

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 2013.

5 Prior year/period adjustments

In the group's 2013 annual consolidated financial statements, the group restated its prior year financial statements as a result of the adoption of IFRS 10 Consolidated Financial Statements. The interim condensed consolidated financial information as at and for the three month period ended 31 March 2013 has also been restated to reflect such adjustments. The application of IFRS 10 affected the accounting of the group's 50% ownership interest in Saudi Insulation Bricks Company-WLL ("SIBC"). SIBC was previously classified as investment in associate and was accounted for using the equity method. At the date of initial application of IFRS 10 (1 January 2013), the group assessed that it controls SIBC.

Consequently, the group has consolidated the financial statements of SIBC based on its 50% (31 December 2013: 50% and 31 March 2013:50%) equity interest and accounted for the balance of 50% (31 December 2013: 50% and 31 March 2013: 50%) as non-controlling interests of KD1,727,694 (31 December 2013: KD1,744,345 and 31 March 2013: KD1,084,167). The interim condensed consolidated financial information has been restated to reflect the above reclassification with retrospective effect. The comparative information for the period ended 31 March 2013 have been restated on the interim condensed consolidated financial information. The quantitative impact on the financial statements is provided below:

Notes to the interim condensed consolidated financial information (continued)

5 Prior year/period adjustments (continued)

Consolidated statement of profit or loss:

	Three months ended 31 March 2013 (Unaudited) (Previously reported) KD	Three months ended 31 March 2013 (Unaudited) (Restated) KD
Profit for the period attributable to:		
Owners of the parent company	407,961	405,961
Non-controlling interests	(163,977)	(165,977)
	243,984	239,984
Basic and diluted earnings per share attributable to the owners of the parent company	1.18 Fils	1.17 Fils

Consolidated statement of comprehensive income:

	Three months ended 31 March 2013 (Unaudited) (Previously reported) KD	Three months ended 31 March 2013 (Unaudited) (Restated) KD
Total comprehensive income attributable to the owners of the parent company	1,581,991	1,593,759
Total comprehensive income attributable to non-controlling interests	(163,977)	(152,210)
Total comprehensive income for the period	1,418,014	1,441,549

Consolidated statement of financial position

	31 March. 2013 (previously reported) KD	31 March. 2013 (Restated) KD
Total assets	109,836,220	114,647,385
Total liabilities	25,383,410	29,098,640
Total equity attributable to the owners of the parent company	82,961,563	82,973,331
Non-controlling interests	1,491,247	2,575,414
Total equity	84,452,810	85,548,745

Notes to the interim condensed consolidated financial information (continued)

6 Investment income/(loss)

	Three months ended 31 March 2014 (Unaudited) KD	Three months ended 31 March 2013 (Unaudited) KD
Loss on exchange/sale of available for sale investments	-	(873,912)
Dividend income from available for sale investments	20,309	-
Income from investments at fair value through statement of income	7,633	64,435
Dividend income from investments at fair value through statement of income	-	12,781
Income from short term murabaha	36,889	79,374
Interest and other income	7,237	8,334
	72,068	(708,988)

7 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 31 March 2014 (Unaudited)	(Restated) Three months ended 31 March 2013 (Unaudited)
Profit for the period attributable to the owners of the parent (KD)	1,797,999	405,961
Weighted average number of shares outstanding during the period (excluding treasury shares)	346,621,270	346,327,128
Shares to be issued for no consideration under share based payments	1,459,457	622,550
Weighted average number of shares to be used for diluted earnings per share (excluding treasury shares)	348,080,727	346,949,678
Basic and diluted earnings per share	5.17 Fils	1.17 Fils

8 Share capital and share premium

The details of the capital are as follows:

	31 March 2014 (Unaudited) KD	31 Dec. 2013 (Audited) KD	31 March 2013 (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	34,675,783	34,650,793	34,641,264

The parent company issued 249,901 shares under the staff share based payment scheme (Note 15) at KD0.200 per share. The amount in excess of nominal value of KD0.100 each was credited to share premium account.

Notes to the interim condensed consolidated financial information (continued)

9 Treasury shares

	31 March 2014 (Unaudited)	31 Dec. 2013 (Audited)	31 March 2013 (Unaudited)
Number of shares	19,932	19,932	19,932
Percentage of issued shares	0,01%	0,01%	0,01%
Cost of treasury shares (KD)	6,440	6,440	6,440
Market value (KD)	4,863	3,827	6,578

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

10 Other components of equity

	Fair value reserve KD	Foreign currency translation reserve KD	Total KD
Balance at 1 January 2014	8,558,067	(34,828)	8,523,239
Exchange differences arising on translation of foreign operations	-	(2,559)	(2,559)
Share of other comprehensive income of associates	552	(2,174)	(1,622)
AFS financial assets:			
- Net change in fair value during the period	1,044,565	-	1,044,565
Total other comprehensive income for the period	1,045,117	(4,733)	1,040,384
Balance at 31 March 2014	9,603,184	(39,561)	9,563,623
Balance at 1 January 2013	5,992,952	(64,207)	5,928,745
Exchange differences arising on translation of foreign operations	-	37,882	37,882
Share of other comprehensive income of associates	14,127	497	14,624
AFS financial assets:			
- Net change in fair value during the period	1,135,292	-	1,135,292
Total other comprehensive income for the period	1,149,419	38,379	1,187,798
Balance at 31 March 2013	7,142,371	(25,828)	7,116,543

11 Term loans

	Maturity	Interest rate	31 March 2014 (Unaudited) KD	31 Dec. 2013 (Audited) KD	31 March 2013 (Unaudited) KD
Loan facility – KD	15 July 2014	3.5%	1,002,446	1,902,446	2,802,446
Loan facility – US\$	15 Oct. 2013	1%+LIBOR	-	-	1,790,000
Instalment due within one year			1,002,446	1,902,446	4,592,446
Instalment due after one year			(1,002,446)	(1,902,446)	(3,590,000)
			-	-	1,002,446

Notes to the interim condensed consolidated financial information (continued)

12 Murabaha payables

These represent murabaha facilities obtained from local financial institutions carrying an average effective profit rate of 4% (31 December 2013: 4% and 31 March 2013: 4%) per annum.

13 Accounts payable and other liabilities

	31 March 2014 (Unaudited)	31 Dec. 2013 (Audited)	(Restated) 31 March 2013 (Unaudited)
	KD	KD	KD
Trade payables	7,309,245	7,270,457	8,630,504
Due to associates	-	-	202,612
Due to other related companies (non-controlling interest)	2,283,321	1,151,163	2,442,234
Staff payables	184,690	391,749	155,848
Provision for staff leave	747,000	707,881	748,202
Accrued expenses	1,084,922	1,426,443	964,786
Due to customers for contract works	44,877	47,257	-
Other liabilities	1,181,774	810,836	543,246
	12,835,829	11,805,786	13,687,432

14 General assembly of the shareholders

The Annual General Assembly for the year ended 31 December 2013 has not been held until the date of approval of this interim condensed financial information. Accordingly, the financial statements for the year ended 31 December 2013 have not yet been approved. The interim condensed financial information for the three month period ended 31 March 2014 does not include any adjustments, which might have been required, had the General Assembly not approved the financial statements for the year ended 31 December 2013. The directors did not propose any dividends for the year ended 31 December 2013.

15 Share based payments

Under the senior executive plan, share options of the parent company are granted to senior executive of the parent company.

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. There are no cash settlement alternatives.

During the period the group granted 1,057,645 shares under the scheme and recognised KD182,884 (31 March 2013: KD266,107) as expenses. Further, a total of 249,901 shares were issued under the scheme during the period. The carrying amount of the liability relating to the plan at 31 March 2014 was KD296,482 (31 December 2013: KD163,578 and 31 March 2013: KD195,500) shown under staff bonus reserve in equity.

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
	31 March 2014 (Unaudited) KD	(Restated) 31 March 2013 (Unaudited) KD	31 March 2014 (Unaudited) KD	(Restated) 31 March 2013 (Unaudited) KD	
Three months ended: Segment revenue	12,134,445	11,588,006	23,463	(1,231,304)	12,157,908
Investment (gain)/loss	-	-	(72,068)	708,988	(72,068)
Share of results of associates	-	-	48,605	522,316	48,605
Sales, per interim condensed consolidated statement of income					
Segment results	1,848,558	1,584,487	23,463	(1,231,304)	1,872,021
Unallocated expenses					(166,920)
Profit for the period per interim condensed consolidated statement of income					1,705,101
Depreciation	879,423	989,516	-	-	879,423
Total assets	54,988,980	53,682,407	52,661,468	60,964,978	107,650,448
					114,647,385

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:

	31 March 2014 (Unaudited)	31 Dec. 2013 (Audited)	(Restated) 31 March 2013 (Unaudited)
	KD	KD	KD
Interim condensed consolidated statement of financial position			
Due from ultimate parent company (included in accounts receivable and other assets)	261,357	251,699	169,997
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)	1,759,952	1,735,158	2,343,330
Due to associate (included in accounts payable and other liabilities)	-	-	202,612
Due to other related companies (non-controlling interests)	2,283,321	1,151,163	2,442,234

	Three months ended 31 March 2014 (Unaudited) KD	Three months ended 31 March 2013 (Unaudited) KD
Interim condensed consolidated statement of income		
Interest income	893	727
Purchase of raw materials	-	209,290
Compensation of key management personnel		
Short term employee benefits	63,939	61,461
End of service benefits	11,689	7,751
Share based payment	89,251	129,967
	164,879	199,179

18 Commitments and contingent liabilities

	31 March 2014 (Unaudited) KD	31 Dec. 2013 (Audited) KD	31 March 2013 (Unaudited) KD
Capital commitments	2,821	2,821	-
Letters of guarantee	4,109,164	3,407,356	1,703,723
Letters of guarantee from ultimate parent company	200,000	200,000	200,000
	4,311,985	3,610,177	1,903,723

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 2013.

20 Fair value measurement

20.1 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).

20.2 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:

	31 March 2014 (Unaudited) KD	31 Dec. 2013 (Audited) KD	(Restated) 31 March 2013 (Unaudited) KD
Financial assets:			
Loans and receivables at amortised cost:			
- Cash and bank balances	4,294,879	3,277,423	4,460,079
- Fixed deposits	900,000	650,000	150,000
- Accounts receivable and other assets	11,539,199	11,483,018	13,511,711
Investments at fair value through statement of income:			
Investments at fair value through statement of income	3,650,232	3,954,455	3,556,555
Available for sale investments at fair value:			
Available for sale investments	35,470,324	34,424,447	38,470,556
	55,854,634	53,789,343	60,148,901
Financial liabilities:			
Financial liabilities at amortised cost:			
Term loans	1,002,446	1,902,446	4,592,446
Accounts payable and other liabilities	12,835,829	11,805,786	13,687,432
Murabaha payables	2,415,401	5,043,516	5,613,541
	16,253,676	18,751,748	23,893,419

Notes to the interim condensed consolidated financial information (continued)

20 Fair value measurement (continued)

20.2 Fair value measurement of financial instruments (continued)

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 interim condensed statement of consolidated financial position are grouped into the fair value hierarchy as follows:

31 March 2014 (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	-	2,980,574	-	2,980,574
Quoted equity securities	b	669,658	-	-	669,658
<i>Available for sale investments:</i>					
Local quoted securities	b	14,711,289	-	-	14,711,289
Local unquoted securities	c	-	-	6,963,870	6,963,870
Foreign quoted securities	b	2,078,768	-	-	2,078,768
Foreign unquoted securities	c	-	-	11,716,397	11,716,397
Net fair value		17,459,715	2,980,574	18,680,267	39,120,556

31 December 2013 (Audited)

		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	-	3,317,731	-	3,317,731
Quoted securities	b	636,724	-	-	636,724
<i>Available for sale investments</i>					
Local quoted securities	b	13,358,170	-	-	13,358,170
Local unquoted securities	c	-	-	6,908,420	6,908,420
Foreign quoted securities	b	2,442,772	-	-	2,442,772
Foreign unquoted securities	c	-	-	11,715,085	11,715,085
		16,437,666	3,317,731	18,623,505	38,378,902

Notes to the interim condensed consolidated financial information (continued)

20 Fair value measurement (continued)

20.2 Fair value measurement of financial instruments (continued)

31 March 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	-	2,936,299	-	2,936,299
Quoted equity securities	b	620,256	-	-	620,256
<i>Available for sale investments:</i>					
Local quoted securities	b	12,545,552	-	-	12,545,552
Local unquoted securities	c	-	-	9,050,830	9,050,830
Foreign quoted securities	b	1,950,803	-	-	1,950,803
Foreign unquoted securities	c	-	-	14,923,371	14,923,371
Net fair value		15,116,611	2,936,299	23,974,201	42,027,111

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.

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:

Notes to the interim condensed consolidated financial information (continued)

20 Fair value measurement (continued)

20.2 Fair value measurement of financial instruments (continued)

Level 3 fair value measurements (continued)

	31 March 2014 (Unaudited) KD	31 Dec. 2013 (Audited) KD	31 March 2013 (Unaudited) KD
Available for sale investments (unquoted securities):			
Opening balance	18,623,505	24,794,737	24,794,737
Gains or losses recognised in:			
- Consolidated statement of income	-	(5,906,796)	(873,912)
- Other comprehensive income	55,450	181,161	51,299
Purchases	1,312	7,509	2,077
Reclassification to level 3	-	608,820	-
Sales	-	(1,061,926)	-
Closing balance	18,680,267	18,623,505	23,974,201

Gains or losses recognised in the interim condensed consolidated statement of income (as above) for the period are included in investment income/(loss) 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 interim condensed consolidated statement of income, total assets or total liabilities or total equity.