Interim condensed consolidated financial information and review report

National Industries Company – KPSC and Subsidiaries

Kuwait

31 March 2016 (Unaudited)

Contents

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Report on review of interim condensed consolidated financial information

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of National Industries Company (Kuwaiti Public Shareholding Company) (the "Parent Company") and its subsidiaries (collectively the "Group") as of 31 March 2016 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 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 Parent Company. We further report that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016 and the Executive Regulations of Law No. 25 of 2012, as amended, or of the Memorandum of Incorporation and Articles of Association of the Parent Company, as amended, have occurred during the three-month period ended 31 March 2016 that might have had a material effect on the business or financial position of the Parent Company.

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Kuwait
15 May 2016

Interim condensed consolidated statement of profit or loss

	Notes	Three months ended 31 March 2016 (Unaudited) KD	Three months ended 31 March 2015 (Unaudited) KD
Revenue			
Revenue from sales and services		**11,481,317**	12,615,571
Cost of sales and services		**(9,347,670)**	(9,019,016)
Gross profit		**2,133,647**	3,596,555
Other operating income		**279,644**	42,126
Share of results of associates		**259,625**	112,620
Investment income	5	**69,372**	67,981
Foreign exchange (loss)/gain		**(4,300)**	63,493
		2,737,988	3,882,775
Expenses and other charges			
Distribution expenses		**(607,270)**	(534,894)
General administrative and other expenses		**(985,187)**	(1,174,347)
Finance costs		**(541)**	(2,937)
Impairment loss on available for sale investments		**-**	(44,854)
		(1,592,998)	(1,757,032)
Profit before contribution to KFAS, NLST and Zakat		**1,144,990**	2,125,743
Provision for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		**(10,085)**	(17,792)
Provision for National Labour Support Tax (NLST)		**(33,056)**	(49,743)
Provision for Zakat		**(13,222)**	(18,855)
Profit for the period		**1,088,627**	2,039,353
Attributable to :			
Owners of the parent company		**1,064,198**	2,006,749
Non-controlling interests		**24,429**	32,604
Profit for the period		**1,088,627**	2,039,353
Basic earnings per share attributable to the owners of the parent company	6	**3.06 (Fils)**	5.78 (Fils)
Diluted earnings per share attributable to the owners of the parent company	6	**3.04 (Fils)**	5.75 (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 profit or loss and other comprehensive income

	Three months ended 31 March 2016 (Unaudited) KD	Three months ended 31 March 2015 (Unaudited) KD
Profit for the period	**1,088,627**	2,039,353
Other comprehensive income:		
Items that will be reclassified subsequently to interim condensed consolidated statement of profit or loss		
Available for sale investments:		
- Net change in fair value during the period	**(1,039,713)**	(681,326)
- Transferred to interim condensed consolidated statement of profit or loss on sale	**9,914**	44,854
Exchange differences arising on translation of foreign operations	**(16,892)**	97,433
Share of other comprehensive income of associates	**-**	3,560
Total other comprehensive loss	**(1,046,691)**	(535,479)
Total comprehensive income for the period	**41,936**	1,503,874
Total comprehensive income attributable to:		
Owners of the parent company	**35,944**	1,422,554
Non-controlling interests	**5,992**	81,320
	41,936	1,503,874

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 financial position

	Notes	31 March 2016 (Unaudited) KD	31 Dec. 2015 (Audited) KD	31 March 2015 (Unaudited) KD
Assets				
Non-current assets				
Property, plant and equipment		**27,104,516**	27,068,220	27,627,876
Investment in associates		**5,464,850**	5,185,237	3,178,355
Available for sale investments	7	**35,633,929**	36,952,921	37,382,204
		68,203,295	69,206,378	68,188,435
Current assets				
Inventories and spare parts		**18,808,598**	18,675,127	15,983,233
Investments at fair value through profit or loss		**1,908,810**	1,961,526	2,243,007
Accounts receivable and other assets		**14,055,826**	12,898,091	13,036,765
Fixed deposits	8	**8,245,000**	7,225,000	7,725,000
Cash and bank balances		**4,458,736**	3,796,195	6,684,909
		47,476,970	44,555,939	45,672,914
Total assets		**115,680,265**	113,762,317	113,861,349
Equity and liabilities				
Equity				
Share capital	9	**34,869,563**	34,793,545	34,793,545
Share premium	9	**32,301,213**	32,202,714	32,202,714
Treasury shares	10	**(36,371)**	(34,236)	(6,440)
Legal reserve		**4,653,899**	4,653,899	3,825,928
Voluntary reserve		**2,743,107**	2,743,107	2,243,107
Staff bonus shares reserve		**260,902**	250,002	250,002
Other components of equity	11	**7,048,968**	8,077,222	9,403,614
Retained earnings		**8,191,602**	7,127,404	8,308,437
Total equity attributable to the owners of the parent company		**90,032,883**	89,813,657	91,020,907
Non-controlling interests		**5,632,536**	5,626,544	2,934,431
Total equity		**95,665,419**	95,440,201	93,955,338
Non-current liabilities				
Provision for land-fill expenses		**748,128**	741,570	725,671
Provision for employees' end of service benefits		**5,127,847**	4,900,778	4,843,640
		5,875,975	5,642,348	5,569,311
Current liabilities				
Murabaha payables		**695,372**	635,973	414,793
Accounts payable and other liabilities		**13,443,499**	12,043,795	13,921,907
		14,138,871	12,679,768	14,336,700
Total liabilities		**20,014,846**	18,322,116	19,906,011
Total equity and liabilities		**115,680,265**	113,762,317	113,861,349

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 11) KD	Retained earnings KD	Sub-total KD	KD	KD
Balance at 1 January 2016	34,793,545	32,202,714	(34,236)	4,653,899	2,743,107	250,002	8,077,222	7,127,404	89,813,657	5,626,544	95,440,201
Purchase of treasury shares	-	-	(2,135)	-	-	-	-	-	(2,135)	-	(2,135)
Cost of share based payment (note 9)	-	-	-	-	-	185,417	-	-	185,417	-	185,417
Issue of staff bonus shares (note 9)	76,018	98,499	-	-	-	(174,517)	-	-	-	-	-
Transaction with shareholders	76,018	98,499	(2,135)	-	-	10,900	-	-	183,282	-	183,282
Profit for the period	-	-	-	-	-	-	-	1,064,198	1,064,198	24,429	1,088,627
Other comprehensive loss for the period	-	-	-	-	-	-	(1,028,254)	-	(1,028,254)	(18,437)	(1,046,691)
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	(1,028,254)	1,064,198	35,944	5,992	41,936
Balance at 31 March 2016	**34,869,563**	**32,301,213**	**(36,371)**	**4,653,899**	**2,743,107**	**260,902**	**7,048,968**	**8,191,602**	**90,032,883**	**5,632,536**	**95,665,419**

Interim condensed consolidated statement of changes in equity (continued)

	Equity attributable to the owners of the parent company									Non-controlling interests	Total
	Share capital KD	Share premium KD	Treasury shares KD	Legal reserve KD	Voluntary reserve KD	Staff bonus shares reserve KD	Other components of equity (note 11) KD	Retained earnings KD	Sub-total KD	KD	KD
Balance at 1 January 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	2,853,111	92,198,121
Cost of share based payment	-	-	-	-	-	253,343	-	-	253,343	-	253,343
Issue of staff bonus shares	117,762	182,061	-	-	-	(299,823)	-	-	-	-	-
Transaction with shareholders	117,762	182,061	-	-	-	(46,480)	-	-	253,343	-	253,343
Profit for the period	-	-	-	-	-	-	-	2,006,749	2,006,749	32,604	2,039,353
Other comprehensive (loss)/income for the period	-	-	-	-	-	-	(584,195)	-	(584,195)	48,716	(535,479)
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	(584,195)	2,006,749	1,422,554	81,320	1,503,874
Balance at 31 March 2015	**34,793,545**	**32,202,714**	**(6,440)**	**3,825,928**	**2,243,107**	**250,002**	**9,403,614**	**8,308,437**	**91,020,907**	**2,934,431**	**93,955,338**

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 2016 (Unaudited)	Three months ended 31 March 2015 (Unaudited)
	KD	KD
OPERATING ACTIVITIES		
Profit for the period	1,088,627	2,039,353
Adjustments:		
Depreciation of property, plant and equipment	851,605	849,072
Loss on write off of property, plant and equipment	12,000	14,155
Share of results of associates	(259,625)	(112,620)
Loss on sale of available for sale investments	10,330	-
Impairment loss on available for sale investment	-	44,854
Dividend income from available for sale investments	-	(99,707)
Income from short term murabaha investments	(72,686)	(57,550)
Share based payment	185,417	253,343
Interest income	(1,392)	(7,427)
Finance costs	541	2,937
Foreign exchange gain on non-operating assets and liabilities	(27,270)	(100,751)
Provision for land-fill expenses	6,558	1,523
Provision for staff indemnity	432,374	333,349
	2,226,479	3,160,531
Changes in operating assets and liabilities:		
Inventories and spare parts	(133,471)	397,580
Investments at fair value through statement of profit or loss	52,716	146,369
Accounts receivable and other assets	(1,157,735)	(2,066,416)
Accounts payable and other liabilities	1,399,704	1,354,775
Cash from operations	2,387,693	2,992,839
Staff indemnity paid	(205,305)	(216,861)
Net cash from operating activities	2,182,388	2,775,978
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(929,339)	(359,329)
Proceeds from sale of available for sale investments	298,691	1,429
Dividend income received from available for sale investments	-	99,707
Fixed deposit	(1,020,000)	(4,000,000)
Interest income received	1,392	7,427
Income received from murabaha investments	72,686	-
Dividend income from associate	-	57,550
Net cash used in investing activities	(1,576,570)	(4,193,216)
FINANCING ACTIVITIES		
Repayment of term loans	-	(102,446)
Repayments of murabaha payables	-	(243,921)
Purchase of treasury shares	(2,135)	-
Proceeds from murabaha payables	59,399	29,334
Finance costs paid	(541)	(2,937)
Net cash from/(used in) financing activities	56,723	(319,970)
Net increase/(decrease) in cash and cash equivalents	662,541	(1,737,208)
Cash and cash equivalents at beginning of the period	3,796,195	8,422,117
Cash and cash equivalents at end of the period	4,458,736	6,684,909

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 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 new Companies Law No. 1 of 2016 was issued on 24 January 2016 and published in the Official Gazette on 1 February 2016 which cancelled Law No. 25 of 2012 and its amendments thereto, as stipulated in article (5) thereto. The new Law will be effective retrospectively from 26 November 2012 and the executive regulations of Law No. 25 of 2012 will remain effective pending the issuance of the new executive regulations.

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 15 May 2016.

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 2015 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 March2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016. For further details, refer to the consolidated financial statements and its disclosures for the year ended 31 December 2015.

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 2016. Information on these new standards is presented below:

Standard or Interpretation	*Effective for annual periods beginning*
IFRS 10 and IAS 28 Sale or Contribution of Assets between and an Investor and its Associate or Joint Venture - Amendments	No stated date
IFRS 11 Accounting for Acquisitions of Interests in Joint Operations - Amendments	1 January 2016
IAS 1 'Disclosure Initiative - Amendments	1 January 2016
IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments	1 January 2016
IAS 27 Equity Method in Separate Financial Statements - Amendments	1 January 2016
IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception - Amendments	1 January 2016
Annual Improvements to IFRSs 2012–2014 Cycle	1 January 2016

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

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

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

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

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

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)

IFRS 11 Accounting for Acquisitions of Interests in Joint Operations - Amendments

Amendments to IFRS 11 Joint Arrangements require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) to apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11. It also requires disclosure of the information required by IFRS 3 and other IFRSs for business combinations.

The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured). The amendments apply prospectively to acquisitions of interests in joint operations.

IAS 1 Disclosure Initiative – Amendments

The Amendments to IAS 1 make the following changes:

- *Materiality*: The amendments clarify that (1) information should not be obscured by aggregating or by providing immaterial information, (2) materiality considerations apply to the all parts of the financial statements, and (3) even when a standard requires a specific disclosure, materiality considerations do apply.

- *Statement of financial position and statement of profit or loss and other comprehensive income*: The amendments (1) introduce a clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and (2) clarify that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

- *Notes*: The amendments add additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1. The IASB also removed guidance and examples with regard to the identification of significant accounting policies that were perceived as being potentially unhelpful.

IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments

Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets address the following matters:

- a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment
- an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is generally inappropriate except for limited circumstances
- expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

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)

IAS 27 Equity Method in Separate Financial Statements - Amendments
The Amendments to IAS 27 Separate Financial Statements permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

IFRS 10, IFRS 12 and IAS 28 'Investment Entities: Applying the Consolidation Exception - Amendments
The Amendments are aimed at clarifying the following aspects:

- *Exemption from preparing consolidated financial statements.* The amendments confirm that the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.

- *A subsidiary providing services that relate to the parent's investment activities.* A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity.

- *Application of the equity method by a non-investment entity investor to an investment entity investee.* When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.

- *Disclosures required.* An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

Annual Improvements to IFRSs 2012–2014 Cycle
(i) *Amendments to* IFRS 5 - Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued

(ii) *Amendments to IFRS 7* - Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements

(iii) *Amendments to IAS 19* - Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid

(iv) *Amendments to IAS 34* - Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference

3.2 IASB Standards issued but not yet effective
At the date of authorisation of this consolidated interim 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.

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)

Management anticipates that all of the relevant pronouncements will be adopted in the group's accounting policies for the first period beginning after the effective date of the pronouncements. Information on new standards, amendments and interpretations that are expected to be relevant to the group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the group's financial statements.

Standard or Interpretation	*Effective for annual periods beginning*
IAS 12 Income Taxes - Amendments	1 January 2017
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 16 Leases	1 January 2019

IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses - Amendments

The Amendments to IAS 12 make the following changes:

- Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type

IFRS 9 Financial Instruments

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

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

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

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective (continued)

IFRS 9 Financial Instruments (continued)

- if the group continues to elect the fair value option for certain financial liabilities, fair value movements will be presented in other comprehensive income to the extent those changes relate to the group's own credit risk.

IFRS 15 Revenue from Contracts with Customers

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

The five steps in the model are as follows:

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

The standard includes important guidance, such as

- Contracts involving the delivery of two or more goods or services – when to account separately for the individual performance obligations in a multiple element arrangement, how to allocate the transaction price, and when to combine contracts
- timing – whether revenue is required to be recognized over time or at a single point in time
- variable pricing and credit risk – addressing how to treat arrangements with variable or contingent (e.g. performance-based) pricing, and introducing an overall constraint on revenue
- time value – when to adjust a contract price for a financing component
- specific issues, including –
  - o non-cash consideration and asset exchanges
  - o contract costs
  - o rights of return and other customer options
  - o supplier repurchase options
  - o warranties
  - o principal versus agent
  - o licencing
  - o breakage
  - o non-refundable upfront fees, and
  - o consignment and bill-and-hold arrangements.

IFRS 16 Leases

The new Standard requires lessees to account for leases 'on-balance sheet' by recognising a 'right of use' asset and a lease liability. It will affect most companies that report under IFRS and are involved in leasing, and will have a substantial impact on the financial statements of lessees of property and high value equipment. For many other businesses, however, exemptions for short-term leases and leases of low value assets will reduce the impact.

Notes to the interim condensed consolidated financial information (continued)

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 2015.

5 Investment income

	Three months ended 31 March 2016 (Unaudited) KD	Three months ended 31 March 2015 (Unaudited) KD
Dividend income from available for sale investments	-	99,707
Loss on sale of available for sale Investments	(10,330)	-
Income/(loss) from investments at fair value through profit or loss	5,624	(96,703)
Income from short term murabaha	72,686	57,550
Interest and other income	1,392	7,427
	69,372	67,981

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 31 March 2016 (Unaudited)	Three months ended 31 March 2015 (Unaudited)
Profit for the period attributable to the owners of the parent (KD)	1,064,198	2,006,749
Weighted average number of shares outstanding during the period to be used for basic earnings pershare (excluding treasury shares)	347,794,570	347,326,705
Shares to be issued for no consideration under share based payments	1,764,135	1,508,186
Weighted average number of shares to be used for diluted earnings per share (excluding treasury shares)	349,558,705	348,834,891
Basic earnings per share attributable to the owners of the parent company	3.06 Fils	5.78 Fils
Diluted earnings per share attributable to the owners of the parent company	3.04 Fils	5.75 Fils

Notes to the interim condensed consolidated financial information (continued)

7 Available for sale investments

	31 March 2016 (Unaudited) KD	31 Dec. 2015 (Audited) KD	31 March 2015 (Unaudited) KD
Local quoted securities	**7,874,102**	8,730,428	12,090,714
Local unquoted securities	**5,959,897**	6,268,232	6,724,590
Foreign quoted securities	**1,559,108**	1,692,691	1,605,780
Foreign unquoted securities	**15,246,701**	15,264,511	13,975,406
Murabaha investment	**4,994,121**	4,997,059	2,985,714
	35,633,929	36,952,921	37,382,204

8 Fixed deposits

Fixed deposits carry average interest rate of 1.5% (31 December 2015: 1.8% and 31 March 2015: 1.5%) per annum and mature within one year of the financial position date.

9 Share capital and share premium

	31 March 2016 (Unaudited)	31 Dec. 2015 (Audited)	31 March 2015 (Unaudited)
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	**34,869,563**	34,793,545	34,793,545

During the period, the parent company issued 760,185 shares (31 December 2015: 1,177,629 shares and 31 March 2015: 1,177,629 shares) under the staff share based payment scheme at price ranging from KD0.200 to KD0.335 per share. The amount in excess of the nominal amount of KD0.100 each was credited to the share premium account.

10 Treasury shares

	31 March 2016 (Unaudited)	31 Dec. 2015 (Audited)	31 March 2015 (Unaudited)
Number of shares	**149,881**	140,872	19,932
Percentage of issued shares	**0.04%**	0.04%	0.01%
Cost of treasury shares (KD)	**36,371**	34,236	6,440
Market value (KD)	**33,873**	31,837	4,146

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

Notes to the interim condensed consolidated financial information (continued)

11 Other components of equity

	Fair value reserve KD	Foreign currency translation reserve KD	Total KD
Balance at 1 January 2016	**7,902,268**	**174,954**	**8,077,222**
Exchange differences arising on translation of foreign operations	-	1,545	1,545
Available for sale investments:			
- Net change in fair value arising during the period	(1,039,713)	-	(1,039,713)
- Transferred to interim condensed consolidated statements of profit or loss on sale	9,914	-	9,914
Total other comprehensive (loss)/income for the period	(1,029,799)	1,545	(1,028,254)
Balance at 31 March 2016 (Unaudited)	**6,872,469**	**176,499**	**7,048,968**
Balance at 1 January 2015	9,951,418	36,391	9,987,809
Exchange differences arising on translation of foreign operations	-	48,717	48,717
Share of other comprehensive income of associates	(2,208)	5,768	3,560
Available for sale investments:			
- Net change in fair value arising during the period	(681,326)	-	(681,326)
- Transferred to interim condensed consolidated statement of profit or loss on impairment	44,854	-	44,854
Total other comprehensive (loss)/income for the period	(638,680)	54,485	(584,195)
Balance at 31 March 2015 (Unaudited)	9,312,738	90,876	9,403,614

12 Dividends

The Annual General Assembly of shareholders held on 23 April 2016, approved the consolidated financial statements for the year ended 31 December 2015 and cash dividend of 20 Fils (2014: 15 Fils) per share amounting to KD6,970,189 (2014: KD5,216,650) for the year ended 31 December 2015 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	
	31 March 2016 (Unaudited) KD	31 March 2015 (Unaudited) KD	**31 March 2016 (Unaudited) KD**	31 March 2015 (Unaudited) KD	**31 March 2016 (Unaudited) KD**	31 March 2015 (Unaudited) KD
Three months ended:						
Segment revenue	**11,481,317**	12,615,571	**69,372**	67,981	**11,550,689**	12,683,552
Loss from investment	-	-	-	(44,854)	-	(44,854)
Share of results of associates	-	-	**259,625**	112,620	**259,625**	112,620
					11,810,314	12,751,318
Segment results	**820,834**	1,929,440	**328,997**	135,747	**1,149,831**	2,065,187
Unallocated expenses					**(61,204)**	(25,834)
Profit for the period per interim condensed consolidated statement of profit or loss					**1,088,627**	2,039,353
Depreciation	**851,605**	849,072	-	-	**851,605**	849,072
Total assets	**59,304,001**	52,692,299	**56,376,264**	61,169,050	**115,680,265**	113,861,349

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.

Notes to the interim condensed consolidated financial information (continued)

14 Related party transactions (contiuned)

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

	31 March 2016 (Unaudited) KD	31 Dec. 2015 (Audited) KD	31 March 2015 (Unaudited) KD
Amounts included in interim condensed consolidated statement of financial position			
Due from ultimate parent company (included in accounts receivable and other assets)	**434,546**	448,139	1,358,892
Due from other related companies (included in accounts receivable and other assets)	**230,390**	231,640	9,023
Due from associate (included in accounts receivable and other assets)	**9,023**	9,023	2,596,682
Due to other related companies (non-controlling interests)	**440,951**	439,039	2,434,894

	Three months ended 31 March 2016 (Unaudited) KD	Three months ended 31 March 2015 (Unaudited) KD
Interim condensed consolidated statement of profit or loss		
Interest income	**1,383**	4,152
Transactions included in interim condensed consolidated statement of profit or loss		
Compensation of key management personnel		
Short term employee benefits	**66,855**	67,395
End of service benefits	**35,164**	12,525
Cost of share based payments	**105,029**	118,617
	207,048	198,537

15 Commitments and contingent liabilities

	31 March 2016 (Unaudited) KD	31 Dec. 2015 (Audited) KD	31 March 2015 (Unaudited) KD
Capital commitments	**-**	-	2,821
Letters of guarantee	**4,637,523**	4,637,523	4,289,889
Letters of guarantee from ultimate parent company	**200,000**	200,000	200,000
	4,837,523	4,837,523	4,492,710

During the previous year, the parent company received a letter from one of the government owned entities which supplies gas to one of the factories of the group demanding payment for usage of gas for 2004 till 2011. The group rejected this claim on several grounds, inter alia, there has never been agreement to pay for gas usage for that period because the factory was relocated at that place on the government's request wherein the government had promised provision of land, electrify and gas. Further, no invoice was ever issued to the group in that period. The supplier filed a legal case against the parent company claiming its right to recover the amount for the gas usage. The court in its first hearing transferred the case to the Expert's department. Management believes that the likelihood of any payment against the claim of the supplier is remote. Therefore, no liability has been recorded in these interim condensed consolidated financial information against the legal claim.

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 2015.

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:

	31 March 2016 (Unaudited) KD	31 Dec. 2015 (Audited) KD	31 March 2015 (Unaudited) KD
Financial assets:			
Loans and receivables at amortised cost:			
- Cash and bank balances	**4,458,736**	3,796,195	6,684,909
- Fixed deposits	**8,245,000**	7,225,000	7,725,000
- Accounts receivable and other assets	**14,055,826**	12,898,091	13,036,765
Investments at fair value through profit or loss at fair value:			
Investments at fair value through profit or loss	**1,908,810**	1,961,526	2,243,007
Available for sale investments:			
Available for sale investments at fair value	**30,009,469**	31,325,523	33,766,151
Available for sale investments at cost	**630,339**	630,339	630,339
Murabaha investment	**4,994,121**	4,997,059	2,985,714
	64,302,301	62,833,733	67,071,885
Financial liabilities:			
Financial liabilities at amortised cost:			
Accounts payable and other liabilities	**13,443,499**	12,043,795	13,921,907
Murabaha payables	**695,372**	635,973	414,793
	14,138,871	12,679,768	14,336,700

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:

31 March 2016 (Unaudited)

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through profit or loss:				
Quoted equity securities	351,570	-	-	351,570
Managed funds and portfolios	-	1,557,240	-	1,557,240
Available for sale investments:				
Local quoted securities	7,874,106	-	-	7,874,106
Local unquoted securities	-	-	5,959,897	5,959,897
Foreign quoted securities	1,559,108	-	-	1,559,108
Foreign unquoted securities	-	-	14,616,361	14,616,361
	9,784,784	1,557,240	20,576,258	31,918,282

31 December 2015 (Audited)

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through profit or loss				
Quoted securities	351,570	-	-	351,570
Managed funds and portfolios	-	1,609,956	-	1,609,956
Available for sale investments				
Local quoted securities	8,730,428	-	-	8,730,428
Local unquoted securities	-	-	6,268,232	6,268,232
Foreign quoted securities	1,692,691	-	-	1,692,691
Foreign unquoted securities	-	-	14,634,172	14,634,172
	10,774,689	1,609,956	20,902,404	33,287,049

Notes to the interim condensed consolidated financial information (continued)

17 Fair value measurement (continued)

17.2 Fair value measurement of financial instruments (continued)

31 March 2015 (Unaudited)

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through profit or loss				
Quoted equity securities	536,001	-	-	536,001
Managed funds and portfolios	-	1,707,006	-	1,707,006
Available for sale investments:				
Local quoted securities	12,090,713	-	-	12,090,713
Local unquoted securities	-	-	6,724,590	6,724,590
Foreign quoted securities	1,605,781	-	-	1,605,781
Foreign unquoted securities	-	-	13,345,066	13,345,066
Net fair value	14,232,495	1,707,006	20,069,656	36,009,157

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:

	31 March 2016 (Unaudited) KD	31 Dec. 2015 (Audited) KD	31 March 2015 (Unaudited) KD
Opening balance	**20,902,404**	20,094,419	20,094,419
Gains or losses recognised in:			
- Consolidated statement of profit or loss	**(10,330)**	(102,228)	-
- Other comprehensive income	**(39,896)**	1,563,022	(24,763)
Sales	**(275,920)**	(652,809)	-
Closing balance	**20,576,258**	20,902,404	20,069,656

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

Notes to the interim condensed consolidated financial information (continued)

17 Fair value measurement (continued)

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

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

The impact on interim condensed consolidated statement of 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%.