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

30 September 2012 (Unaudited)

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

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Report on review of interim condensed consolidated financial information

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of National Industries Company (A Kuwaiti Closed Shareholding Company) and its subsidiaries as of 30 September 2012 and the related interim condensed consolidated statements of income, 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 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 Commercial Companies Law of 1960, or of the articles of association of the Company, as amended, have occurred during the nine-month period ended 30 September 2012 that might have had a material effect on the business or financial position of the Company.

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of Allied Accountants

Kuwait
8 November 2012

Interim condensed consolidated statement of income

	Notes	Three months ended		Nine months ended	
		30 Sept. 2012 (Unaudited) KD	30 Sept. 2011 (Unaudited) KD	30 Sept. 2012 (Unaudited) KD	30 Sept. 2011 (Unaudited) KD
Revenue					
Sales		9,016,403	8,733,389	30,952,288	29,450,691
Cost of sales		(6,534,685)	(6,261,039)	(22,418,856)	(21,300,853)
Gross profit		2,481,718	2,472,350	8,533,432	8,149,838
Other operating income		16,052	188,452	406,707	666,198
Share of results of associates		(197,724)	(188,914)	(164,546)	(474,589)
Investment income/(loss)	4	177,551	97,182	479,437	(51,048)
Foreign exchange (loss)/gain		(6,010)	371	(11,822)	200,664
		2,471,587	2,569,441	9,243,208	8,491,063
Distribution expenses		(153,025)	(155,931)	(550,014)	(604,488)
General, administrative and other expenses		(704,500)	(527,275)	(2,289,411)	(1,932,869)
Finance costs		(143,064)	(117,112)	(433,772)	(363,904)
Provision for doubtful debts		(401,107)	-	(651,107)	-
Impairment loss on available for sale investments		-	(793,191)	(391,049)	(1,348,178)
		(1,401,696)	(1,593,509)	(4,315,353)	(4,249,439)
Profit before contribution to KFAS, NLST and Zakat		1,069,891	975,932	4,927,855	4,241,624
Provision for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(9,700)	(8,784)	(44,351)	(38,175)
Provision for National Labour Support Tax (NLST)		(28,742)	(26,561)	(137,249)	(112,537)
Zakat		(11,496)	(10,307)	(54,899)	(44,665)
Profit for the period		1,019,953	930,280	4,691,356	4,046,247
Attributable to :					
Owners of the parent		1,019,953	930,280	4,762,190	4,046,247
Non-controlling interests		-	-	(70,834)	-
Profit for the period		1,019,953	930,280	4,691,356	4,046,247
Basic and diluted earnings per share attributable to the owners of the parent	5	2.95 Fils	2.70 Fils	13.80 Fils	11.73 Fils

The notes set out on pages 8 to 17 form an integral part of this interim condensed consolidated financial information.



Interim condensed consolidated statement of comprehensive income

	Three months ended		Nine months ended	
	30 Sept. 2012 (Unaudited) KD	30 Sept. 2011 (Unaudited) KD	30 Sept. 2012 (Unaudited) KD	30 Sept. 2011 (Unaudited) KD
Profit for the period	1,019,953	930,280	4,691,356	4,046,247
Other comprehensive income:				
Available for sale investments:				
- Net losses arising during the period	(311,181)	(234,914)	930,997	(3,162,543)
- Transferred to consolidated statement of income on impairment	-	793,191	391,049	1,348,178
- Transferred to consolidated statement of income on sale	-	-	(59,768)	(8,000)
Share of other comprehensive income of associates	16,702	9,922	30,847	(51,970)
Total other comprehensive (loss)/income	(294,479)	568,199	1,293,125	(1,874,335)
Total comprehensive income for the period	725,474	1,498,479	5,984,481	2,171,912
Total comprehensive income attributable to:				
Owners of the parent	725,474	1,498,479	6,055,315	2,171,912
Non-controlling interests	-	-	(70,834)	-
	725,474	1,498,479	5,984,481	2,171,912



Interim condensed consolidated statement of financial position

	Notes	30 Sept. 2012 (Unaudited) KD	31 Dec. 2011 (Audited) KD	30 Sept. 2011 (Unaudited) KD
Assets				
Non-current assets				
Property, plant and equipment		27,000,137	26,623,894	25,890,601
Investment in associates		6,709,278	6,842,977	7,089,249
Available for sale investments	6	44,997,457	41,274,261	45,318,777
		78,706,872	74,741,132	78,298,627
Current assets				
Inventories and spare parts		10,804,810	11,686,204	11,578,456
Investments at fair value through statement of income		3,704,331	4,181,001	4,484,755
Accounts receivable and other assets		12,724,540	15,645,680	13,423,739
Fixed deposit	7	150,000	150,000	150,000
Cash and cash equivalents		5,312,928	2,814,244	3,931,360
		32,696,609	34,477,129	33,568,310
Total assets		111,403,481	109,218,261	111,866,937
Equity and liabilities				
Equity				
Share capital		34,620,187	34,620,187	34,620,187
Share premium		31,923,740	31,923,740	31,923,740
Treasury shares	8	(6,440)	(570,630)	(570,630)
Legal reserve		2,457,855	2,457,855	2,009,982
Voluntary reserve		875,034	875,034	427,161
Other components of equity	9	6,267,585	5,010,828	5,698,588
Retained earnings		5,050,809	3,809,672	4,515,247
Total equity attributable to the owners of the parent		81,188,770	78,126,686	78,624,275
Non-controlling interests		1,929,166	2,000,000	2,000,000
		83,117,936	80,126,686	80,624,275
Non-current liabilities				
Long term loan	10	3,669,009	7,203,696	3,702,446
Murabaha payables	11	3,070	16,885	21,490
Provision for land-fill expenses		695,232	680,871	673,927
Provision for staff indemnity		4,377,276	4,030,176	3,986,934
		8,744,587	11,931,628	8,384,797
Current liabilities				
Short term loans		-	-	2,700,000
Murabaha payables	11	7,519,140	3,075,390	1,845,919
Current portion of Musharka bonds		-	-	6,921,195
Current portion of long term loan	10	3,566,563	5,301,250	1,800,000
Accounts payable and other liabilities		8,455,255	8,783,307	9,590,751
		19,540,958	17,159,947	22,857,865
Total liabilities		28,285,545	29,091,575	31,242,662
Total equity and liabilities		111,403,481	109,218,261	111,866,937

Dr. Adel Khaled Al Sbaeh
Chairman and Managing Director



The notes set out on pages 8 to 17 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of changes in equity (Unaudited)



	Equity attributable to the owners of the parent							Non-controlling interests		Total
	Share capital KD	Share premium KD	Treasury shares KD	Legal reserve KD	Voluntary reserve KD	Other components of equity (note 9) KD	Retained earnings KD	Sub-total KD	KD	KD
Balance at 1 January 2012	34,620,187	31,923,740	(570,630)	2,457,855	875,034	5,010,828	3,809,672	78,126,686	2,000,000	80,126,686
Dividend paid (note 12)	-	-	-	-	-	-	(3,451,499)	(3,451,499)	-	(3,451,499)
Purchase of treasury shares	-	-	(103,798)	-	-	-	-	(103,798)	-	(103,798)
Sale of treasury shares	-	-	667,988	-	-	(36,368)	(69,554)	562,066	-	562,066
Transactions with owners	-	-	564,190	-	-	(36,368)	(3,521,053)	(2,993,231)	-	(2,993,231)
Profit for the period	-	-	-	-	-	-	4,762,190	4,762,190	(70,834)	4,691,356
Other comprehensive income:										
Other comprehensive income for the period	-	-	-	-	-	1,293,125	-	1,293,125	-	1,293,125
Total comprehensive income/(loss) for the year	-	-	-	-	-	1,293,125	4,762,190	6,055,315	(70,834)	5,984,481
Balance at 30 September 2012	34,620,187	31,923,740	(6,440)	2,457,855	875,034	6,267,585	5,050,809	81,188,770	1,929,166	83,117,936

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



	Equity attributable to the owners of the parent						Non-controlling interests		Total
	Share capital KD	Share premium KD	Treasury shares KD	Legal reserve KD	Voluntary reserve KD	Other components of equity (note 9) KD	Retained earnings KD	Sub-total KD	
Balance at 1 January 2011	34,620,187	31,923,740	(567,324)	2,009,982	427,161	7,572,923	3,227,519	79,214,188	2,000,000 81,214,188
Dividend paid (note 12)	-	-	-	-	-	-	(2,758,519)	(2,758,519)	- (2,758,519)
Purchase of treasury shares	-	-	(3,306)	-	-	-	-	(3,306)	- (3,306)
Transactions with owners	-	-	(3,306)	-	-	-	(2,758,519)	(2,761,825)	- (2,761,825)
Profit for the period	-	-	-	-	-	-	4,046,247	4,046,247	- 4,046,247
Other comprehensive income:									
Other comprehensive loss for the period	-	-	-	-	-	(1,874,335)	-	(1,874,335)	- (1,874,335)
Total comprehensive (loss)/profit for the period	-	-	-	-	-	(1,874,335)	4,046,247	2,171,912	- 2,171,912
Balance at 30 September 2011	34,620,187	31,923,740	(570,630)	2,009,982	427,161	5,698,588	4,515,247	78,624,275	2,000,000 80,624,275

This table set out on pages 8 to 17 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows

	Nine months ended 30 Sept. 2012 (Unaudited)	Nine months ended 30 Sept. 2011 (Unaudited)
	KD	KD
OPERATING ACTIVITIES		
Profit for the period	4,691,356	4,046,247
Adjustments:		
Depreciation of property, plant and equipment	2,093,682	1,867,218
Provision for doubtful debts	651,107	-
Loss on write off of property, plant and equipment	6,012	984
Loss/(profit) on sale of available for sale investments	160,748	(496,666)
Share of results of associates	164,546	474,589
Impairment loss on available for sale investments	391,049	1,348,178
Dividend income from available for sale investments	(598,830)	(146,468)
Income from wakala investments	(20,548)	(14,249)
Interest income	(1,628)	(2,083)
Finance costs	433,772	363,904
Foreign exchange loss/(gain) on non-operating liabilities	25,376	(275,750)
Provision for land-fill expenses	14,361	18,764
Provision for staff indemnity	621,404	760,397
	8,632,407	7,945,065
Changes in operating assets and liabilities:		
Inventories and spare parts	881,394	(1,173,339)
Investments at fair value through statement of income	476,670	1,010,828
Accounts receivable and other assets	2,270,033	(486,127)
Accounts payable and other liabilities	(583,576)	3,734,480
Due to customers for contract works	246,346	12,787
Cash from operations	11,923,274	11,043,694
Staff indemnity paid	(274,304)	(441,597)
Net cash from operating activities	11,648,970	10,602,097
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(2,475,937)	(2,290,946)
Investment in associates – net	-	(287,787)
Purchase of available for sale investments	(3,460,717)	(7,541)
Proceeds from sale of available for sale investments	448,002	1,980,095
Dividend income received from available for sale investments	598,830	146,468
Income received from wakala investments	20,548	14,249
Interest income received	1,628	2,083
Net cash used in investing activities	(4,867,646)	(443,379)
FINANCING ACTIVITIES		
Repayment of term loan	(5,294,750)	-
Repayment of musharaka bonds	-	(6,905,500)
Repayment of murabaha payables	(4,330,746)	1,555,329
Proceeds from murabaha payables	8,760,681	(900,000)
Purchase of treasury shares	(103,798)	(3,306)
Sale of treasury shares	562,066	-
Finance costs paid	(433,772)	(215,036)
Dividends paid	(3,442,321)	(2,758,519)
Net cash used in financing activities	(4,282,640)	(9,227,032)
Net increase in cash and cash equivalents	2,498,684	931,686
Cash and cash equivalents at beginning of the period	2,814,244	2,999,674
Cash and cash equivalents at end of the period	5,312,928	3,931,360
Non-cash transactions:		
Increase in investment in associates		647,668
Decrease in accounts receivable and other assets		(647,668)

The notes set out on pages 8 to 17 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 – KSC (Closed) (the parent company) was incorporated on 1 February 1997 as a Kuwaiti closed shareholding company and its shares are listed on the Kuwait Stock Exchange. The parent company is a subsidiary of National Industries Group Holding – SAK (“ultimate parent company”).

The main objectives of the parent company are as follows:

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

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

The 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 2012.

2 Basis of preparation

The interim condensed consolidated financial information of the group has been prepared in accordance with International Accounting Standard 34, “Interim Financial Reporting”. The accounting policies used in the preparation of the interim condensed financial information are consistent with those used in the preparation of the annual financial statements of the group for the year ended 31 December 2011 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 nine month period ended 30 September 2012 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2012. For further details, refer to the financial statements and its disclosures for the year ended 31 December 2011.

Adoption of new IASB Standards and amendments during the period

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

IFRS 7 Financial Instruments: Disclosures- amendment

The amendments to IFRS 7 Financial Instruments: Disclosures resulted as a part of comprehensive review of off financial position activities. The amendments allows users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitisations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also required additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The adoption of this amendment did not have any significant impact on the financial position or performance of the group.

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. Information on new standards, amendments and interpretations that are expected to be relevant to the group's financial statements is provided below.

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
IAS 1 Presentation of Financial Statements – amendment	1 July 2012
IAS 27 Consolidated and Separate Financial Statements	1 January 2013
- Revised as IAS 27 Separate Financial Statements	
IAS 28 Investments in Associates	1 January 2013
- Revised as IAS 28 Investments – Associates and Joint Venture	
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2015
IFRS 10 Consolidated Financial Statements	1 January 2013
IFRS 12 Disclosure of Interest in Other Entities	1 January 2013
IFRS 13 Fair Value Measurement	1 January 2013

IAS 1 Presentation of Financial Statements

The amendment to IAS 1 requires entities to group other comprehensive income items presented in the statement of comprehensive income based on those:

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

The group will change the current presentation of the (consolidated) statement of comprehensive income when the amendment becomes effective.

Notes to the interim condensed consolidated financial information (continued)

2 Basis of preparation (continued)

IASB Standards issued but not yet effective (continued)

LAS 27 Consolidated and Separate Financial statements – Revised as LAS 27 Separate Financial Statements
As a result of the consequential amendments, IAS 27 now deals with separate financial statements.

LAS 28 Investments in Associates – Revised as LAS 28 Investments in Associates and Joint Ventures
As a result of the consequential amendments, IAS 28 brings investments in joint ventures into its scope. However, the equity accounting methodology under IAS 28 remains unchanged.

IFRS 9 Financial Instruments

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

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

In addition, a separate project is dealing with derecognition.

Although earlier application of this standard is permitted, the Technical Committee of the Ministry of Commerce and Industry of Kuwait decided on 30 December 2009, to postpone this early application till further notice, due to the non-completion of the remaining stages of the standard.

IFRS 10 Consolidated Financial Statements

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

IFRS 12 Disclosure of Interests in Other Entities

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

IFRS 13 Fair Value Measurement

IFRS 13 does not affect which items to be fair valued, but clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. The adoption of this standard is not expected to have a significant impact on the financial position and performance of the group.

Notes to the interim condensed consolidated financial information (continued)

3 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 2011.

4 Investment income/(loss)

	Three months ended		Nine months ended	
	30 Sept. 2012 (Unaudited)	30 Sept. 2011 (Unaudited)	30 Sept. 2012 (Unaudited)	30 Sept. 2011 (Unaudited)
	KD	KD	KD	KD
Profit/(loss) on sale of available for sale investments	-	262,626	(160,748)	496,666
Dividend income from available for sale investments	20,234	25,856	598,830	146,468
Profit/(loss) from investments at fair value through statement of income	118,514	(206,417)	(34,405)	(776,562)
Dividend income from investments at fair value through statement of income	15,000	15,000	45,000	45,000
Interest and other income	23,803	117	30,760	37,380
	177,551	97,182	479,437	(51,048)

5 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		Nine months ended	
	30 Sept. 2012 (Unaudited)	30 Sept. 2011 (Unaudited)	30 Sept. 2012 (Unaudited)	30 Sept. 2011 (Unaudited)
Profit for the period attributable to the owners of the parent (KD)	1,019,953	930,280	4,762,190	4,046,247
Weighted average number of shares outstanding during the period (excluding treasury shares)	345,163,454	344,817,256	345,071,456	344,820,992
Basic and diluted earnings per share	2.95 Fils	2.70 Fils	13.80 Fils	11.73 Fils

The staff share option scheme has no significant effect on the diluted earnings per share and, therefore, such information has not been presented.

Notes to the interim condensed consolidated financial information (continued)

6 Available for sale investments

	30 Sept. 2012 (Unaudited) KD	31 Dec. 2011 (Audited) KD	30 Sept. 2011 (Unaudited) KD
Local quoted securities	12,182,519	12,123,081	11,464,888
Local unquoted securities	9,803,488	9,736,621	11,809,965
Foreign quoted securities	1,863,227	1,273,252	1,442,501
Foreign unquoted securities	18,148,223	18,141,307	20,601,423
Murabaha investment (6.1)	3,000,000	-	-
	44,997,457	41,274,261	45,318,777

- 6.1 Murabaha investment represents the parent company's participation in a syndicated arrangement of murabaha provided to the ultimate parent company by a local Islamic financial institution. The investment carries an option to convert this investment into equity shares of a Kuwaiti listed company at an agreed price in the event of default or on maturity, whichever is earlier. The investment carries effective profit rate of 5% and matures on 10 August 2015.
- 6.2 During the period, the parent company recognised an impairment loss of KD391,049 (31 December 2011: KD3,650,895 and 30 September 2011: KD1,348,178) against certain investments.
- 6.3 Local quoted securities amounting to KD11,703,872 are pledged against loan facility (note 10.2).

7 Fixed deposit

Fixed deposit yields interest at an average rate of 2% (31 December 2011: 2% and 30 September 2011: 2%) per annum.

8 Treasury shares

	30 Sept. 2012 (Unaudited)	31 Dec. 2011 (Audited)	30 Sept. 2011 (Unaudited)
Number of shares	19,932	1,384,609	1,384,609
Percentage of issued shares	0.01%	0.40%	0.40%
Cost of treasury shares (KD)	6,640	570,630	570,630
Market value (KD)	7,375	387,691	359,998

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)

9 Other components of equity

	Fair value reserve KD	Foreign currency translation reserve KD	Treasury shares reserve KD	Total KD
Balance at 1 January 2012	5,058,531	(84,071)	36,368	5,010,828
Sale of treasury shares	-	-	(36,368)	(36,368)
Exchange differences arising on translation of foreign operations	-	10,951	-	10,951
AFS financial assets:				
- Net profit arising during the period	950,893	-	-	950,893
- Transferred to consolidated statement of income on impairment	391,049	-	-	391,049
- Transferred to consolidated statement of income on sale	(59,768)	-	-	(59,768)
Total other comprehensive income for the period	1,282,174	10,951	(36,368)	1,256,757
Balance at 30 September 2012	6,340,705	(73,120)	-	6,267,585
Balance at 1 January 2011	7,573,592	(37,037)	36,368	7,572,923
Exchange differences on translation of foreign operations				
AFS financial assets:				
- Net loss arising during the period	(3,114,328)	(100,185)	-	(3,114,328)
- Transferred to consolidated statement of income on impairment	1,348,178	-	-	1,348,178
- Transferred to consolidated statement of income on sale	(8,000)	-	-	(8,000)
Total other comprehensive loss for the period	(1,774,150)	(100,185)	-	(1,874,335)
Balance at 30 September 2011	5,799,442	(137,222)	36,368	5,698,588

10 Term loans

	30 Sept. 2012 (Unaudited) KD	31 Dec. 2011 (Audited) KD	30 Sept. 2011 (Unaudited) KD
Loan facility – KD	3,702,446	5,502,446	5,502,446
Loan facility – US\$	3,533,126	7,002,500	-
Installments due within one year	7,235,572 (3,566,563)	12,504,946 (5,301,250)	5,502,446 (1,800,000)
Installments due after one year	3,669,009	7,203,696	3,702,446

Notes to the interim condensed consolidated financial information (continued)

10 Term loans (continued)

10.1 Loan facility - KD

The parent company obtained from Industrial Bank of Kuwait a loan facility of KD9,000,000 bearing 3.5% interest per annum on drawn amount and 1% per annum on undrawn facility. The loan was obtained to partly finance establishment of a new factory and has been guaranteed by the ultimate parent company. The loan is being repaid in ten semi annual instalments of KD900,000 each beginning 15 July 2011. The instalments due within the next twelve months are shown under current liabilities.

10.2 Loan facility – US\$

In 2011, the parent company obtained from a foreign bank a loan facility of US\$25,000,000 carrying an average effective profit rate of 3% per annum. The loan is due in 4 equal semi annual instalments commencing from 4 April 2012. This loan is secured by way of pledge of certain investment securities amounting KD11,703,872 (31 December 2011: KD11,249,227 and 30 September 2011: KD Nil) (note 6.3).

11 Murabaha payables

These represent Islamic financing obtained from local financial institutions carrying an effective profit rate of 4.5% (31 December 2011: 4.5% and 30 September 2011: 4.5%) per annum.

Murabaha payables are due as follows:

	30 Sept. 2012 (Unaudited) KD	31 Dec. 2011 (Audited) KD	30 Sept. 2011 (Unaudited) KD
Within one year	7,519,140	3,075,390	1,845,919
After one year	3,070	16,885	21,490
	7,522,210	3,092,275	1,867,409

12 Dividends

The annual general assembly of the shareholders held on 8 May 2012 approved the consolidated financial statement of the group for the year ended 31 December 2011. The general assembly also approved cash dividend of 10 fils (2010: 8 fils) for the year ended 31 December 2011 amounting to KD3,451,499 (2010: KD2,758,519).

The extra ordinary general assembly of the shareholders held on 8 May 2012 approved to increase the authorised capital of the company from 346,201,864 shares to 353,201,864 shares which will be issued to employees under the employee share option plan (note 13).

13 Share based payment

During the period the group established an employee share option plan. Under the plan certain employees will be granted shares for a period of five years from 2012 to 2016 at a price to be determined by the board of directors. Total numbers of shares to be granted under the scheme are 7,000,000. The scheme has been approved by the relevant authorities as well as the shareholders in the ordinary and extra ordinary general assembly held on 8 May 2012. Upto 30 September 2012 no shares have been granted to the employees.

Notes to the interim condensed consolidated financial information (continued)

14 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 Investments.

The segment information is as follows:

	Building materials		Investments		Total	
	30 Sept. 2012 (Unaudited) KD	30 Sept. 2011 (Unaudited) KD	30 Sept. 2012 (Unaudited) KD	30 Sept. 2011 (Unaudited) KD	30 Sept. 2012 (Unaudited) KD	30 Sept. 2011 (Unaudited) KD
Three months ended:						
Segment revenue/(loss)	9,016,403	8,733,389	(20,173)	(91,732)	8,996,230	8,641,657
Investment loss	-	-	(177,550)	(97,182)	(177,550)	(97,182)
Share of results of associates	-	-	197,723	188,914	197,723	188,914
Sales, per condensed consolidated statement of income					9,016,403	8,733,389
Segment results	1,239,138	1,977,596	(20,173)	(884,923)	1,218,965	1,092,673
Unallocated expenses					(199,012)	(162,393)
Profit for the period per condensed consolidated statement of income					1,019,953	930,280
Depreciation	707,046	630,534	-	-	707,046	630,534
Impairment loss on available for sale investments	-	-	-	793,191	-	793,191
Nine months ended:						
Segment revenue	30,952,288	29,450,691	(76,158)	(523,637)	30,876,130	28,925,054
Investment (loss)/income	-	-	(88,387)	51,048	(88,387)	51,048
Share of results of associates	-	-	164,545	474,589	164,545	474,589
Sales, per condensed consolidated statement of income					30,952,288	29,450,691
Segment results	5,449,607	6,278,679	(76,158)	(1,873,815)	5,373,449	4,404,864
Unallocated expenses					(682,093)	(358,617)
Profit for the period per condensed consolidated statement of income					4,691,356	4,046,247
Depreciation	2,093,684	1,867,218	-	-	2,093,684	1,867,218
Impairment loss on available for sale investments	-	-	(391,049)	1,348,178	(391,049)	1,348,178
Total assets	45,772,897	46,664,654	65,630,584	65,202,283	111,403,481	111,866,937

Notes to the interim condensed consolidated financial information (continued)

15 Related party transactions

Related parties represent, major shareholders, directors and key management personnel of the group, and companies of which they are principal owners or over which they are able to exercise significant influence or joint control. Pricing policies and terms of these transactions are approved by the group's management.

Details of significant related party transactions and balances are as follows:

	30 Sept. 2012 (Unaudited) KD	31 Dec. 2011 (Audited) KD	30 Sept. 2011 (Unaudited) KD	
Condensed consolidated statement of financial position				
Murabaha investment (ultimate parent company)	3,000,000	-	-	
Due from ultimate parent company	153,822	55,386	56,241	
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)	3,642,453	3,370,498	4,151,358	
Due to associate (included in accounts payable and other liabilities)	-	67,262	80,400	
Due to other related companies	185,823	151,027	139,311	
	Three months ended 30 Sept. 2012 (Unaudited) KD		Nine months ended 30 Sept. 2012 (Unaudited) KD	
	30 Sept. 2011 (Unaudited) KD	30 Sept. 2011 (Unaudited) KD	30 Sept. 2011 (Unaudited) KD	30 Sept. 2011 (Unaudited) KD
Condensed consolidated statement of income				
Interest income	428	107	1,171	1,945
Management fees	11,683	11,715	34,796	34,764
Purchase of raw materials	28,110	123,067	216,019	815,185
Compensation of key management personnel				
Short term employee benefits	50,501	48,089	159,971	157,759
End of service benefits	7,903	7,799	26,035	32,000
Cost of share based payments	-	141,531	117,424	209,762
	58,404	197,419	303,430	399,521

16 Commitments and contingent liabilities

	30 Sept. 2012 (Unaudited) KD	31 Dec. 2011 (Audited) KD	30 Sept. 2011 (Unaudited) KD
Commitments to purchase investment securities	5,000,000	1,400,500	1,385,250
Letters of guarantee	482,000	482,000	482,000
Letter of guarantee from parent company	200,000	200,000	200,000
	5,682,000	2,082,500	2,067,250

Notes to the interim condensed consolidated financial information (continued)

17 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 2011.