

24/8/15

Interim condensed consolidated financial information and review report

**National Industries Company – KPSC and Subsidiaries**

**Kuwait**

30 June 2015 (Unaudited)

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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 (Kuwaiti Public Shareholding Company) (the "Parent Company") and its subsidiaries (collectively the "Group") as of 30 June 2015 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 six-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

### *Scope of Review*

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

### *Conclusion*

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

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

Based on our review, the interim condensed consolidated financial information is in agreement with the books of the Parent Company. We further report that, to the best of our knowledge and belief, no violations of the Companies Law No. 25 of 2012, and its Executive Regulations, or of the Memorandum of Incorporation and Articles of Association of the Parent Company, as amended, have occurred during the six-month period ended 30 June 2015 that might have had a material effect on the business or financial position of the Parent Company.



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**(Licence No. 94-A)**

**of Grant Thornton – Al-Qatami, Al-Aiban & Partners**



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**of Parker Randall (Allied Accountants)**

**Kuwait**

**12 August 2015**

## Interim condensed consolidated statement of profit or loss

	Notes	Three months ended		Six months ended	
		30 June 2015 (Unaudited) KD	30 June 2014 (Unaudited) KD	30 June 2015 (Unaudited) KD	30 June 2014 (Unaudited) KD
<b>Revenue</b>					
Revenue from sales and services		11,626,833	11,877,432	24,242,404	24,011,877
Cost of sales and services		(7,909,557)	(8,738,565)	(16,928,573)	(17,749,744)
<b>Gross profit</b>		<b>3,717,276</b>	<b>3,138,867</b>	<b>7,313,831</b>	<b>6,262,133</b>
Other operating income		44,524	43,354	86,650	106,780
Share of results of associates	7	(382,024)	23,073	(269,404)	(25,532)
Investment income	5	790,990	578,708	858,971	650,776
Foreign exchange gain		16,005	198	79,498	339
		<b>4,186,771</b>	<b>3,784,200</b>	<b>8,069,546</b>	<b>6,994,496</b>
<b>Expenses and other charges</b>					
Distribution expenses		(386,991)	(391,674)	(921,885)	(780,509)
General, administrative and other expenses		(515,560)	(536,684)	(1,689,907)	(1,485,983)
Finance costs		(531)	(12,280)	(3,468)	(90,332)
Impairment of available for sale investments		(98,016)	(795,128)	(142,870)	(795,128)
		<b>(1,001,098)</b>	<b>(1,735,766)</b>	<b>(2,758,130)</b>	<b>(3,151,952)</b>
<b>Profit before contribution to KFAS, NLST and Zakat</b>		<b>3,185,673</b>	<b>2,048,434</b>	<b>5,311,416</b>	<b>3,842,544</b>
Provision for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(27,562)	(18,784)	(45,354)	(35,767)
Provision for National Labour Support Tax (NLST)		(64,674)	(38,472)	(114,417)	(89,919)
Provision for Zakat		(25,741)	(15,388)	(44,596)	(35,967)
<b>Profit for the period</b>		<b>3,067,696</b>	<b>1,975,790</b>	<b>5,107,049</b>	<b>3,680,891</b>
<b>Attributable to :</b>					
Owners of the parent company		2,958,327	2,014,430	4,965,076	3,812,429
Non-controlling interests		109,369	(38,640)	141,973	(131,538)
<b>Profit for the period</b>		<b>3,067,696</b>	<b>1,975,790</b>	<b>5,107,049</b>	<b>3,680,891</b>
<b>Basic earnings per share attributable to the owners of the parent company</b>	6	<b>8.53 Fils</b>	<b>5.81 Fils</b>	<b>14.28 Fils</b>	<b>10.99 Fils</b>
<b>Diluted earnings per share attributable to the owners of the parent company</b>	6	<b>8.49 Fils</b>	<b>5.79 Fils</b>	<b>14.22 Fils</b>	<b>10.95 Fils</b>

The notes set out on pages 8 to 19 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		Six months ended	
	30 June 2015 (Unaudited) KD	30 June 2014 (Unaudited) KD	30 June 2015 (Unaudited) KD	30 June 2014 (Unaudited) KD
Profit for the period	3,067,696	1,975,790	5,107,049	3,680,891
<b>Other comprehensive income/(loss):</b>				
<i>Items that will be reclassified subsequently to statement of profit or loss</i>				
Available for sale investments:				
- Net change in fair value of investments	170,244	(2,326,904)	(511,082)	(1,282,339)
- Transferred to interim condensed consolidated statement of profit or loss on impairment	98,016	795,128	142,870	795,128
Exchange differences arising on translation of foreign operations	60,364	1,863	157,797	(3,255)
Share of other comprehensive income/(loss) of associates	7,029	57	10,589	(1,565)
Total other comprehensive income/(loss)	335,653	(1,529,856)	(199,826)	(492,031)
Total comprehensive income for the period	3,403,349	445,934	4,907,223	3,188,860
<b>Total comprehensive income attributable to:</b>				
Owners of the parent company	3,283,258	483,642	4,705,812	3,322,025
Non-controlling interests	120,091	(37,708)	201,411	(133,165)
	3,403,349	445,934	4,907,223	3,188,860

The notes set out on pages 8 to 19 form an integral part of this interim condensed consolidated financial information.

## Interim condensed consolidated statement of financial position

	Notes	30 June 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	30 June 2014 (Unaudited) KD
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	7	27,684,930	27,933,591	28,656,827
Investment in associates		4,951,676	3,062,174	2,726,086
Available for sale investments		37,551,020	38,064,959	36,766,744
		70,187,626	69,060,724	68,149,657
<b>Current assets</b>				
Inventories and spare parts		16,295,971	16,380,813	16,261,932
Investments at fair value through profit or loss		2,270,480	2,389,376	2,974,655
Accounts receivable and other assets		11,071,078	10,970,349	11,442,690
Fixed deposits	8	5,825,000	3,725,000	900,000
Cash and bank balances		6,690,960	8,422,117	6,126,538
		42,153,489	41,887,655	37,705,815
<b>Total assets</b>		<b>112,341,115</b>	<b>110,948,379</b>	<b>105,855,472</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Share capital	9	34,793,545	34,675,783	34,675,783
Share premium	9	32,202,714	32,020,653	32,020,653
Treasury shares	10	(6,440)	(6,440)	(6,440)
Legal reserve		3,825,928	3,825,928	3,042,395
Voluntary reserve		2,243,107	2,243,107	1,459,574
Staff bonus shares reserve		250,002	296,482	296,482
Other components of equity	11	9,728,545	9,987,809	8,032,835
Retained earnings		6,050,114	6,301,688	4,321,453
<b>Total equity attributable to the owners of the parent company</b>		<b>89,087,515</b>	<b>89,345,010</b>	<b>83,842,735</b>
Non-controlling interests		3,054,522	2,853,111	2,655,688
<b>Total equity</b>		<b>92,142,037</b>	<b>92,198,121</b>	<b>86,498,423</b>
<b>Non-current liabilities</b>				
Provision for land-fill expenses		727,508	724,148	721,328
Provision for employees' end of service benefits		4,886,200	4,727,152	4,655,932
		5,613,708	5,451,300	5,377,260
<b>Current liabilities</b>				
Murabaha payables		475,745	629,380	1,002,446
Term loan		-	102,446	1,121,187
Accounts payable and other liabilities		14,109,625	12,567,132	11,856,156
		14,585,370	13,298,958	13,979,789
<b>Total liabilities</b>		<b>20,199,078</b>	<b>18,750,258</b>	<b>19,357,049</b>
<b>Total equity and liabilities</b>		<b>112,341,115</b>	<b>110,948,379</b>	<b>105,855,472</b>

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



The notes set out on pages 8 to 19 form an integral part of this interim condensed consolidated financial information.

## Interim condensed consolidated statement of changes in equity

	Equity attributable to the owners of the parent company							Non-controlling interests		Total
	Share capital KD	Share premium KD	Treasury shares KD	Legal reserve KD	Voluntary reserve KD	Staff bonus shares reserve KD	Other components of equity (note 11) KD	Retained earnings KD	Sub-total KD	
Balance at 1 January 2015	34,675,783	32,020,653	(6,440)	3,825,928	2,243,107	296,482	9,987,809	6,301,688	89,345,010	92,198,121
Dividend paid (note 12)	-	-	-	-	-	-	-	(5,216,650)	(5,216,650)	-
Cost of share based payment	-	-	-	-	-	253,343	-	-	253,343	-
Issue of staff bonus shares (note 9)	117,762	182,061	-	-	-	(299,823)	-	-	-	-
Transaction with owners	117,762	182,061	-	-	-	(46,480)	-	(5,216,650)	(4,963,307)	(4,963,307)
Profit for the period	-	-	-	-	-	-	-	4,965,076	4,965,076	141,973
Other comprehensive (loss)/income for the period	-	-	-	-	-	-	(259,264)	-	(259,264)	59,438
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	(259,264)	4,965,076	4,705,812	201,411
Balance at 30 June 2015	34,793,545	32,202,714	(6,440)	3,825,928	2,243,107	250,002	9,728,545	6,050,114	89,087,515	92,142,037

## 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	
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	83,126,679
Cost of share based payment	-	-	-	-	-	182,884	-	-	182,884	-
Issue of staff bonus shares (note 9)	24,990	24,990	-	-	-	(49,980)	-	-	-	-
Transactions with owners	24,990	24,990	-	-	-	132,904	-	-	182,884	-
Profit/(loss) for the period	-	-	-	-	-	-	-	3,812,429	3,812,429	(131,538)
Other comprehensive loss for the period	-	-	-	-	-	-	(490,404)	-	(490,404)	(1,627)
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	(490,404)	3,812,429	3,322,025	(133,165)
Balance at 30 June 2014	34,675,783	32,020,653	(6,440)	3,042,395	1,459,574	296,482	8,032,835	4,321,453	83,842,735	86,498,423

The notes set out on pages 8 to 19 form an integral part of this interim condensed consolidated financial information.



## Interim condensed consolidated statement of cash flows

	Note	Six months ended 30 June 2015 (Unaudited) KD	Six months ended 30 June 2014 (Unaudited) KD
<b>OPERATING ACTIVITIES</b>			
Profit for the period		5,107,049	3,680,891
Adjustments:			
Depreciation of property, plant and equipment		1,544,328	1,746,218
Loss on write off of property, plant and equipment		4,686	28,027
Gain on sale of available for sale investments		(7,559)	-
Share of results of associates		269,404	25,532
Impairment loss on available for sale investments		142,870	795,128
Dividend income from available for sale investments		(733,083)	(679,515)
Income from short term murabaha investments		(108,545)	(74,170)
Share based payment		299,823	182,704
Interest income		(10,028)	(893)
Finance costs		3,468	90,332
Foreign exchange (loss)/gain on non-operating assets and liabilities		(166,458)	13,218
Provision for doubtful debts		-	-
Provision for land-fill expenses		3,360	4,337
Provision for staff indemnity		450,832	420,579
		6,800,147	6,232,388
Changes in operating assets and liabilities:			
Inventories and spare parts		84,842	854,484
Investments at fair value through statement of profit or loss		118,896	979,800
Accounts receivable and other assets		(1,453,224)	40,328
Accounts payable and other liabilities		1,542,493	45,608
Cash from operations		7,093,154	8,152,608
Staff indemnity paid		(291,784)	(200,751)
<b>Net cash from operating activities</b>		<b>6,801,370</b>	<b>7,951,857</b>
<b>INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment		(1,053,939)	(688,457)
Additions to investment in associates		(864,473)	-
Dividends received from associate		107,571	-
Purchase of available for sale investments		-	(4,297)
Proceeds from sale of available for sale investments		2,857	2,857
Dividend income received from available for sale investments		733,083	679,515
Fixed deposits		(1,950,000)	(250,000)
Income received from murabaha investments		108,545	74,170
Interest income received		10,028	893
<b>Net cash used in investing activities</b>		<b>(2,906,328)</b>	<b>(185,319)</b>
<b>FINANCING ACTIVITIES</b>			
Repayment of term loan		(102,446)	(900,000)
Repayment of murabaha payables		(153,635)	(4,068,414)
Proceeds from murabaha payables		-	146,085
Finance costs paid		(3,468)	(90,332)
Dividends paid		(5,216,650)	(4,762)
<b>Net cash used in financing activities</b>		<b>(5,476,199)</b>	<b>(4,917,423)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(1,581,157)</b>	<b>2,849,115</b>
Cash and cash equivalents at beginning of the period		8,272,117	3,277,423
<b>Cash and cash equivalents at end of the period</b>		<b>6,690,960</b>	<b>6,126,538</b>
<b>Non-cash transaction:</b>			
Accounts receivable and other assets	7	1,433,177	-
Additions to investment in associates	7	(1,433,177)	-

The notes set out on pages 8 to 19 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 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 12 August 2015.

### 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 2014 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 six month period ended 30 June 2015 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2015. For further details, refer to the consolidated financial statements and its disclosures for the year ended 31 December 2014.

### 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 2015. Information on these new standards is presented below:

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
IAS 19 Defined Benefit Plans: Employee Contributions -Amendments	1 July 2014
Annual Improvements to IFRSs 2010–2012 Cycle	1 July 2014
Annual Improvements to IFRSs 2011-2013 Cycle	1 July 2014

#### *IAS 19 Defined Benefit Plans: Employee Contributions - Amendments*

The Amendments to IAS 19 Employee Benefits 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 contribution, 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.

The amendment did not have any material impact to the group's interim condensed consolidated financial information.

#### *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 interim consolidated statement of profit or loss.

(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 LAS 16 and LAS 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 LAS 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.

The amendment did not have any material impact to the group's interim condensed consolidated financial information.

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

### 3 Changes in accounting policies (continued)

#### 3.1 New and amended standards adopted by the group (continued)

##### *Annual Improvements 2011-2013 Cycle*

(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.

(ii) *Amendments to IFRS 3*- IFRS 3 is not applied to 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.

iv) *Amendments to IAS 40* - Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as an investment property or owner-occupied property

The amendment did not have any material impact to the group's interim condensed consolidated financial information.

### 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 consolidated financial statements as at and for the year ended 31 December 2014.

### 5 Investment income

	Three months ended		Six months ended	
	30 June 2015 (Unaudited) KD	30 June 2014 (Unaudited) KD	30 June 2015 (Unaudited) KD	30 June 2014 (Unaudited) KD
Dividend income from available for sale investments	633,376	659,206	733,083	679,515
Income/(loss) from investments at fair value through profit or loss	61,878	(229,516)	(34,825)	(221,883)
Dividend income from investments at fair value through profit or loss	34,581	102,881	34,581	102,881
Income from short term Murabaha	50,995	37,281	108,545	74,170
Interest and other income	10,160	8,856	17,587	16,093
	<b>790,990</b>	<b>578,708</b>	<b>858,971</b>	<b>650,776</b>

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

### 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		Six months ended	
	30 June 2015 (Unaudited)	30 June 2014 (Unaudited)	30 June 2015 (Unaudited)	30 June 2014 (Unaudited)
Profit for the period attributable to the owners of the parent (KD)	2,958,327	2,014,430	4,965,076	3,812,429
Weighted average number of shares outstanding during the period to be used for basic earnings per share (excluding treasury shares)	346,737,890	346,737,890	347,622,738	346,678,885
Shares to be issued for no consideration under share based payments	1,508,186	1,459,457	1,508,186	1,459,457
Weighted average number of shares to be used for diluted earnings per share (excluding treasury shares)	348,246,076	348,197,347	349,130,924	348,138,342
Basic earnings per share attributable to the owners of the parent company	8.53 Fils	5.81 Fils	14.28 Fils	10.99 Fils
Diluted earnings per share attributable to the owners of the parent company	8.49 Fils	5.79 Fils	14.22 Fils	10.95 Fils

### 7 Investment in associates

	30 June 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	30 June 2014 (Unaudited) KD
Balance at beginning of the year (restated)	3,062,174	2,753,183	2,753,183
Share of results of associates	(269,404)	258,261	(25,532)
Losses adjusted (from)/to due from associate	(80,682)	43,841	-
Additions	2,297,650	-	-
Dividend received	(107,571)	-	-
Share of other comprehensive income	10,589	2,308	1,106
Foreign exchange translation	38,920	4,581	(2,671)
	4,951,676	3,062,174	2,726,086

- 7.1 During the period, the parent company participated in increase in capital of Insulation System Factory – WLL (Bahrain) amounting to KD1,433,177 which was settled by way of transfer from amount due from the associate. Accordingly; the percentage ownership did not change and remained at 50% equity interest. The legal formalities for this increase are still in progress.
- 7.2 During the period, the parent company participated in increase in capital of United Gulf Pipes Factory – LLC (Oman) amounting to KD864,473 which was paid in cash. Accordingly; the percentage ownership increased from 30% equity interest to 45% equity interest. The legal formalities for this increase are still in progress.

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

### 8 Fixed deposits

Fixed deposits carry average interest rate of 1.8% (31 December 2014: 1.8% and 30 June 2014: 1.5%) per annum and mature within one year of financial position date.

### 9 Share capital and share premium

	30 June 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	30 June 2014 (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	34,793,545	34,675,783	34,675,783

During the period, the parent company issued 1,177,629 shares (31 December 2014: 249,901 shares and 30 June 2014: 249,901 shares) under the staff share based payment scheme at price ranging from KD0.200 to KD0.335 per share. The amount in excess of nominal amount of KD0.100 each was credited to the share premium account.

### 10 Treasury shares

	30 June 2015 (Unaudited)	31 Dec. 2014 (Audited)	30 June 2014 (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)	4,146	4,146	4,226

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

### 11 Other components of equity

	Fair value reserve KD	Foreign currency translation reserve KD	Total KD
Balance at 1 January 2015	9,951,418	36,391	9,987,809
Exchange differences arising on translation of foreign operations	-	98,359	98,359
Share of other comprehensive income of associates	13,763	(3,174)	10,589
Available for sale investments:			
- Net change in fair value arising during the period	(511,082)	-	(511,082)
- Transferred to interim condensed consolidated statement of profit or loss on impairment	142,870	-	142,870
Total other comprehensive (loss)/income for the period	(371,386)	112,122	(259,264)
Balance at 30 June 2015 (Unaudited)	9,580,032	148,513	9,728,545

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

### 11 Other components of equity (continued)

	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	-	(1,628)	(1,628)
Share of other comprehensive income of associates	1,106	(2,671)	(1,565)
Available for sale investments:			
- Net change in fair value arising during the period	(1,282,339)	-	(1,282,339)
- Transferred to interim condensed consolidated statement of profit or loss on impairment	795,128	-	795,128
Total other comprehensive loss for the period	(486,105)	(4,299)	(490,404)
Balance at 30 June 2014 (Unaudited)	8,071,962	(39,127)	8,032,835

### 12 Dividends

The Annual General Assembly of shareholders held on 23 April 2015, approved the consolidated financial statements for the year ended 31 December 2014 and cash dividend of 15 Fils (2013: Nil Fils) per share amounting to KD5,216,650 (2013: KD Nil) for the year ended 31 December 2014 which was paid following that approval.

## 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 June 2015 (Unaudited) KD	30 June 2014 (Unaudited) KD	30 June 2015 (Unaudited) KD	30 June 2014 (Unaudited) KD	30 June 2015 (Unaudited) KD	30 June 2014 (Unaudited) KD
Three months ended: Segment revenue	11,626,833	11,877,432	790,990	578,708	12,417,823	12,456,140
Loss from investment	-	-	(98,016)	(795,128)	(98,016)	(795,128)
Share of results of associates	-	-	(382,024)	23,073	(382,024)	23,073
					11,937,783	11,684,085
Segment results	2,859,249	2,253,863	310,950	(193,347)	3,170,199	2,060,516
Unallocated expenses					(102,503)	(84,726)
Profit for the period per interim condensed consolidated statement of profit or loss					3,067,696	1,975,790
Depreciation	695,256	866,795	-	-	695,256	866,795
Impairment loss on available for sale investments	-	-	98,016	795,128	98,016	795,128
Six months ended: Segment revenue	24,242,404	24,011,877	858,971	650,776	25,101,375	24,662,653
Loss from investment	-	-	(142,870)	(795,128)	(142,870)	(795,128)
Share of results of associates	-	-	(269,404)	(25,532)	(269,404)	(25,532)
					24,689,101	23,841,993
Segment results	4,788,689	4,102,421	446,697	(169,884)	5,235,386	3,932,537
Unallocated expenses					(128,337)	(251,646)
Profit for the period per interim condensed consolidated statement of profit or loss					5,107,049	3,680,891
Depreciation	1,544,328	1,746,218	-	-	1,544,328	1,746,218
Impairment loss on available for sale investments	-	-	142,870	795,128	142,870	795,128
Total assets	54,481,314	54,337,699	57,859,805	51,517,773	112,341,115	105,855,472



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

### 14 Related party 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 transactions and balances are as follows:

	30 June 2015 (Unaudited)	31 Dec. 2014 (Audited)	30 June 2014 (Unaudited)
	KD	KD	KD
<b>Amounts included in interim condensed consolidated statement of financial position</b>			
Due from ultimate parent company (included in accounts receivable and other assets)	371,046	347,016	262,498
Due from other related companies (included in accounts receivable and other assets)	9,023	9,023	9,024
Due from associate (included in accounts receivable and other assets)	199,623	1,724,149	1,761,252
Due to associate (included in accounts payable and other liabilities)	88,385	-	-
Due to other related companies (non-controlling interests)	2,448,921	2,371,163	2,285,761
<hr/>			
	<b>Three months ended</b>		<b>Six months ended</b>
	30 June 2015 (Unaudited)	30 June 2014 (Unaudited)	30 June 2015 (Unaudited)
	KD	KD	KD
<b>Condensed consolidated statement of profit or loss</b>			
Interest income	4,973	818	9,125
<hr/>			
<b>Compensation of key management personnel</b>			
Short term employee benefits	50,051	52,196	117,446
End of service benefits	8,163	8,041	20,688
Cost of share based payments	-	-	118,612
	58,214	60,237	256,746
			225,114

### 15 Commitments and contingent liabilities

	30 June 2015 (Unaudited)	31 Dec. 2014 (Audited)	30 June 2014 (Unaudited)
	KD	KD	KD
Capital commitments	2,821	2,821	2,821
Letters of guarantee	4,289,889	4,289,889	4,109,164
Letters of guarantee from ultimate parent company	200,000	200,000	200,000
	4,492,710	4,492,710	4,311,985

## 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 2014.

### 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 June 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	30 June 2014 (Unaudited) KD
<b>Financial assets:</b>			
<b>Loans and receivables at amortised cost:</b>			
- Cash and bank balances	6,690,960	8,422,117	6,126,538
- Fixed deposits	5,825,000	3,725,000	900,000
- Accounts receivable and other assets	11,071,078	10,970,349	11,442,690
<b>Investments at fair value through profit or loss at fair value:</b>			
Investments at fair value through profit or loss	2,270,480	2,389,376	2,974,655
<b>Available for sale investments:</b>			
Available for sale investments at fair value	33,936,395	34,447,477	33,146,405
Available for sale investments at cost	630,339	630,339	630,339
Murabaha investment (classified as available for sale investment)	2,984,286	2,987,143	2,990,000
	<b>63,408,538</b>	<b>63,571,801</b>	<b>58,210,627</b>
<b>Financial liabilities:</b>			
<b>Financial liabilities at amortised cost:</b>			
Term loan	-	102,446	1,121,187
Accounts payable and other liabilities	14,109,625	12,567,132	11,856,156
Murabaha payables	475,745	629,380	1,002,446
	<b>14,585,370</b>	<b>13,298,958</b>	<b>13,979,789</b>

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

### 17 Fair value measurement (continued)

#### 17.2 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:

#### 30 June 2015 (Unaudited)

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
<i>Investments at fair value through profit or loss:</i>				
Quoted equity securities	466,856	-	-	466,856
Managed funds and portfolios	-	1,803,624	-	1,803,624
<i>Available for sale investments:</i>				
Local quoted securities	12,160,451	-	-	12,160,451
Local unquoted securities	-	-	6,771,174	6,771,174
Foreign quoted securities	1,659,703	-	-	1,659,703
Foreign unquoted securities	-	-	13,345,067	13,345,067
<b>Net fair value</b>	<b>14,287,010</b>	<b>1,803,624</b>	<b>20,116,241</b>	<b>36,206,875</b>

#### 31 December 2014 (Audited)

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
<i>Investments at fair value through profit or loss:</i>				
Quoted securities	547,528	-	-	547,528
Managed funds and portfolios	-	1,841,848	-	1,841,848
<i>Available for sale investments:</i>				
Local quoted securities	12,612,118	-	-	12,612,118
Local unquoted securities	-	-	6,749,352	6,749,352
Foreign quoted securities	1,740,940	-	-	1,740,940
Foreign unquoted securities	-	-	13,345,067	13,345,067
	<b>14,900,586</b>	<b>1,841,848</b>	<b>20,094,419</b>	<b>36,836,853</b>

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

### 17 Fair value measurement (continued)

#### 17.2 Fair value measurement of financial instruments (continued)

30 June 2014 (Unaudited)

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
<i>Investments at fair value through statement of income:</i>				
Quoted equity securities	633,980	-	-	633,980
Managed funds and portfolios	-	2,340,675	-	2,340,675
<i>Available for sale investments:</i>				
Local quoted securities	13,682,148	-	-	13,682,148
Local unquoted securities	-	-	6,944,941	6,944,941
Foreign quoted securities	1,582,662	-	-	1,582,662
Foreign unquoted securities	-	-	10,936,654	10,936,654
<b>Net fair value</b>	<b>15,898,790</b>	<b>2,340,675</b>	<b>17,881,595</b>	<b>36,121,060</b>

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

#### Measurement at fair value

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

#### Level 3 fair value measurements

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

	30 June 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	30 June 2014 (Unaudited) KD
Opening balance	20,094,419	18,623,505	18,623,505
<i>Gains or losses recognised in:</i>			
- Consolidated statement of profit or loss	-	(1,308,474)	(782,726)
- Other comprehensive income	21,822	2,773,828	36,519
Purchases	-	5,560	4,297
<b>Closing balance</b>	<b>20,116,241</b>	<b>20,094,419</b>	<b>17,881,595</b>

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 amortised 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 income and consolidated statement of comprehensive income would be immaterial if the relevant risk variable used to fair value the level 3 investments were changed by 5%.